IMPORTANT NOTICE
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER
(1) QIBS/QPS (AS DEFINED BELOW) OR
(2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the "Offering Memorandum"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your Representation: You have accessed the attached document on the basis that you have confirmed your representation to the Dealers (as defined in the attached Offering Memorandum) that:

(1) either (i) you are a non-U.S. person outside the United States and, to the extent you purchase the securities described in the attached Offering Memorandum you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") or (ii) you are acting on behalf of, or you are, a qualified institutional buyer ("QIB") as defined in Rule 144A under the Securities Act and a qualified purchaser ("QP") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), in each case purchasing for your own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion, and

(2) you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Dealers nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

Restrictions: The attached Offering Memorandum is being furnished in connection with offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND IN A TRANSACTION THAT DOES NOT CAUSE ANY REGISTRATION UNDER THE INVESTMENT COMPANY ACT.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer or guarantor of the securities or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING MEMORANDUM

US$3,000,000,000
Medium Term Note Program

China Cinda Finance (2015) I Limited

(a BVI business company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd.)
(as KW Notes Issuer)
unconditionally and irrevocably guaranteed by

China Cinda (HK) Holdings Company Limited

(incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of China Cinda Asset Management Co., Ltd.)

and with the benefit of a Keepwell Deed and a Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking

or

China Cinda Finance (2015) II Limited

(a BVI business company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd.)
(as Guaranteed Notes Issuer)
unconditionally and irrevocably guaranteed by

China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)

(a financial enterprise incorporated in the People's Republic of China)

Under the US$3,000,000,000 Medium Term Note Program described in this offering memorandum (the "Program"), (1) China Cinda Finance (2015) I Limited (the "KW Notes Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "KW Notes") unconditionally and irrevocably guaranteed (the "HK Guarantee") by China Cinda (HK) Holdings Company Limited (the "HK Guarantor") and (2) China Cinda Finance (2015) II Limited (the "Guaranteed Notes Issuer", together with the KW Notes Issuer, the "Issuers"), subject to compliance with all relevant laws, regulations and directive, may from time to time issue notes (the "Guaranteed Notes", together with KW Notes, the "Notes") unconditionally and irrevocably guaranteed (the "PRC Guarantee", together with the HK Guarantee, the "Guarantees") by China Cinda Asset Management Co., Ltd. (the "Company", together with the HK Guarantor, the "Guarantors"). The Issuers are indirect wholly-owned subsidiaries of the Company.

The KW Notes Issuer, the HK Guarantor and the Company will enter into a keepwell deed on or about April 13, 2015 with The Bank of New York Mellon (the "Trustee") as trustee of the KW Notes (the "Keepwell Deed") as further described in "Description of the Keepwell Deed". The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the KW Notes Issuer under the KW Notes or of the HK Guarantor under the HK Guarantee and will only be applicable to the KW Notes.

The KW Notes Issuer, the HK Guarantor and the Company will also enter into a deed of equity interest purchase, investment and liquidity support undertaking on or about April 13, 2015 with the Trustee (the "Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking") as further described in "Description of the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking." The Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking does not constitute a guarantee by the Company of the obligations of the KW Notes Issuer under the KW Notes or of the HK Guarantor under the HK Guarantee and will only be applicable to the KW Notes.

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed US$3,000,000,000 (or its equivalent in other currencies, subject to any duly authorized increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" or any additional Dealer appointed under the Program from time to time by the relevant Issuer and the relevant Guarantor (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this offering memorandum to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Program by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) only during the 12-month period from the date of this offering memorandum on the Hong Kong Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Series or Tranche (as defined in the "Summary of the Program") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Series or Tranche. This offering memorandum may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or any other stock exchange.

Each Series of Notes in bearer form ("Bearer Notes") will be represented on issue by a temporary global note (each a "Temporary Global Note") or a permanent global note (each a "Permanent Global Note"), and will be sold to non-U.S. persons in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act"). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes (together with the Temporary Global Notes, the "Global Notes"), or if so stated in the relevant Pricing Supplement, definitive Notes ("Definitive Notes"), on or after the Exchange Date (as defined herein), upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "Form of the Note".

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other place. The Issuers and the HK Guarantor have not been and will not be registered under the Investment Company Act in reliance on Section 3(c)(7) of the Investment Company Act, which in general excludes from the definition of an investment company any issuer whose outstanding securities are purchased only by QPs. Accordingly, the Notes and the Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in a transaction that does not cause the Issuers and the Guarantors to be required to register under the Investment Company Act. The Notes and the Guarantees may be offered and sold only: (i) to a person who is both a QIB and a QP, in each case purchasing for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (ii) to a non-U.S. person (as defined in the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act, and in each case, in accordance with any other applicable law. Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see "Subscription and Sale" and "Transfer Restrictions."

The Guaranteed Notes issuable under the Program are expected to be assigned a rating of "A3" by Moody's Investors Service, Inc. ("Moody's"), a rating of "A-" by Standard & Poor's Ratings Services ("S&P") and a rating of "A" by Fitch Ratings Ltd. ("Fitch"). The KW Notes issuable under the Program are expected to be assigned a rating of "Baa1" by Moody's, a rating of BBB+ by S&P and a rating of "A" by Fitch. In addition, the Company has been assigned a rating of "A3" by Moody's, a rating of "A-" by S&P and a rating of "A" by Fitch. These ratings are only correct as at the date of this offering memorandum. Tranches or Series of Notes (as defined in "Summary of the Program") to be issued under the Program may be rated or unrated. Where a Tranche or Series of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Program. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Program involves certain risks and may not be suitable for all investors. See "Risk Factors" beginning on page 33 for a discussion of factors that you should consider carefully before investing in the Notes.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuers, the HK Guarantor and the Company and the Notes. The Issuers, the HK Guarantor and the Company accept full responsibility for the accuracy of the information contained in this offering memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading in any material respect.

Arrangers

BOC International	BofA Merrill Lynch	Credit Suisse	Cinda International Capital Limited	CCB International	CITIC Securities International

Dealers

BOC International	BofA Merrill Lynch	Credit Suisse	Cinda International Capital Limited	CCB International	CITIC Securities International
UBS	Deustche Bank	Wing Lung Bank Limited	ABC International	ICBC (Asia)	Morgan Stanley

Bank of China (Hong Kong)	Haitong International	DBS Bank Ltd.	Standard Chartered Bank	China Merchants Securities (HK)

The date of this offering memorandum is April 13, 2015.

IMPORTANT NOTICE

This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. In addition, there may be legal restrictions on the distribution of this offering memorandum and the offering of the Notes in certain jurisdictions. If you come into possession of this offering memorandum, we and BOCI Asia Limited, Merrill Lynch International, Credit Suisse Securities (Europe) Limited, Cinda International Capital Limited, CCB International Capital Limited, CITIC Securities Corporate Finance (HK) Limited (collectively, the "Arrangers") require that you inform yourself about and observe any such restrictions. See "Subscription and Sale" and "Transfer Restrictions" in this offering memorandum. Prospective purchasers are hereby notified that the seller of the securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Neither the SEC nor any state securities commission or regulatory authority in the United States has approved or disapproved these securities or determined if this offering memorandum is truthful, complete or adequate. Any representation to the contrary is a criminal offense.

This offering memorandum is confidential. We are furnishing this offering memorandum solely for the purpose of enabling you to consider the purchase of the Notes. If you have any doubt about this offering memorandum, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. Each prospective investor will be deemed to acknowledge that it has not relied on the Arrangers, the Dealers (as defined below), the Trustee, the Paying Agent, the Transfer Agent or the Registrar in connection with its investigation of the accuracy of the information contained in this offering memorandum or its investment decision. In making an investment decision, each prospective investor must rely on its own examination of the Company and the terms of the Notes, including, without limitation, the merits and risks involved. Each person receiving this offering memorandum is advised to read and understand the contents of this offering memorandum, including the financial statements and the related notes thereto, before investing in the Notes. We have provided the information contained in this offering memorandum and have also relied on other identified sources. The Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar have not independently verified any of the information contained in this offering memorandum and they make no representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this offering memorandum as a promise or representation by the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any of their respective affiliates accept any responsibility or liability in relation to information contained in this offering memorandum, statement made or purported to be made by any of the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or on its behalf or any other information provided by us in connection with the Issuers, the HK Guarantor, the Group (as defined herein), the Notes, the Guarantees, the Keepwell Deed, the Deed of Equity Interest Purchase and Investment Undertaking or the offering of the Notes. You should not reproduce or distribute this offering memorandum, in whole or in part, and should not disclose any contents or use any information in this offering memorandum for any purpose other than considering an investment in the Notes. None of the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any of their respective affiliates undertakes to review the financial condition or affairs of the Issuers, the HK Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or their respective affiliates. By accepting delivery of this offering memorandum, you agree to these terms.

Each Series (as defined herein) of Notes will be issued on the terms set out herein under "Description of the Notes and Guarantees" as amended and/or supplemented by the Pricing Supplement specific to such Series. This offering memorandum must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of Notes, must be read and construed together with the relevant Pricing Supplement.

Neither the delivery of this offering memorandum or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this offering memorandum is true subsequent to the date hereof or the date upon which this offering memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuers, the HK Guarantor and the Company since the date thereof or, if later, the date upon which this offering memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum and must obtain any consents, approvals or permissions required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Company, the HK Guarantor, the Issuers, the Arrangers or the Dealers shall have any responsibility therefor. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or their affiliates is a licensed broker or dealer in that Jurisdiction, the offering shall be deemed to be made by the relevant Dealer or its affiliate on behalf of the relevant Issuer in such jurisdiction.

Any offer or sale of the Notes within the United States to qualified institutional buyers ("QIBs," each a "QIB") as defined in Rule 144A will be made by broker-dealers that are registered as such under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Until the expiration of 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in this offering, may violate the registration requirements of the Securities Act if such offer or sale is made other than pursuant to Rule 144A, or another available exemption from the registration requirements of the Securities Act. The Issuers and the HK Guarantor have not been and will not be registered under the Investment Company Act in reliance on Section 3(c)(7) of the Investment Company Act, which in general excludes from the definition of an investment company any issuer whose outstanding securities are purchased only by qualified purchasers ("QPs," each a "QP") as defined in Section 2(a)(51) of the Investment Company Act and related rules. Guaranteed Notes may only be offered or sold within the United States pursuant to Rule 144A if at the time of such offer or sale, the Company is not, and after giving effect to such offer and sale and the application of the proceeds thereof, will not be, required to register as an investment company under the Investment Company Act. The Notes may be also offered or sold to non-U.S. persons in offshore transactions in reliance on Regulation S. Any Series of Notes may be subject to additional selling restrictions. Any additional restrictions on the sale of transfer of any Series of Notes will be specified in the applicable Pricing Supplement for such Notes.

Hong Kong Exchanges and Clearing Limited and The Hong Kong Stock Exchange take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers, the HK Guarantor and the Company. The Issuers, the HK Guarantor and the Company accept full responsibility for the accuracy of the information contained in this offering memorandum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The maximum aggregate principal amount of Notes outstanding at any one time under the Program will not exceed US$3 billion (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Program Agreement). The maximum aggregate principal amount of Notes, which may be outstanding at any one time under the Program, may be increased from time to time, subject to compliance with the relevant provisions of the Program Agreement as defined under "Subscription and Sale."

THIS OFFERING MEMORANDUM MAY NOT BE DISTRIBUTED TO ANY PERSON IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, NOR A SOLICITATION OF ANY OFFER TO PURCHASE, ANY OF THE NOTES, AND NO OFFERING OR SALE OF THE NOTES MAY BE MADE TO ANY PERSON, IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering memorandum, references to

- "AMCs" are to the asset management companies approved for establishment by the State Council, including Cinda, China Huarong Asset Management Co., Ltd., or Huarong, China Great Wall Asset Management Corporation, or Great Wall and China Orient Asset Management Corporation, or Orient;

- "Big Four Banks" are to ICBC, ABC, BOC and CCB;

- "Bitronic" are to Bitronic Limited, a limited company incorporated in British Virgin Islands, and an indirect wholly-owned subsidiary of our Company;

- "CBRC" are to China Banking Regulatory Commission;

- "China" or "PRC" are to People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan for the purpose of this offering memorandum;

- "Cinda," "Company," "our Company," "the Group," "we," "us" and "our" are to China Cinda Asset Management Co., Ltd., a joint stock limited company incorporated in the PRC (unless the context requires otherwise, including any subsidiary of Cinda);

- "Cinda Capital" are to Cinda Capital Management Co., Ltd., a limited company incorporated in the PRC in which we indirectly hold 60% and 40% equity interests through our subsidiaries Cinda Investment and Sino-rock Investment Management Co., Ltd., respectively;

- "Cinda Corporation" are to China Cinda Asset Management Corporation (中國信達資產管理公司), the predecessor of Cinda, a limited company incorporated in the PRC;

- "Cinda Futures" are to Cinda Futures Co., Ltd., a limited company incorporated in the PRC, in which we indirectly hold an 100% equity interest;

- "Cinda HK" or the "HK Guarantor" are to China Cinda (HK) Holdings Company Limited, a limited company incorporated in Hong Kong and a wholly-owned subsidiary of our Company;

- "Cinda International" are to Cinda International Holdings Limited, a limited company incorporated in Bermuda, in which we indirectly hold a 63% equity interest, and which has been listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00111) since August 1, 2000;

- "Cinda Investment" are to Cinda Investment Co., Ltd., a limited company incorporated in the PRC and a wholly-owned subsidiary of our Company;

- "Cinda Leasing" are to Cinda Financial Leasing Co., Ltd., a limited company incorporated in the PRC in which we beneficially hold a 99.56% equity interest;

- "Cinda P&C" are to Cinda Property and Casualty Insurance Co., Ltd., a joint stock limited company incorporated in the PRC in which we hold a 51% equity interest;

- "Cinda Real Estate" are to Cinda Real Estate Co., Ltd., a joint stock limited company incorporated in the PRC, in which we indirectly hold a 58.53% equity interest, and which has been listed on Shanghai Stock Exchange (Stock Code: 600657) since May 24, 1993;

- "Cinda Securities" are to Cinda Securities Co., Ltd., a joint stock limited company incorporated in the PRC, in which we hold a 99.33% equity interest;

- "CSRC" are to China Securities Regulatory Commission;

- "Deeds" are to the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking, collectively;

- “First State Cinda Fund” are to First State Cinda Fund Management Co., Ltd., a limited company incorporated in the PRC in which we hold a 54% equity interest;

- “first-tier cities” are to the metropolises which play a significant role in national politics, economics and other social activities, including Beijing, Shanghai, Guangzhou and Shenzhen;

- “Four AMCs” are to Cinda, Huarong, Great Wall and Orient, collectively;

- “Guaranteed Notes Issuer” are to China Cinda (2015) II Limited, a company incorporated with limited liability on March 4, 2015 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended);

- “Happy Life” are to Happy Life Insurance Co., Ltd., a joint stock limited company incorporated in the PRC in which we directly and indirectly hold a 61.59% equity interest;

- “HK$” and “HK dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region;

- “KW Notes Issuer” are to China Cinda Finance (2015) I Limited, a BVI business company incorporated with limited liability on March 4, 2015 with limited liability under the BVI Business Companies Act, 2004 (as amended) (collectively with Guaranteed Notes Issuer, the “Issuers”);

- “Jingu Trust” are to China Jingu International Trust Co., Ltd., a limited company incorporated in the PRC, in which we hold a 92.29% equity interest;

- “Joint-stock Commercial Banks” are to China CITIC Bank, China Everbright Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Banking Corporation, Evergrowing Bank, China Zheshang Bank, and China Bohai Bank;

- “Large Commercial Banks” are to Industrial and Commercial Bank of China Co., Ltd., or ICBC, Agricultural Bank of China Ltd., or ABC, Bank of China Ltd., or BOC, China Construction Bank Corporation, or CCB, and Bank of Communication Co., Ltd., or BoCOM;

- “MOF” are to the Ministry of Finance of the PRC;

- “RMB” or “Renminbi” are to the Renminbi, the official currency of the PRC;

- “Sinoday” are to Sinoday Limited, a limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of our Company;

- “Sino-Rock Investment” are to Sino-Rock Investment Management Co., Ltd., a limited company incorporated in Hong Kong in which we indirectly hold 30% and 40% equity interests through Cinda HK and Cinda International, respectively;

- “SME(s)” are to small- and medium-sized enterprise(s);

- “SOE(s)” are to state-owned enterprise(s);

- “SOE DES Companies” are to the DES Companies whose distressed indebtedness held by the Four AMCs were swapped for equity in 1999;

- "Strategic Investor(s)" are to the strategic investor(s) of the Company, including the National Council for Social Security Fund of the PRC, or NSSF, UBS AG, or UBS, CITIC Capital Holdings Limited, or CITIC Capital, and Standard Chartered Bank;

- "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America; and

- "Zhongrun Development" are to Zhongrun Economic Development Co., Ltd., a limited company incorporated in the PRC and a wholly-owned subsidiary of our Company.

Solely for your convenience, this offering memorandum contains translations of certain Renminbi amounts into U.S. dollars, Renminbi amounts into Hong Kong dollars, and Hong Kong dollars into U.S. dollars at specified rates. Unless we indicate otherwise, the translation of Renminbi into U.S. dollars has been made at the rate of RMB6.2046 to US$1.00, the noon buying rate in effect on December 31, 2014 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "Federal Reserve Board"); the translation of Hong Kong dollars into U.S. dollars has been made at the rate of HK$7.7531 to US$1.00, the noon buying rate in effect on December 31, 2014 as set forth in the H.10 weekly statistical release of the Federal Reserve Board; and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.78887 to HK$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on December 31, 2014. Further information on exchange rates is set forth in "Exchange Rate Information" in this offering memorandum. You should not construe these translations as representations that the Renminbi amounts have been, could have been or could actually be converted into any U.S. dollar or Hong Kong dollar amounts, or vice versa, as the case may be, or any Hong Kong dollar amounts have been, could have been or could be converted into any U.S. dollar amounts, or vice versa, at the rates indicated or at any rates or at all. Any discrepancies in any table or elsewhere in this offering memorandum between totals and sums of amounts listed herein are due to rounding.

Our financial statements are prepared and presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board ("IASB"), which differ in certain respects from accounting principles generally accepted in certain other countries, including generally accepted accounting principles in the United States ("U.S. GAAP"). The financial statements of the HK Guarantor are prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRS, which differ in certain respects from U.S. GAAP as described in "Summary of Certain Differences between U.S. GAAP and HKFRS."

The statistics and estimates set forth in this offering memorandum relating to the PRC and the industries in which we operate were taken or derived from various official or third party publications. None of the Issuers, the HK Guarantor, the Company, the Arrangers, the Dealers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar makes any representation as to the accuracy and reliability of such statistics and estimates, which may not be consistent with other information compiled within or outside the PRC. Due to possible inconsistent data collection and consolidation methods and other associated data collection difficulties, the statistics and estimates herein may be inaccurate and should not be unduly relied upon.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES, ANY OF THE DEALERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZING MANAGER (INCLUDING ITS AFFILIATES OR ANY PERSON ACTING FOR THEM), MAY ENGAGE IN STABILIZING TRANSACTIONS, OVER-ALLOCATION TRANSACTIONS, SYNDICATE COVERING TRANSACTIONS AND PENALTY BIDS IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATORY REQUIREMENTS. THESE STABILIZING TRANSACTIONS, OVER-ALLOTMENT TRANSACTIONS, SYNDICATE COVERING

TRANSACTIONS AND PENALTY BIDS MAY HAVE THE EFFECT OF RAISING OR MAINTAINING THE MARKET PRICE OF THE RELEVANT SERIES OF NOTES OR PREVENTING OR RETARDING A DECLINE IN THE MARKET PRICE OF THE RELEVANT SERIES OF NOTES. AS A RESULT, THE PRICE OF THE RELEVANT SERIES NOTES MAY BE HIGHER THAN THE PRICE THAT MIGHT OTHERWISE EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME. SUCH STABILIZING MANAGER (INCLUDING ITS AFFILIATES OR ANY PERSON ACTING FOR THEM) IS NOT REQUIRED TO ENGAGE IN THESE ACTIVITIES, AND, IF IT DOES COMMENCE THESE ACTIVITIES, IT MAY END THESE ACTIVITIES AT ANY TIME.

INFORMATION INCORPORATED BY REFERENCE

This offering memorandum should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) of the HK Guarantor and the Company published subsequently to the dates of this offering memorandum as amended and supplemented from time to time and all amendments and supplements from time to time to this offering memorandum, which shall be deemed to be incorporated in, and to form part of, this offering memorandum and which shall be deemed to modify or supersede the contents of this offering memorandum to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this offering memorandum will be available for inspection free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the office of the HK Guarantor and at the corporate trust office of the Trustee (as defined under "Summary of the Program") set out at the end of this offering memorandum.

AVAILABLE INFORMATION

During any period in which any Issuer or Guarantor is not subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the relevant Issuer and Guarantor, respectively, will provide, upon request, to any holder of the Notes, or any prospective purchaser designated by any such holder, information satisfying the requirements of Rule 144A(d)(4)(i) under the Securities Act to permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

TABLE OF CONTENTS

ENFORCEABILITY OF CIVIL LIABILITIES

We are a joint stock limited liability company incorporated in the PRC. The Issuers are incorporated in the British Virgin Islands with limited liability. The HK Guarantor is incorporated in Hong Kong with limited liability. Substantially all of our businesses, assets and operations are located in the PRC. In addition, a majority of our directors, supervisors and executive officers and the experts named herein are residents of the PRC, and substantially all of the assets of such persons are located in the PRC. As a result, it may be difficult for investors to effect service of process upon us or such persons, or to enforce against us our directors, supervisors, officers, or such person judgments obtained in courts or arbitral tribunals outside the PRC predicated upon the laws of jurisdictions other than the PRC, including the civil liability provisions of the U.S. federal or state securities laws.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view towards developing a comprehensive system of commercial law. In particular, legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. As a result of the activities to develop the legal system, the system of laws in the PRC continues to evolve. However, even where adequate law exists, the enforcement of existing laws or contracts may be uncertain and sporadic. The PRC legal system is based on written statutes and their interpretations, and prior court decisions may be cited for reference but have limited weight as precedent. We have been advised by Haiwen & Partners, our PRC legal advisors, that it is uncertain whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against us or our directors, supervisors and officers predicated solely upon the civil liability provisions of the U.S. federal or state securities laws, or (ii) entertain original actions brought in the PRC against us or such persons predicated solely upon the U.S. federal or state securities laws.

We have been advised by Walkers, our British Virgin Islands legal advisors, that a final and conclusive judgment obtained in a court of a foreign country (with which no reciprocal arrangements exist or extend, including the United States) for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for in personam non-money relief, such judgment will be recognised and enforced in the courts of the British Virgin Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the courts of the British Virgin Islands. A final opinion as to the availability of this remedy should be sought when the facts surrounding the foreign court's judgment are known, but, on general principles, it is expected such proceedings to be successful provided that (i) the judgment had not been wholly satisfied; (ii) such court had jurisdiction in the matter and our Company either submitted to the jurisdiction of the foreign court or was resident or carrying on business within such jurisdiction and was duly served with process; (iii) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of a court; (iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the courts of the British Virgin Islands; (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and (vi) applicable rules of British Virgin Islands law permit service out on the debtor in question.

We have been advised by Davis Polk & Wardwell, our Hong Kong legal advisors, that Hong Kong has no arrangement for the reciprocal enforcement of judgments obtained within the United States. There is thus doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

The Notes, the Guarantees and the Indentures (as defined herein) are each governed by the laws of the State of New York. Under the Notes and the Indentures, each of the Issuers and the HK Guarantor (as the case may be) will irrevocably submit to the non-exclusive jurisdiction of any state or United States federal court located in the Borough of Manhattan, the City of New York, New York in any suit, action or proceeding arising out of or relating to the Notes, the Guarantees and the Indentures. The Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking are each governed by Hong Kong law. Under the Deeds, each of the KW Notes Issuer, the HK Guarantor and the Company has submitted to the exclusive jurisdiction of the courts of Hong Kong in respect of any dispute which may arise out of or in connection with the Deeds. Therefore, it may be necessary for the Trustee or holders of Notes to bring parallel proceedings in respect of claims arising under the Notes, the Guarantees or the Indentures (which may be brought in New York courts as described, or other jurisdictions where venue and jurisdiction may be properly established, if any) and claims arising under the Deeds (which can be brought only in courts in Hong Kong).

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical facts contained in this offering memorandum, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those expressed or implied by the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- general political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this offering memorandum and are not a guarantee of future performance. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur in the way we expect, or at all. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set out in this section.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this offering memorandum in connection with our Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"assets in satisfaction of debt"	primarily including foreclosed assets and other assets to discharge debt repayment obligations of the obligors
"AUM"	assets under management
"average securities brokerage commission rate"	equals commission and fee income on securities brokerage of our Group as divided by our brokerage trading volume of stocks and funds in the PRC
"basis point(s)"	a unit relating to interest rates that is equal to 1/100th of a percentage point per annum
"benchmark interest rate"	the benchmark interest rate set by the PBOC on financial institutions' Renminbi deposits
"CAGR"	compound annual growth rate
"Cash Recovery Ratio"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of cash recovered from disposal of distressed assets to the Original Value of distressed assets
"cede"	when an insurer reinsures its insurance risk with another insurer, it "cedes" business
"cession ratio"	the ratio of premiums ceded to reinsurers to gross written premiums
"claim"	a demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which comes within the cover provided on the sum insured by the policy
"Commercial Distressed Assets"	the distressed assets acquired by the Four AMCs that are not Policy Distressed Assets
"Total cost of DES Assets disposed"	for DES Assets classified as available-for-sale financial assets, this is the cost of available-for-sale financial assets disposed. For DES Assets accounted for as interests in associates, this is the book value of interests in associates disposed
"coverage ratio"	allowance for impairment losses of the credit assets divided by impaired loans

"debt-to-equity swap(s)" or "DES"	the practice of converting indebtedness owed by the obligors to their equity
"DES Assets"	assets that include (i) the equity assets that the Company acquired as a result of government mandated equity swaps of distressed debt assets of a number of medium and large SOEs prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company acquired through DES transactions on our own initiative; and (v) the equity portfolio Cinda Corporation received as part of our share capital when we were established in 1999. DES Assets are accounted for as available-for-sale financial assets or interests in associates
"DES Companies"	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity
"distressed assets"	including, but not limited to, distressed debt assets, DES assets, assets in satisfaction of debt and distressed entities
"distressed debt assets"	primarily including loans, accounts receivables and other credit obligations and securities which are overdue, over the near term expected to be overdue or those the obligors have or expected to have difficulties in repaying
"Distressed Entities"	enterprises and other entities that are in a distressed situation ranging from temporary financial and/or operational issues, to those in liquidation procedures. These entities typically need restructuring, liquidation. M&A, financing and other customized financial solutions
"Expense Ratio"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of expenses involved in the disposal of distressed assets to the total amount of cash recovered. These expenses primarily include those relating to remuneration, general administration and business expenses
"FI Distressed Assets"	distressed assets acquired from banks and non-bank financial institutions

"funds transfer pricing"	a process typically used by a bank to measure the performance of its different business units, under which a treasury or central office is created to manage and oversee internal fund-raising and lending. The fund-raising units raise funds from the market at a particular rate and lend the same to the central office at a higher rate; all the lending units borrow the funds from the central office at a particular rate and lend the same to the borrowers at a higher rate. The central office rate is notional in nature and is aligned to market conditions. Thus for all the units there are two rates available to measure the performance. For a deposit-raising unit the difference between interest paid to the deposit-holders and interest receivable from central office is the contribution to the bank's profitability. For a lending division the difference between Interest payable to central office and the interest received from the borrowers is the contribution to the bank's performance
"five-category loan classification system"	a loan classification system generally adopted by banks and other financial institutions in China pursuant to applicable guidelines. It classifies loans into five categories as "normal," "special mention," "substandard," "doubtful" and "loss" based on assessment of various factors affecting obligors' repayment ability
"gross amount"	gross amount of a financial asset is the amount before deduction of any accumulated impairment losses
"gross written premiums" or "GWPs"	gross written premiums as shown in our consolidated financial statements. They include the amount charged on insurance policies issued or reinsured by an insurer for a given period, without deduction for premium ceded to reinsurers. GWPs also include premiums ceded to us from other insurers in our inward reinsurance business. Under IFRS, gross written premiums are recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of hybrid contracts, both of which are also required by Interpretation No. 2. As a result, none or only a portion of the premiums we receive from contracts with investment features are included in gross written premiums whereas all such premiums are included in total written premiums
"insurance density"	premium income per capita, calculated based on the resident population in a country or an area
"insurance penetration"	premium income as a percentage of GDP

"Interpretation No. 2"	The Interpretation No. 2 to New China Accounting Standards (企業會計準則解釋第2號) issued by the MOF on August 7, 2008; the Provisions on the Accounting Treatment on Insurance Contracts (保險合同相關會計處理規定) issued by the MOF on December 22, 2009; the Announcement of Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業實施《企業會計準則解釋第2號》有關事項的通知) issued by the CIRC on January 5, 2009; the Announcement of Further Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業做好《企業會計準則解釋第2號》實施工作的通知) issued by the China Insurance Regulatory Commission ("CIRC") on January 25, 2010 and other related regulations
"IPO"	initial public offering
"life and health insurance"	all insurance business operated by a life and health insurance company, such as life, annuity, health and accident insurance, except where the content otherwise requires
"Listed DES Assets"	listed shares of the DES Companies
"M&A"	mergers and acquisitions
"mezzanine financing"	a hybrid of debt and equity financing
"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/minus other adjustments recognized or approved by the relevant regulatory authorities
"NFE Distressed Assets"	distressed assets acquired from non-financial enterprises, which include but not limited to accounts receivable of non-financial enterprises and assets of non-financial enterprises whose actual returns are less than expected returns
"non-performing loan(s)" or "NPL(s)"	loan(s) classified as substandard, doubtful or loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
"Original Premium Income"	unless indicated otherwise in this offering memorandum, Original Premium Income refers to all premiums from policies directly underwritten by an insurance company after taking into account the significant insurance risk test and unbundling of hybrid contracts as required by Interpretation No. 2. The CIRC publishes on its website Original Premium Income of PRC insurance companies for the periods prior to December 31, 2012
"Original Value"	the original principal amount of and interests accrued (as applicable) on distressed assets on the books of the selling parties, without taking into account any impairment or value reduction resulting from default or other events

"Performance Evaluation of State-owned Financial Institutions"	a performance evaluation conducted by the MOF on the state-owned financial institutions. For the AMCs, this evaluation focuses on benchmarks such as ROAE, ROAA, profit growth, cost-to-income ratio and the change in value of state's equity interest The enterprises that are evaluated will be rated by the MOF on a scale of "A" to "E," with "A" being the highest level of rating. The "A" level is further divided into "AAA," "AA" and "A" with "AAA" being the highest rating. The results of this evaluation constitute an important basis for rating the performance of a particular financial institution by the MOF
"Policy Distressed Assets"	the distressed assets acquired by the Four AMCs as directed by the PRC government on a policy basis, where both the price for and financing of distressed asset acquisitions were determined or arranged by the government. The total amount of such assets was approximately RMB1.4 trillion. Losses incurred by the Four AMCs from acquisition and disposal of Policy Distressed Assets were handled in a manner as proposed by the MOF and approved by the State Council
"Pre-tax ROAE"	represents returns on average net assets before tax (profit before tax divided by balance of average net assets) for 2012, 2013 and 2014
"reinsurance"	the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued
"Restructured Distressed Assets"	distressed assets acquired, managed and disposed of through the Restructuring Model, which are accounted as distressed debt assets classified as receivables
"Restructuring Model"	a business model of distressed debt assets operation by reaching restructuring agreements with the creditor and debtor at the same time of the acquisition of the distressed assets
"ROAA"	return on average assets
"ROAE"	return on average equity attributable to equity holders of the parent company
"solvency"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations
"solvency margin ratio"	the ratio of an insurer's actual capital to its minimum capital

"Special Situations Investment" or "SSI"	typically refers to a type of multi-asset class and strategy investments involving a diverse range of products, instruments and asset classes such as cash, equity and debt, which applies flexible transaction structures and funding arrangements to seek optimal risk-adjusted returns when we use "Special Situations Investment" or "SSI" in this offering memorandum, we focus on combining typical SSI features with industries in which we have expertise or situations where we have a distinct competitive advantage, including opportunities arising from investment targets having temporary liquidity issues or in need of diversified funding solutions that cannot be readily provided by conventional financing channels. We participate in SSI transactions under flexible investment horizon and transactional structures, including direct equity placements and rights offerings, convertible debt financings, bridge financing, asset acquisitions and restructuring
"specified asset management"	a type of special vehicle to meet the specific investment needs of individual clients
"stock index futures"	cash-settled standardized futures contracts on the value of a particular stock market index
"surrender"	the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
"targeted asset management"	a type of special investment vehicle for annuity plans, the NSSF, other institutional investors and high-net-worth individuals
"Traditional Distressed Assets"	distressed assets acquired, managed and disposed of through the Traditional Model
"Traditional Model"	a business model of distressed debt assets operation by acquiring distressed assets at a discount to face value and disposing of them through various means at appropriate time, which are accounted as distressed debt assets designated as at fair value through profit or loss
"unearned premium reserves"	liabilities established to reflect the portion of premiums written relating to the unexpired periods of coverage of property and casualty ("P&C") insurance contracts and accidental and short-term health insurance contracts with an original insured period of not more than one year
"Unlisted DES Assets"	unlisted shares of the DES Companies

SUMMARY

You should read the following summary together with the more detailed information regarding our Company, the Notes being sold and our historical financial information and notes thereto included elsewhere in this offering memorandum. You should read this entire offering memorandum carefully when evaluating an investment in the Notes. For certain factors you should consider before purchasing the Notes, see "Risk Factors" of this offering memorandum.

OVERVIEW

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms.

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business. The table below sets forth a breakdown of the major business lines and operating entities of each principal business segment.

	Distressed Asset Management	Financial Investment and Asset Management	Financial Services
Business Lines	• Distressed debt asset management • Management of DES Assets • Custody, liquidation and restructuring services for Distressed Entities	• Principal investment • Asset management (Private equity) • Others	• Securities and futures • Trust • Financial leasing • Fund management • Insurance
Operating Entities	• Company	• Company • Cinda Investment (Cinda Capital) • Cinda HK • Zhongrun Development	• Cinda Securities • Cinda International • Jingu Trust • Cinda Leasing • First State Cinda Fund • Cinda P&C • Happy Life

Distressed asset management is our core business. We acquire distressed debt assets from financial institutions and non-financial enterprises and conduct the management and disposal of such assets through a variety of means. The ultimate goal of our acquisition, management and disposal is to realize value appreciation of the assets and maximize cash recovery. There are two primary ways in which we conduct our distressed asset management business: (i) acquiring distressed assets at a discount to Original Value and subsequently disposing of the acquired assets to maximize cash recovery, which we refer to as the traditional distressed asset management model (the "Traditional Model"), and (ii) entering into restructuring agreements at the time of acquiring the distressed assets, which we refer to as the acquisition of distressed assets through restructuring model (the "Restructuring Model").

We possess leading capabilities in sourcing, managing and disposing of distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 31.4%, 26.0% and 25.3% in 2012, 2013 and 2014, respectively. For the three years ended December 31, 2014, we disposed of DES Assets with a total cost of RMB3,589.0 million and realized a net disposal gain of RMB4,052.2 million. Proceeds from disposals of DES Assets were 2.1 times their costs.

The structural transformation and development of China's economy provides significant opportunities for our distressed asset management business, including an increasing supply of distressed assets from both financial institutions and non-financial enterprises, more active corporate and industry-related M&A and restructuring opportunities and more segmented financial markets and services.

We have developed diversified business platforms covering businesses such as securities and futures, trust, financial leasing, fund management, insurance, investment and real estate. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. As of December 31, 2014, we have established 31 Company Branches in 30 provinces and formed a nation-wide business network. Under the unified management of the Group, our diversified business platforms share the business network, providing a solid base for both the independent business development of each subsidiary and joint business development across subsidiaries.

COMPETITIVE STRENGTHS

- As the pioneer and the leader of China's distressed asset management industry, we play a unique role in China's economy and are well positioned to continue to capture the significant opportunities arising from China's economic transformation and development;

- We have achieved sustainable business growth based on our leading distressed asset management capabilities and through continued business innovation;

- Our large DES Assets portfolio provides us with significant value appreciation potential, extensive equity investment management experience and strong support for our business development;

- Our diversified business platforms operate synergistically and share our extensive business network, broad client base and strong government relationships, achieving synergy in the Group's operations and improving our overall operating efficiency;

- We have industry-leading risk management capabilities and a comprehensive and prudent risk management system; and

- We have a strong shareholder base and an entrepreneurial and visionary management team.

BUSINESS STRATEGIES

Our strategy is to continue to develop and refine our differentiated business model and to deliver sustainable and competitive returns to our shareholders through further consolidating and extending our leadership in the distressed asset management sector, actively developing our asset management business and operating our diversified business platforms synergistically. Our business strategies include the following:

- Continue to capture the significant opportunities arising from China's economic development and transformation in order to consolidate and extend our leadership in the distressed asset management sector;
- Actively develop SSI business;
- Further enhance and realize the value of our DES Assets;
- Actively expand our third-party asset management business;
- Further diversify our funding sources;
- Continue to enhance the synergies across our diversified business platforms; and
- Continue to enhance the centralized management of the Group.

We plan to continue focusing on the PRC market in order to fully capitalize on our strengths and currently do not have significant overseas expansion plans.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA OF THE COMPANY

You should read the summary consolidated financial statements set forth below in conjunction with our consolidated financial statements, together with the accompanying notes, which have been prepared in accordance with IFRS and are included elsewhere in this offering memorandum. The summary consolidated income statements for the years ended December 31, 2012, 2013 and 2014 and the summary consolidated statements of our financial position as of December 31, 2012, 2013 and 2014 set forth below are derived from our consolidated financial statements that have been audited by Deloitte Touche Tohmatsu and included elsewhere in this offering memorandum.

Our financial information has been prepared in accordance with IFRS as issued by the IASB. IFRS differs in certain respects from the accounting principles generally accepted in certain other jurisdictions, including U.S. GAAP. See "Risk Factors" in this offering memorandum.

Summary Consolidated Income Statements Data

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Income from distressed debt assets classified as receivables[1]	3,518.4	10,144.2	18,113.6	2,939.6
Fair value changes on distressed debt assets	3,878.3	4,617.6	4,077.5	661.7
Investment income[2]	6,528.8	7,043.8	9,116.5	1,479.5
Other income	18,409.7	20,607.6	28,482.5	4,622.3
Total	32,335.2	42,413.2	59,790.1	9,703.1
Costs and other expenses	(14,901.5)	(16,643.8)	(20,634.4)	(3,348.7)
Impairment losses on assets[3]	(4,601.0)	(6,153.3)	(5,438.1)	(882.5)
Interest expense	(3,697.6)	(7,803.8)	(15,961.1)	(2,590.2)
Total	(23,200.1)	(30,600.9)	(42,033.6)	(6,821.4)
Profit before tax	9,595.9	11,772.1	16,306.7	2,646.3
Income tax expense	(2,378.7)	(2,671.1)	(4,164.0)	(675.8)
Net profit for the year	**7,217.2**	**9,101.0**	**12,142.7**	**1,970.5**
Profit attributable to equity holders of the Company	7,306.3	9,027.3	11,896.2	1,930.5
Non-controlling interests	(89.1)	73.7	246.5	40.0

(1) Our income from distressed assets, which is classified as different accounting items based on the nature of the assets, includes (i) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring, (ii) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets, (iii) income from DES Assets, including dividend income and net gains on disposal of DES Assets, which is accounted for as investment income and net gains on disposal of associates and (iv) net gains on disposal of assets in satisfaction of debt.

(2) Our investment income includes (i) net realized gains from disposal of available-for-sale financial assets, (ii) interest income from investment securities which consist of available-for-sale financial assets, debt securities classified as receivables and held-to-maturity financial assets, and (iii) dividend income from available-for-sale financial assets.

(3) The following table sets forth, for the years indicated, the breakdown of our impairment losses on assets.

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Distressed debt assets classified as receivables	(1,471.7)	(1,501.1)	(2,744.4)	(445.4)
Debt securities classified as receivables	(17.9)	2.3	(60.4)	(9.8)
Available-for-sale financial assets	(3,340.2)	(4,007.0)	(1,512.3)	(245.4)
Loans and advances to customers	(266.9)	(503.3)	(856.5)	(139.0)
Accounts receivable	835.4	(7.2)	(5.7)	(0.9)
Investment properties	(1.8)	—	—	—
Property and equipment	(13.2)	—	(17.3)	(2.8)
Others	(324.7)	(137.0)	(241.5)	(39.2)
Total	**(4,601.0)**	**(6,153.3)**	**(5,438.1)**	**(882.5)**

Summary Consolidated Statements of Financial Position Data

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Assets				
Cash and bank balances	42,726.3	57,059.1	43,891.2	7,074.0
Financial assets at fair value through profit or loss	16,923.0	25,178.5	57,220.5	9,222.3
Available-for-sale financial assets	64,376.6	72,747.2	85,794.6	13,827.6
Financial assets classified as receivables	51,195.1	116,662.7	180,913.1	29,157.9
Properties held for sale	13,815.4	17,789.9	29,932.8	4,824.3
Other assets	65,578.0	94,348.0	146,675.2	23,639.7
Total assets	**254,614.4**	**383,785.4**	**544,427.4**	**87,745.8**
Liabilities				
Borrowings from central bank	7,053.4	4,913.0	986.1	158.9
Accounts payable to brokerage clients	6,629.5	6,480.8	11,663.3	1,879.8
Borrowings	76,099.2	173,834.7	263,452.4	42,460.8
Accounts payable	39,539.4	22,814.1	13,891.2	2,238.9
Other liabilities	64,408.1	92,980.7	152,571.1	24,590.0
Total liabilities	**193,729.6**	**301,023.3**	**442,564.1**	**71,328.4**
Equity				
Equity attributable to equity holders of the Company	54,773.6	75,998.3	93,368.9	15,048.3
Non-controlling interests	6,111.2	6,763.8	8,494.4	1,369.1
Total equity	60,884.8	82,762.1	101,863.3	16,417.4
Total equity and liabilities	**254,614.4**	**383,785.4**	**544,427.4**	**87,745.8**

Certain Key Financial Ratios

	For the year ended December 31,		
	2012	2013	2014
Return on average shareholders' equity[1]	15.8%	13.8%	14.0%
Return on average assets[2]	3.4%	2.9%	2.6%
Cost-to-income ratio[3]	29.7%	26.2%	24.0%

(1) Represents the percentage of profit attributable to the equity holders of the Company for the year in the average balance of equity attributable to the equity holders of the Company as of the beginning and the end of the year.

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

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

Non-GAAP Measures

	As of and For the year ended December 31,		
	2012	2013	2014
EBITDA[1] (RMB in millions)	13,130	19,519	32,264
EBITDA[1] (US$ in millions)	2,169	3,224	5,200
Adjusted EBITDA[2] (RMB in millions)	17,731	25,673	37,702
Adjusted EBITDA[2] (US$ in millions)	2,929	4,241	6,076
EBITDA margin[3]	40.6%	46.0%	54.0%
Adjusted EBITDA margin[4]	54.8%	60.5%	63.1%
Total debt[5] (RMB in millions)	100,048	197,849	312,131
Total debt[5] (US$ in millions)	16,527	32,682	50,306
Net debt[6] (RMB in millions)	68,954	149,657	277,654
Net debt[6] (US$ in millions)	11,390	24,722	44,750
Total debt/EBITDA	7.6x	10.1x	9.7x
Total debt/Adjusted EBITDA	5.6x	7.7x	8.3x
Net debt/EBITDA	5.3x	7.7x	8.6x
Net debt/Adjusted EBITDA	3.9x	5.8x	7.4x
EBITDA/Interest expense	3.6x	2.5x	2.0x
Adjusted EBITDA/Interest expense	4.8x	3.3x	2.4x
Total debt/Total capitalization[7]	65.0%	72.5%	77.0%

(1) EBITDA for any period is calculated as profit before share of results of associates and tax plus interest expense, and depreciation and amortization expense.

(2) Adjusted EBITDA for any period is calculated as EBITDA plus impairment losses on assets.

(3) EBITDA margin is calculated as EBITDA divided by total income.

(4) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by total income.

(5) Total debt equals total indebtedness which includes borrowings from central bank, borrowings, financial assets sold under repurchase agreements entered by insurance subsidiaries and bonds issued.

(6) Net debt is calculated as total debt minus cash and cash equivalents.

(7) Total capitalization equals total debt plus equity attributable to equity holders of the Company.

Segment Results of Operations

The tables below set out the income and profit before tax of each of our business segments for the years indicated:

	For the year ended December 31, 2012			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	14,392.0	44.5	6,234.0	65.0
Financial investment and asset management	7,911.3	24.5	3,284.6	34.2
Financial services	10,552.6	32.6	164.3	1.7
Elimination	(520.7)	(1.6)	(87.0)	(0.9)
Total	**32,335.2**	**100.0**	**9,595.9**	**100.0**

	For the year ended December 31, 2013			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	21,849.8	51.5	8,314.3	70.6
Financial investment and asset management	8,976.8	21.2	3,011.7	25.6
Financial services	12,133.9	28.6	514.9	4.4
Elimination	(547.3)	(1.3)	(68.8)	(0.6)
Total	**42,413.2**	**100.0**	**11,772.1**	**100.0**

	For the year ended December 31, 2014					
	Total income		% of total	Profit before tax		% of total
	RMB	US$		RMB	US$	
	(in millions, except percentages)					
Distressed asset management	31,495.2	5,111.2	52.7	11,496.4	1,865.7	70.5
Financial investment and asset management	12,166.9	1,974.5	20.3	3,515.2	570.5	21.6
Financial services	17,534.0	2,845.5	29.3	1,856.6	301.3	11.4
Elimination	(1,406.0)	(228.2)	(2.3)	(561.5)	(91.1)	(3.5)
Total	**59,790.1**	**9,703.0**	**100**	**16,306.7**	**2,646.4**	**100.0**

The table below sets out the return on average net assets before tax[1] for each of our business segments for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
Distressed asset management	31.4%	26.0%	25.3%
Financial investment and asset management	16.8%	11.9%	11.7%
Financial services			
Cinda Securities and others[2]	4.7%	7.4%	18.07%
Jingu Trust	38.9%	13.3%	3.7%
Cinda Leasing	21.1%	18.4%	19.4%
First State Cinda Fund	0.6%	8.1%	12.8%
Cinda P&C	—	0.1%	0.8%
Happy Life	—	—	—

(1) Represents returns on average net assets before tax (profit before tax/balance of the average of beginning and ending balance of the net assets) for 2012, 2013 and 2014.

(2) Includes Cinda Futures and Cinda International. Cinda International is a listed company in which Cinda HK held a 63% interest as of December 31, 2014.

The table below sets out the profit margin for each of our business segments for the three years ended December 31, 2014. The profit margin of each segment is based on profit before tax of each segment (before inter-segment eliminations) divided by total income of each segment (before inter-segment eliminations):

	For the year ended December 31,		
	2012	2013	2014
Distressed asset management	43.3%	38.1%	36.5%
Financial investment and asset management	41.5%	33.5%	28.9%
Financial services			
Cinda Securities and others[1]	16.1%	21.6%	30.8%
Jingu Trust	72.5%	34.9%	16.0%
Cinda Leasing	27.9%	27.2%	30.1%
First State Cinda Fund	1.2%	9.0%	14.5%
Cinda P&C	(21.2%)	0.1%	0.7%
Happy Life	(16.6%)	(19.3%)	(5.4%)

(1) Includes Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Cinda HK held a 63% interest as of December 31, 2014.

The table below sets out the total assets and net assets of each of our business segments for the years indicated:

	As of December 31,													
	2012				2013				2014					
	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets		% of total	Net assets		% of total
	RMB		RMB		RMB		RMB		RMB	US$		RMB	US$	
	(in millions, except for percentages)													
Distressed asset management	140,327.7	55.1	24,777.8	40.7	228,603.9	59.6	39,237.0	47.4	320,973.5	51,731.5	59.0	51,619.7	8,319.6	50.7
Financial investment and asset management	49,026.6	19.3	21,661.7	35.6	72,776.4	19.0	28,998.2	35.0	110,860.2	17,867.4	20.3	31,312.0	5,046.6	30.7
Financial services	69,352.1	27.2	13,801.9	22.7	86,248.2	22.5	14,555.1	17.6	123,560.4	19,914.3	22.7	22,084.7	3,559.4	21.7
Elimination	(4,092.0)	(1.6)	643.4	1.0	(3,843.1)	(1.1)	(28.2)	—	(10,966.7)	(1,767.4)	(2.0)	(3,153.1)	(508.2)	(3.1)
Total	**254,614.4**	**100.0**	**60,884.8**	**100.0**	**383,785.4**	**100.0**	**82,762.1**	**100.0**	**544,427.4**	**87,745.8**	**100**	**101,863.3**	**16,417.4**	**100.0%**

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA OF THE HK GUARANTOR

You should read the summary consolidated financial statements set forth below in conjunction with the HK Guarantor's consolidated financial statements, together with the accompanying notes, which have been prepared in accordance with HKFRS and are included elsewhere in this offering memorandum. The summary consolidated income statements for the years ended December 31, 2012, 2013 and 2014 and the summary consolidated statements of our financial position as of December 31, 2012, 2013 and 2014 set forth below are derived from the HK Guarantor's consolidated financial statements that have been audited by Deloitte Touche Tohmatsu and included elsewhere in this offering memorandum.

The financial statements of the HK Guarantor are prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRS, which differ in certain respects from U.S. GAAP as described in "Summary of Certain Differences between U.S. GAAP and HKFRS."

Summary Consolidated Income Statements Data

	For the year ended December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Revenue	410.4	283.3	266.1	34.3
Interest income from third parties	161.1	536.7	588.2	75.9
Cost of sales and services	(22.9)	(27.9)	(36.5)	(4.7)
	548.6	792.1	817.8	105.5
Other income, gains and losses	190.5	193.9	503.6	64.9
Deemed gain (loss) on partial disposal of an associate	(0.3)	—	—	—
Gain on disposal of an associate	—	1.7	—	—
Impairment loss on interest in an associate and amount due from an associate	—	(28.0)	—	—
Administrative expenses	(231.9)	(232.5)	(299.0)	(38.6)
Finance costs	(100.0)	(230.6)	(608.3)	(78.4)
Share of results of associates	104.7	94.2	99.5	12.8
Profit before taxation	511.6	590.8	513.6	66.2
Taxation	(96.4)	(73.9)	(74.8)	(9.6)
Profit for the year	**415.2**	**516.9**	**438.8**	**56.6**
Other comprehensive (expense) income for the year, net of tax	(1.9)	65.9	131.2	16.9
Total comprehensive income for the year	**413.3**	**582.8**	**570.0**	**73.5**

Summary Consolidated Statements of Financial Position Data

	As of December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Assets				
Non-current assets				
Property, plant and equipment	141.0	95.8	118.3	15.3
Investment properties	23.7	66.5	166.0	21.4
Goodwill	147.0	147.0	147.0	19.0
Intangible assets	1.3	1.3	1.4	0.2
Other assets	4.6	7.0	6.5	0.8
Interests in associates	1,988.2	2,206.9	2,224.9	287.0
Available-for-sale investments	957.8	1,638.6	3,443.4	444.1
Loan receivables from third parties	2,940.4	2,924.4	3,578.4	461.5
Loan receivables from associates	—	—	383.3	49.4
Pledged bank deposits	—	—	173.5	22.4
Deposits	66.4	68.4	383.7	49.5
	6,270.4	7,155.9	10,626.4	1,370.6
Current assets				
Properties for sale	206.9	213.3	213.1	27.5
Accounts receivables, loans to margin clients and clearing settlement funds	254.4	288.2	373.1	48.1
Prepayments, deposits and other receivables	454.5	154.2	327.0	42.2
Financial assets at fair value through profit or loss	1,138.1	851.2	1,789.2	230.8
Loan receivables from third parties	103.6	686.0	5,435.0	701.0
Loan receivables from associates	184.3	158.2	21.7	2.8
Loan receivable from shareholder of an associate	—	—	240.0	31.0
Amount due from ultimate holding company	37.7	119.7	78.4	10.1
Amounts due from associates	11.4	22.0	60.9	7.8
Restricted bank deposits	—	—	633.8	81.7
Pledged bank deposits	15.0	191.7	787.1	101.5
Bank balances and cash	3,105.7	3,389.9	7,614.5	982.1
	5,511.6	6,074.4	17,573.8	2,266.6
Total assets	**11,782.0**	**13,230.3**	**28,200.2**	**3,637.2**

	As of December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Liabilities				
Non-current liabilities				
Borrowings	1,947.7	3,152.5	971.7	125.3
Bond payables	2,438.2	2,558.9	13,353.8	1,722.3
Deferred tax liabilities	41.1	21.6	92.7	12.0
	4,427.0	5,733.0	14,418.2	1,859.6
Current liabilities				
Account payables	156.8	200.7	283.0	36.5
Other payables and accruals	152.4	137.0	1,095.8	141.3
Amount due to a fellow subsidiary	0.1	—	—	—
Amounts due to associates	48.2	26.3	12.2	1.6
Financial liabilities at fair value through profit or loss	4.4	234.9	191.8	24.7
Borrowings	1,932.8	1,256.1	3,479.7	448.7
Bond payables	—	—	2,525.8	325.9
Tax payable	83.9	65.3	46.6	6.0
	2,378.6	1,920.3	7,634.9	984.7
Total liabilities	**6,805.6**	**7,653.3**	**22,053.1**	**2,844.3**
Equity				
Equity attributable to equity holders of the Company	4,597.6	5,125.1	5,643.5	727.9
Non-controlling interests	378.8	451.9	503.6	65.0
Total equity	4,976.4	5,577.0	6,147.1	792.9
Total equity and liabilities	**11,782.0**	**13,230.3**	**28,200.2**	**3,637.2**

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this offering memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Forms of the Notes" and "Description of the Notes and the Guarantees" shall have the same meanings in this summary.

Under the Program, each of the KW Notes Issuer and the Guaranteed Notes Issuer may, from time to time, issue Notes denominated in U.S. dollars, Euros or in any other currency, subject to the terms more fully set forth herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed upon by and between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set forth in the Description of the Notes and the Guarantees endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Forms of Notes" below.

Summary of the Program and Description of the Notes

KW Notes Issuer:	China Cinda Finance (2015) I Limited
Guaranteed Notes Issuer:	China Cinda Finance (2015) II Limited
HK Guarantor in the context of KW Notes:	China Cinda (HK) Holdings Company Limited
Keepwell Deed and Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking Provider in the context of KW Notes:	China Cinda Asset Management Co., Ltd.
PRC Guarantor in the context of Guaranteed Notes:	China Cinda Asset Management Co., Ltd.
Arrangers:	BOCI Asia Limited, Merrill Lynch International, Credit Suisse Securities (Europe) Limited, Cinda International Capital Limited, CCB International Capital Limited, CITIC Securities Corporate Finance (HK) Limited
Description:	Medium Term Note Program
Dealers:	BOCI Asia Limited, Merrill Lynch International, Credit Suisse Securities (Europe) Limited, Cinda International Capital Limited, CCB International Capital Limited, CITIC Securities Corporate Finance (HK) Limited, UBS AG, Hong Kong Branch, Deutsche Bank AG, Singapore Branch, Wing Lung Bank Limited, ABCI Capital Limited, Industrial and Commercial Bank of China (Asia) Limited, Morgan Stanley & Co. International plc, Haitong International Securities Company Limited, DBS Bank Ltd., Standard Chartered Bank, China Merchants Securities (HK) Co., Limited. The Company may issue Notes to persons other than Dealers and may terminate the appointment of any Dealer or appoint new dealers for a particular Series of Notes or for the Program.

Trustee	The Bank of New York Mellon
Paying Agent, Transfer Agent and Registrar for Notes cleared through DTC	The Bank of New York Mellon
Paying Agent for Notes cleared through Euroclear and Clearstream	The Bank of New York Mellon, London Branch
Transfer Agent and Registrar for Notes cleared through Euroclear and Clearstream	The Bank of New York Mellon (Luxembourg) S.A.
Program Size:	Up to US$3,000,000,000 (or its equivalent in any other currency (the Program Limit) in aggregate nominal amount of Notes outstanding at any one time). The Issuers, the HK Guarantor and the Company may increase the amount of the Program Limit in accordance with the terms of the Program Agreement.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their Issue Price), the Notes of each Series being intended to be fungible with all other Notes of that Series. Each Series may be issued in tranches (each, a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the relevant Pricing Supplement.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more installments.
Form of Notes:	The Notes may be issued in bearer or registered form, as specified in the applicable Pricing Supplement. Certificates representing the Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Securities". Bearer Notes will not be exchangeable for Registered Notes, and Registered Notes will not be exchangeable for Bearer Notes.

Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable Pricing Supplement, which, in each case, will be deposited on the Issue Date with a common depositary for Euroclear, Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream. Bearer Notes that are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (the "D Rules") must be initially represented by a Temporary Global Note. Interests in a Temporary Global Note will be exchangeable, upon request as described therein, for either interests in a Permanent Global Note or Definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement) upon certification of non-U.S. beneficial ownership as required by U.S. Treasury Regulations. Interests in a Permanent Global Note will be exchangeable, unless otherwise specified in the applicable Pricing Supplement, only in the limited circumstances described therein, in whole but not in part for Definitive Bearer Notes, upon written notice to the Trustee. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream and/or any other agreed clearance system, as appropriate.

The KW Notes will be issued with the benefit of a HK Guarantee. The Guaranteed Notes will have the benefit of the PRC Guarantee provided by the Company. Details of any Guarantee and the Guarantor will be set out in the applicable Pricing Supplement.

Each Series of Registered Notes, which are sold to non-U.S. persons in offshore transactions in reliance on Regulation S, will, unless otherwise specified in the applicable Pricing Supplement, be represented by one or more Unrestricted Global Security, which will be deposited on or about its Issue Date with a common depositary for, and registered in the name of a nominee, of Euroclear and Clearstream or with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the distribution compliance period (as defined in the Regulation S), beneficial interests in a Unrestricted Global Security of such Series may be held only through Euroclear, Clearstream or DTC for the accounts of Euroclear and Clearstream. Unrestricted Global Securities will be exchangeable for Certificated Securities only in the limited circumstances more fully described herein.

Any Series of Registered Notes sold in the United States to persons who are both QIBs in reliance on Rule 144A and QPs as defined in Section 2(a)(51) of the Investment Company Act and related rules and subject to the transfer restrictions described in "Transfer Restrictions" will, unless otherwise specified in the applicable Pricing Supplement, be represented by one or more Restricted Global Securities, which will be deposited on or about its Issue Date with a custodian for, and registered in the name of a nominee of, DTC. Restricted Global Securities will be exchangeable for Certificated Securities only in the limited circumstances more fully described herein.

Persons holding beneficial interests in Registered Global Securities will be entitled or required, as the case may be, under the circumstances described in the relevant Indenture, to receive physical delivery of Certificated Securities.

Application will be made to have Global Securities of any Series or Tranches accepted for clearance and settlement through facilities of DTC, Euroclear and/or Clearstream, as appropriate.

Clearing Systems:	DTC, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between relevant Issuer, the HK Guarantor, the Company, the Trustee and the relevant Dealer. See "Global Clearance and Settlement Systems".
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer, the HK Guarantor, the Company and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be US$200,000 (or its equivalent in any other currency as of the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as set out in the Description of the Notes and the Guarantees and the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Pricing Supplement.
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Installments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer, the HK Guarantor, in the case of KW Notes, and the Company (either in whole or in part) and/or the Holders, and if so the terms applicable to such redemption.
Redemption upon a Change of Control Triggering Event:	Unless otherwise stated in the relevant Pricing Supplement and unless the Notes are previously redeemed, repurchased and cancelled, the relevant Issuer will, no later than 30 days following a Change of Control Triggering Event (as defined in the indenture governing the Notes), make a Change of Control Offer (as defined in the Notes of the relevant Series) all outstanding Notes of any Series at a purchase price of 101% of their principal amount, together with accrued and unpaid interest, if any.

Redemption for Tax Reasons:	Unless otherwise stated in the relevant Pricing Supplement and unless the Notes are previously redeemed, repurchased and cancelled, each series of the Notes may be redeemed, at the option of the relevant Issuer, in whole but not in part, at a redemption price equal to their Early Redemption Amount, plus accrued interest, in the event the relevant Issuer or Guarantor becomes obligated to pay Additional Amounts in respect of the Notes of that series or the applicable Guarantee as a result of certain changes in tax law. See "Description of the Notes and the Guarantees — Redemption — Redemption for Tax Reasons."
Repurchase of Notes Upon a SAFE Noncompliance Event:	In the context of issuance of Guaranteed Notes, unless otherwise stated in the relevant Pricing Supplement and unless the Notes are previously redeemed, repurchased and cancelled, upon completion of registration of the PRC Guarantee with the State Administration of Foreign Exchange ("SAFE"), the Company is required to deliver an officer's certificate attaching a copy of the relevant certificate of registration from the SAFE and certifying that such copy is a true and correct copy. If such registration is not completed by 60 Beijing business days after the closing date of each offering of the Guaranteed Notes, the Guaranteed Notes Issuer will be required to make an offer to repurchase all of the Guaranteed Notes issued under such offering at a price equal to 100% of the principal amount of the Guaranteed Notes repurchased, plus accrued and unpaid interest to but excluding the date of repurchase. See "Description of the Notes and the Guarantees — Redemption — Repurchase Upon Occurrence of SAFE Noncompliance Event in the context of Guaranteed Notes."
Keepwell Deed:	The Company, the KW Notes Issuer, the HK Guarantor and the Trustee will enter into a keepwell deed on the date of this offering memorandum for each Series of the KW Notes, as further described in the section "Description of the Keepwell Deed."
Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking:	The Company, the KW Notes Issuer, the HK Guarantor and the Trustee will enter into a deed of equity interest purchase, investment and liquidity support undertaking on the date of this offering memorandum for each Series of the KW Notes, as further described "Description of the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking."

Indentures:	The KW Notes Issuer, the HK Guarantor and the Trustee will enter into an indenture on the date of this offering memorandum for each Series of the KW Notes (the "KWN Indenture"). The Guaranteed Notes Issuer and the Trustee will enter into an indenture on the date of this offering memorandum for each Series of the Guaranteed Notes (the "GN Indenture") which will be supplemented by a supplemental indenture executed by the Company, the Guaranteed Notes Issuer and the Trustee for each issue of Guaranteed Note under the Program on the Issue Date of such Guaranteed Note. The KWN Indenture and the GN Indenture are collectively referred to as the "Indentures".
Taxation; Additional Amounts:	All payments of principal and interest in respect of the Notes and/or the Guarantees will be made free and clear and without withholding of Taxes of British Virgin Islands, Hong Kong and the PRC unless required by law. In the event that withholding of British Virgin Islands, Hong Kong or PRC Taxes is required in respect of payments pursuant to the Notes or the applicable Guarantees, the relevant Guarantor or Issuer, as the case may be, will, subject to certain exceptions, pay such Additional Amounts under the Notes as will result, after deduction or withholding of such taxes, in the payment of the amounts that would have been payable in respect of the Notes had no deduction or withholding been required. See "Description of the Notes and the Guarantees — Taxation; Additional Amounts."
Ranking:	The Notes will constitute direct, unconditional and unsubordinated obligations of the relevant Issuer ranking pari passu with all other unsecured and unsubordinated obligations of the relevant Issuer (except obligations preferred by applicable law) and senior in priority of payment and in all other respects to all other indebtedness of the relevant Issuer that is designated as subordinate or junior in right of payment to the Notes. The HK Guarantee will constitute the HK Guarantor's direct, unconditional and unsubordinated obligations ranking pari passu with all of the HK Guarantor's other unsecured and unsubordinated obligations (except obligations preferred by applicable law) and senior in priority of payment and in all other respects to all the HK Guarantor's other indebtedness that is designated as subordinate or junior in right of payment to the HK Guarantee. The PRC Guarantee will constitute the Company's direct, unconditional and unsubordinated obligations ranking pari passu with all of the Company's other unsecured and unsubordinated obligations (except obligations preferred by applicable law) and senior in priority of payment and in all other respects to all the Company's other indebtedness that is designated as subordinate or junior in right of payment to the PRC Guarantee.

Certain Covenants:	The HK Guarantor and the Issuers have covenanted, and upon the execution of a supplemental indenture to the GN Indenture, the Company will covenant in the Indentures, with certain exceptions, not to incur certain liens or consolidate, merge, sell or lease its assets substantially as an entirety unless certain conditions are satisfied. The Notes and the Indentures do not otherwise restrict or limit the Company's, the HK Guarantor's or the Issuers' (as the case may be) ability to incur additional indebtedness by itself or its subsidiaries or its ability to enter into transactions with, or to pay dividends or make other payments to, affiliates. See "Description of the Notes and the Guarantees — Covenants — Limitation on Liens" and "— Limitation on Consolidation, Merger and Sale of Assets."
Events of Default:	Certain events will permit acceleration of the principal of the Notes (together with all interest and additional amounts accrued and unpaid thereon). These events include default with respect to the payment of principal of, premium, if any, or interest on, the Notes. See "Description of the Notes and Guarantees — Events of Default."
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering materials in the United States, Hong Kong, Japan, PRC, Singapore, European Union, United Kingdom, Macau, Taiwan and British Virgin Islands, see "Subscription and Sale." In connection with the offering and sale of a particular Series of Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement. Bearer Notes with a term of more than 365 days (taking into account any unilateral right to extend or rollover) will be issued in compliance with the D Rules unless the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "C Rules"). Bearer Notes with a term of 365 days or less (taking into account any unilateral right to extend or rollover) may be issued other than in compliance with the D Rules or the C Rules and will be referred to in the relevant Pricing Supplement as a transaction to which the United State Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") is not applicable.

The Notes to be issued under this Program will not be registered under the Securities Act, any state securities laws in the United States or the securities laws of any other jurisdiction. The Issuers and the Guarantors (other than the Company) have not been and will not be registered under the Investment Company Act in reliance on the exemption set forth in Section 3(c)(7) thereof. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in a transaction that does not cause the Issuers or the Guarantors to be required to register under the Investment Company Act. The securities to be issued under this Program may be offered and sold only: (i) to a person who is both a QIB and a QP, in each case purchasing for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (ii) to a non-U.S. person (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act, and in each case, in accordance with any other applicable law. Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser and transferee of the Notes, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgments, representations and agreements, for itself and for each account for which it is purchasing, as set forth under "Transfer Restrictions." For a description of important restrictions on resales, see "Transfer Restrictions."

The Issuers will not register the Notes for resale under the Securities Act or the securities laws of any other jurisdiction or offer to exchange the Notes for registered Notes under the Securities Act or the securities laws of any other jurisdiction.

Listing: Application will be made to The Hong Kong Stock Exchange Limited ("HKSE") for permission to deal in and quotation of any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the HKSE. There is no assurance that the application to the HKSE for the listing of a particular Series will be approved. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the HK Guarantor, the Company and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued under the Program. The relevant Pricing Supplement will state whether or not the Notes of a Series will be listed on any exchange(s) and, if so, on which exchange(s) the Notes are to be listed.

Governing Law:	The Notes, the Guarantees and the Indentures will be governed by, and construed in accordance with, the laws of the State of New York. The Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquity Support Undertaking will be governed by, and construed in accordance with, the laws of Hong Kong.

You should carefully consider all of the information in this offering memorandum, including the risks and uncertainties described below, before making an investment in the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain material matters discussed below, see "Regulatory Overview" of this offering memorandum.

RISKS RELATING TO THE GROUP

Risks Relating to Our Distressed Asset Management

If we are unable to maintain the growth of our distressed debt asset portfolio, our competitive position, financial condition and results of operations may be materially and adversely affected.

Distressed asset management is our core business. The distressed debt assets we acquire from financial institutions and non-financial enterprises are primarily comprised of NPLs sold by banks, distressed debt assets sold by non-bank financial institutions and accounts receivable sold by non-financial enterprises. As of December 31, 2012, 2013 and 2014, the net balance of our distressed debt assets amounted to RMB56,028.4 million, RMB114,362.3 million and RMB204,410.9 million (US$32,945.1 million), respectively. Our ability to generate sustainable revenue and ensure business growth depends, to a certain extent, on our ability to acquire distressed debt assets suitable for our business.

The supply of distressed debt assets is affected by a number of factors, including changes in macroeconomic conditions and asset quality and business conditions of financial institutions and non-financial enterprises. Changes in the NPL balance of commercial banks in the PRC, the overall volume of accounts receivable of enterprises and macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could have significant effects on the supply of distressed debt assets. Therefore, the supply of distressed debt assets in the PRC financial market may be limited or changed during a certain period of time. The amount of distressed debt assets we are able to acquire depends on a number of factors beyond our control, including the policies of the PRC central government or local governments, willingness of banks and enterprises to sell their distressed debt assets and our competition with other AMCs. If we fail to acquire distressed debt assets at acceptable prices or at all, or if further changes in government policies with regard to distressed asset management prevent us from growing our distressed debt asset portfolio, our competitive position, financial condition and results of operations may be materially and adversely affected.

If we are unable to effectively maintain the quality of our distressed debt asset portfolio, our financial condition and results of operations may be materially and adversely affected.

Debtors under the distressed debt assets we acquire usually are in weak financial positions, have experienced poor operating results and have relatively high financing needs or negative net assets, and certain debtors are involved in bankruptcy proceedings or restructuring processes. The quality of our distressed debt asset portfolio may deteriorate due to various factors, many of which are beyond our control, such as the slowdown of the PRC or global economies, a recurrence of the global credit crisis, adverse macroeconomic developments in the PRC or other areas in the world, fluctuations in relevant industries and the occurrence of natural disasters. Any of these factors may increase our exposure to credit risk arising from the debtors.

Our distressed debt assets are recorded as fair value through profit or loss and financial assets classified as receivables in our consolidated statements of financial position. Our distressed debt assets at fair value through profit or loss mainly include NPLs from banks. We may have difficulties in disposing of the acquired assets, and have to hold the assets for a period of time longer than we expected until we complete the disposal. In addition, the fair value of these distressed debt assets may further decrease below our initial purchase price if the operations of the debtors deteriorate further.

For the three years ended December 31, 2014, our distressed debt asset portfolio classified as receivables grew rapidly. As of December 31, 2012, 2013 and 2014, the gross balance of our distressed debt assets classified as receivables amounted to RMB49,550.5 million, RMB100,913.2 million and RMB167,464.3 million (US$26,990.3 million), respectively. We are exposed to credit risks arising from our debtors. As of December 31, 2012, 2013 and 2014, our distressed debt assets classified as receivables for which we individually assessed and impaired as a percentage of our total distressed debt assets classified as receivables was 1.2%, 1.0% and 1.2%, respectively. We may not be able to effectively maintain the quality of our distressed debt assets portfolio. The actual or perceived deterioration in creditworthiness of our counterparties, declines in realizable value of collateral, and reduced profitability of corporate debtors may cause our debt asset quality to deteriorate and may lead to significant increases in our provisions for impaired debt assets, which may in turn materially and adversely affect our financial condition and results of operations.

In addition, the sustainability of our business growth also depends largely on our ability to effectively manage credit risk and maintain or improve the quality of our distressed debt asset portfolio. For more information of our risk management systems and methods, please see "Description of the Group — Risk Management." We cannot assure you that our credit risk management policies, procedures and systems are free from any deficiencies. Deficiencies in our credit risk management policies, procedures and systems may result in an increase in the impairment of our distressed debt assets and materially and adversely affect the quality of our distressed debt asset portfolio.

Acquisition of distressed debt assets from non-financial enterprises is a new source to expand our distressed debt asset portfolio. Its future business development may be subject to our relevant business experience and the regulatory environment.

We obtained the regulatory approval in 2010 to acquire distressed assets from non-financial enterprises. We record such distressed debt assets as financial assets classified as receivables in our consolidated statements of financial position and both the total balance and their proportion to our total distressed debt assets have been increasing. As of December 31, 2012, 2013 and 2014, the gross amount of distressed debt assets classified as receivables acquired from non-financial enterprises was RMB30,256.0 million, RMB64,400.3 million and RMB123,877.8 million (US$19,965.5 million), respectively, representing 61.1%, 63.8% and 74.0% of our total distressed debt assets classified as receivables, respectively.

As the acquisition of distressed debt assets from non-financial enterprises is a new source to expand our distressed debt assets portfolio, our experience or expertise in operating such business is limited, which may affect our ability to assess the quality of the distressed debt assets and our ability to prevent legal disputes with our transaction counterparties. In addition, we may not make appropriate judgments in respect of the quality of assets and future income due to lack of sufficient historical data, or inappropriate application of appraisal model or approach for such assets. Furthermore, the current regulatory rules and policies related to the acquisition of receivables from non-financial enterprises may change from time to time, subject to the macroeconomic policies of the PRC government and the development of the distressed asset management industry. We are currently the only AMC that has received the relevant licenses for acquiring receivables from non-financial enterprises. We may face more intense competition if other AMCs are approved by regulatory authorities to conduct these businesses in the future. If we fail to manage these risks and challenges effectively, our new business of acquiring NFE Distressed Assets could be adversely affected, which may in turn materially and adversely affect our asset quality, financial condition and results of operations.

The limitations of our due diligence procedures, models and data as well as other factors beyond our control may affect our judgments and valuation regarding the acquisition and disposal of distressed assets.

There are no readily ascertainable market prices for most of the distressed assets we acquire. When determining the price for acquisition of distressed assets, we consider various factors, including: (i) our evaluation of the quality of distressed assets based on the due diligence conducted by our in-house appraisal team and/or qualified independent valuation specialists; (ii) estimated costs associated with the management and disposal of such assets; and (iii) prevailing market conditions and intensity of competition. Our due diligence strategy and selection process for acquiring distressed assets may not be successfully implemented, and our investments may not generate satisfactory returns or may result in losses.

In addition, the valuation methods adopted by our in-house appraisal team and qualified independent valuation specialists to appraise the value of distressed assets involve subjective judgments, assumptions and opinions, which may not be accurate or correct. Given the complexity of our investments and strategies, we typically utilize analytical models (both our proprietary models and those provided by third parties) with reference to the data and information provided by the sellers of distressed assets or third parties in our asset evaluation and pricing. These models, data and information are used for appraisal of investments or potential investments, and are related to the completion of due diligence on investments. In the event that these models, data and information prove to be incorrect, inaccurate, misleading or incomplete, any decisions made in reliance thereon may expose us to potential risks. We may make unsound acquisition decisions, including acquiring distressed assets at prices higher than commercially reasonable level, due to our failure to accurately determine commercially reasonable prices for distressed assets.

Before we acquire distressed assets, we conduct due diligence that we consider reasonable and appropriate based on the facts and circumstances applicable to each distressed asset acquisition. The due diligence that we have conducted or will conduct with respect to any opportunity of distressed asset acquisition may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject us to unknown liabilities that could adversely affect our profitability, financial condition and results of operations. For example, when we acquire distressed debt assets we may be unable to identify defects in the pre-existing creditor rights, potential claims by other interested parties in connection with such distressed debt, or defects in the procedures creating a guarantee, which could adversely affect our ability to enforce our rights and realize the value of collateral and subject us to litigation risks.

Our distressed assets are concentrated in certain industries and companies. If the conditions of these industries or these companies significantly deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2014, the gross amount of our distressed debt assets classified as receivables attributable to (i) real estate, (ii) manufacturing, (iii) leasing and commercial services and (iv) water, environment and public utilities management industries represented 58%, 8%, 6% and 2% of our total distressed debt assets classified as receivables, respectively. Our risk exposure to the PRC real estate market primarily relates to receivables due from real estate companies and other loans and receivables secured by real properties. In recent years, the PRC central government and local governments have imposed restrictive policies and measures to control the overheating growth of the real estate market, including restrictive credit measures relating to land, tax, property development, mortgage and other real estate transactions and developments, enhanced requirements of down payment ratio and interest rate of property mortgage as well as restrictions on investment and sales of properties. Further restrictive and control policies or extended implementation period for any of relevant policies in the PRC may materially and adversely affect the repayment capability and willingness of our obligors in the real estate industry and the value and quality of the properties pledged as collateral. In addition, if any other industry which accounts for a significant portion of our financial assets classified as receivables experiences a significant downturn, our obligors may be unable to repay receivables or default in repayment and, as a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition, our DES Assets are primarily concentrated in the coal, chemical and metals industries. As of December 31, 2014, the book value of our DES Assets in the coal, chemical and metals industries represented 62.4%, 13.8% and 11.3%, respectively, of the total book value of our DES Assets. Certain of the DES Companies in our DES Assets portfolio may be subject to restrictions under the industry policies of the PRC government, such as restrictions on business expansion due to excessive capacity or orders to eliminate obsolete capacity. A downturn in any industry in which our equity interests are concentrated may lead to deterioration of the operating results of enterprises in this industry, which may in turn affect their equity value or ability to distribute dividends, and may materially and adversely affect our asset quality, financial condition and results of operations.

As of December 31, 2014, the distressed debt assets classified as receivables from our top ten obligors, in terms of book value, represented 13.0% of our total assets in such category. If any of these obligors fails or defaults in making repayment, our asset quality, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2014, the Top 20 Unlisted DES Assets accounted for 62.2% of the total book value of our Listed DES Assets and Unlisted DES Assets, respectively. If deterioration in the performance of any of these enterprises has an impact on its equity value or capability to distribute dividend, our asset quality, financial condition and results of operations may be materially and adversely affected.

If the collaterals or guarantees securing our distressed debt assets are not sufficient, or for other reasons, we may not be able to recover the full value of the collaterals or guarantees in a timely manner or at all.

A significant portion of our distressed debt assets are secured by collaterals or guarantees. As of December 31, 2014, 56%, 16% and 27% of our distressed debt assets classified as receivables in terms of gross amount were secured by mortgages, pledges and guarantees, respectively.

The mortgages securing our distressed debt assets primarily include real properties and other assets located in the PRC. The value of the collaterals securing our debt assets may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the PRC economy. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real properties securing our debt assets to a level significantly below the outstanding balance of principal and interests of such debt assets. Any decline in the value of such collaterals may reduce the amounts we can recover from such collateral and increase our impairment losses.

Some of the guarantees securing our debt assets are provided by the obligor's affiliates. Such debt assets are generally not secured by collaterals or security interests other than guarantees. Significant deterioration in the financial condition of a guarantor could significantly decrease the amounts we may recover from such guarantees. Moreover, we are subject to the risk that courts or other judicial or governmental authorities may declare a collateral to be invalid or otherwise decline or fail to enforce such collaterals. Thus, we are exposed to the risk that we may not be able to recover part or all of the amounts guaranteed for our debt assets.

Moreover, we obtain assets in satisfaction of debt when acquiring or disposing distressed debt assets and we do not intend to hold these assets in satisfaction of debt for long term. Certain land and buildings in satisfaction of debt we currently hold have defects in titles primarily because, among others, the land right certificates or the building ownership certificates have not been obtained by the previous owners or transferred to us. As a result, we may not be able to exercise our rights over the assets in satisfaction of debt, which may affect our ability to dispose of the assets in satisfaction of debt and generate income.

The provisions we make for impairment losses of distressed debt assets classified as receivables may not be sufficient to cover actual losses.

We conduct impairment assessment for distressed debt assets classified as receivables every six months and make provisions for impairment losses accordingly. As of December 31, 2012, 2013 and 2014, our provisions for impairment losses on distressed debt assets classified as receivables were RMB1,482.3 million, RMB2,942.6 million and RMB5,355.4 million (US$863.1 million), respectively, and the ratios of our provisions for impairment losses to total distressed debt assets classified as receivables were 3.0%, 2.9% and 3.2%, respectively. The provisions are based on our current assessments of, and expectations for, various factors affecting the quality of our portfolio of distressed debt asset classified as receivables. These factors include the obligors' financial condition, their capability and willingness to repay, the realizable value of any collateral, the capability of our obligors' guarantors to fulfill their obligations and implement our credit policies, as well as the PRC economy, macroeconomic policies, the legal environment and the regulatory environment. Many of these factors are beyond our control, and, therefore, our assessment of and expectations for these factors may not be accurate. The adequacy of our provisions for impairment losses, to a large extent, depends on the effective application of our risk assessment system to estimate these potential losses, as well as our ability to accurately collect, process and analyze relevant statistics. In addition, our classification and provision policies for distressed debt assets classified as receivables are different from those adopted by PRC commercial banks. If our assessments of, and expectations for, the factors that affect the quality of our portfolio of distressed debt asset classified as receivables differ from the actual conditions and results, or if our assessments prove to be inaccurate, or if our application of the risk assessment systems or our ability to collect relevant statistics proves to be insufficient, our provisions for impairment losses may not be adequate to cover our actual losses, and we may need to make additional provisions for impairment losses, which may lower our profit as well as materially and adversely affect our asset quality, financial condition and results of operations.

We may not be able to realize the value from our distressed assets as expected and our ability to dispose of distressed assets is subject to the limited methods of disposal available to us in the PRC.

The amount of income we can generate from our distressed assets depends on various factors, many of which are beyond our control, including the economic conditions in the PRC and in the global market, the prevailing market conditions, and changes in the relevant PRC policies, laws and regulations. Adverse changes in these factors could adversely affect the financial condition and repayment capability of the companies in which we hold distressed assets or make it difficult for us to realize the value of the distressed assets as expected. Therefore. we cannot assure you that the value of distressed assets we acquired will not decrease or that we will achieve the returns from disposing of our distressed assets as expected or at all. In addition, from time to time, we seek to realize the value of distressed assets through litigation or arbitration. However, we cannot assure that we can achieve the outcome as expected.

The methods that we currently adopt to realize the- value of distressed assets consist primarily of debt collection and litigation. debt restructuring, DES arrangements, assets for debt repayment, transfer of distressed assets and equity swaps, public listing and disposals through sales. Given the distressed asset management industry in the PRC is expected to further evolve, certain innovative financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may not be available to us. In addition, our distressed asset management is subject to the existing rules, regulations and policies, which may change from time to time based on the development of the distressed asset management industry. Any asset disposal method that is newly introduced into the market needs further development and improvement and there are legal uncertainties with respect to the new method prior to the promulgation of rules and regulations governing such new method. Although we believe our methods and manners of disposal are in compliance with applicable rules and regulations, the regulatory authorities may take different views, which could restrict or prevent us from using specific methods of distressed asset disposal, and/or impose fines and other penalties on us.

We do not participate in the daily management for the majority of the DES Companies and have limited influence on these companies, which may affect our ability to receive dividends on or exit from such investments and to realize the value of our investment in such DES Companies.

DES asset management is one of our principal business operations. For the history and further details of our DES Assets, see “Description of the Group — Our Principal Businesses — Distressed Asset Management — DES Asset Management” and “Regulatory Overview” in this offering memorandum. Due to the restrictions of the relevant governmental policies and regulations as well as the characteristics of our distressed asset business, in general we are not able to control or participate in the daily management of the DES Companies, and have limited influence on such enterprises.

The controlling or majority shareholders or the management of these DES Companies may make business, financial or management decisions or act in a manner that may not align with our interests and, therefore, prevent us from achieving expected investment returns. For example, before we realize gains from disposal of DES Assets, our investment returns from DES Assets consist primarily of dividends distributed by the DES Companies. The payment of dividends is at the discretion of the shareholders of these DES Companies and the majority and/or controlling shareholders of these enterprises may exert significant influence over dividend distribution in a manner that may not align with our interests. In addition, the DES Companies and/or their majority and/or controlling shareholders may disagree with the manners or the prices we proposed to exit from our investments, and we may not be able to dispose in the manner, schedule and price as expected. We may even be involved in disputes with, and litigations and other legal proceedings against, the DES Companies and/or their controlling shareholders and may incur additional legal costs, and our business, financial condition and results of operations could be materially and adversely affected.

As we do not participate in the daily management of the majority of the DES Companies, we may not be aware of issues arising from their daily operation and legal compliance. Even if we are aware of such issues, we may not be able to cause such enterprises to resolve the issues due to our limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of the DES Companies may materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Financial Investment and Asset Management

Our private equity investment business is subject to our investment decisions, our limited shareholding in the investee companies and market conditions.

Our private equity investment business generally involves direct investments in private companies with our own capital or investments through private equity funds. We hold equity interests in private equity portfolio companies to earn capital investment returns from dividends paid by such portfolio companies and from exits through IPOs or disposal of equity in such portfolio companies. Making an accurate investment decision requires us to carefully identify and select a target company based on its business, financial condition, results of operations and the industry in which it operates. In general, this selection process involves a systematic analysis and estimation of the target company's profitability and sustainability. However, we may make unsound investment decisions due to fraudulent, concealed, inaccurate or misleading statements from a target company in the course of our due diligence, which could lead us to mistakenly estimate the value of the target company and affect our ability to make profit on such investments. In addition, our understanding of and judgment on the industry in which the target company operates or its business may be inaccurate and result in inappropriate investment decisions.

Our portfolio companies may take longer than we expect to become suitable for IPOs or for us to exit our investments through other means. As such, our investment period may be longer than we anticipated, which could reduce our expected returns on investment. If an IPO cannot be achieved for any reason, we cannot exit our investment in an open market or through other means, or at all, which may have an adverse impact on realizable value of our investment. In addition, our ability to exit a private equity investment is also subject to capital market conditions in the PRC. Even in the case of successful IPOs, due to equity capital market conditions, we may be forced to sell our investments at undesirable prices or may not be able to sell within the time period as we scheduled. Our obligation in accordance with applicable laws to reduce the holding of our shares in investee companies during their IPOs may also reduce returns on our investments. If we cannot sell our private equity investments during the planned disposal period, our investment returns will continue to be exposed to market risks.

We may have limited control over the companies in which we have invested. Therefore, we may not be able to influence the business decisions of our invested companies, which could prevent us from making profit from such investments as we anticipated. In addition, our private equity portfolio companies may fail to meet their obligations under the agreements entered into with us, which could result in deterioration in the value of our investments. In such cases, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risks associated with real estate construction and development

Our property construction and development activities involve significant risks. Before a property development generates any revenues, we shall incur significant costs, including land use rights acquisition costs and property construction costs. It generally takes several years for a development project to generate revenues, and we cannot assure you that such development will be completed within a reasonable period of time and generate profit as we expected. Our property construction and development activities are exposed to various risks, including but not limited to the following:

- we may not be able to identify appropriate land or obtain the land use rights for our development projects;

- we may fail to obtain or face material delays in obtaining requisite certificates, permits and government approvals, including, among others, qualification certificates, land use right certificates, construction permits, pre-sale permits and certificates or confirmation of completion, for our property developments;

- we may not be able to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increases in costs of raw materials, equipment, technical personnel and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government policies, changes in market conditions, delays in obtaining the requisite licenses and permits and approvals from the relevant authorities, and other unforeseen problems and circumstances;

- we may lease or sell the properties developed by us at rental rates or sales prices below our expectation, and we may experience delays in the leasing or sale of properties developed by us; and

- occupancy rates, rental rates, rents and sale prices of the properties developed by us may fluctuate depending on a number of factors, including market and economic conditions and our ability to deliver our properties to meet consumer demand in the areas of product positioning, design and pricing, and may adversely affect our revenues and cash flows.

The PRC real estate market is affected by many factors, including but not limited to, macroeconomic conditions, interest rates, inflation rate, urbanization rate, disposable income levels and supply and demand dynamics, many of which are beyond our control. In recent years, the PRC central government and local governments have implemented stringent policies and measures to control the overheating growth of the real estate market. Such policies and measures include those designed to control the land, taxes, real estate development, mortgage and other credit facilities for property purchases or real estate development, down payment ratio requirements for property purchases, interest rate level and investment in and sales of assets. Any further stringent policies in China or prolonged implementation of the relevant policies could lead to deterioration in the liquidity of the real estate market in China, which may in turn cause the sales volume and prices of our properties to decline. In addition, the value of our real estate assets may decrease. We may not be able to sell any of our properties at favorable prices or on favorable terms, or the prices or terms offered by prospective purchasers may not be acceptable to us. It is also impossible to predict the period of time needed to find willing purchasers and to complete the property purchases. In addition, properties that we operate and manage for long-term investment purposes may not be as profitable as we expected and the costs associated with the maintenance of these properties may exceed our budget. Any of the foregoing may materially and adversely impact the revenue and profit generated from our real estate development business.

Risks Relating to Our Financial Services

If we fail to satisfy the requirements regarding minimum solvency margin ratio, our insurance business may be subject to regulatory sanctions, which may have a material adverse effect on our insurance business.

PRC laws and regulations require each of our insurance subsidiaries to maintain a minimum solvency margin ratio commensurate with the scale of business and risk exposures. Under the Administrative Provisions on Solvency of Insurance Companies (保險公司償付能力管理規定), an insurance company shall have capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of at least 100%. If any of our insurance subsidiaries fails to meet the relevant minimum solvency margin ratio requirements, the CIRC may impose regulatory sanctions on the subsidiary, depending on the degree of deficiency in the solvency margin ratio, including but not limited to, (i) ordering the increase in capital or restricting the payment of dividends to shareholders, (ii) imposing restrictions on the remuneration of directors and senior management, (iii) restricting the expansion of branches and scale of business, prohibiting the development of new business and ordering the transfer of insurance business or ceding business, (iv) ordering the auction of assets or restricting the purchase of fixed assets, and (v) restricting the use of insurance funds. For more information, see "Regulatory Overview — Insurance

Business." As of December 31, 2012, 2013 and 2014, the solvency margin ratio of Cinda P&C was 746%, 490% and 409%, respectively. As of December 31, 2012, 2013 and 2014, the solvency margin ratio of Happy Life was 48%, 133% and 222%, respectively. As Happy Life failed to meet the regulatory requirement on minimum solvency margin ratio in 2012, the CIRC imposed relevant regulatory measures on Happy Life in March 2013, including prohibiting Happy Life from establishing new branch entities and developing new businesses. The CIRC has lifted the regulatory restrictions prohibiting Happy Life from establishing new branch entities and developing new businesses on April 24, 2013 and July 8, 2013, respectively, as Happy Life met the requirements on minimum solvency margin ratio by the first half of 2013. As of the date of this offering memorandum, Happy Life was in compliance with relevant regulatory requirement on solvency margin ratio.

The solvency margin ratios of our insurance subsidiaries depend on various factors, such as its capital level, business development and profitability. If their share capital and profit cannot continue to support their business growth in the future, minimum solvency margin ratios increase, financial condition or results of operations deteriorate, or for other reasons they cannot comply with the minimum requirements on solvency margin ratio, our insurance subsidiaries may need to raise, or we may need to inject, additional capital so that they can meet such requirements. Our insurance subsidiaries' ability to obtain additional capital in the future is subject to a variety of uncertainties, including but not limited to, their future financial condition, results of operations, cash flows, government regulatory approvals, changes in regulations relating to capital raising activities, their credit ratings, general market conditions for capital raising activities, and other economic and political conditions inside and outside of the PRC. For example, the ability of Happy Life to finance through equity and bond offerings has been restricted pursuant to relevant regulatory rules and the covenants set forth in the indentures for the subordinated debts issued.

If our insurance subsidiaries fail to maintain the minimum solvency margin ratio according to the regulatory requirements, the CIRC may impose regulatory limitations on us. Some or all of these limitations may constrain our insurance subsidiaries' underwriting capacity, reduce its growth rate and have a material adverse effect on our business, financial condition and results of operations.

Our insurance business may be subject to various risks.

Our insurance business may be subject to various risks, including but not limited to:

- The potential differences between our actual benefit and claim payments and those assumptions or estimates used in the pricing of, and setting reserves for, our insurance products could have a material adverse effect on the results of operations of our insurance business. The earnings of our insurance business largely depend on the extent to which our actual benefits and claims are consistent with the assumptions and estimates we use in pricing our insurance products and establishing reserves for future policy benefits and claims. Due to the nature of underlying risks and the uncertainties associated with the determination of liabilities for future policy benefits and claims, the amount which our insurance subsidiaries will ultimately pay to settle their liabilities may differ from estimated amount. If the reserves which our insurance subsidiaries previously established are inadequate, they will incur additional costs of claims, which may have a material adverse effect on the business, financial condition and results of operations of our insurance subsidiaries.

- Adverse changes in the reinsurance markets may have a material adverse effect on our insurance business, and we are exposed to the risk that our reinsurers may not perform their obligations. We cede insured risks we underwrite to a number of reinsurance companies. Although a reinsurer is liable to us to the extent of the ceded insurance, we remain liable as the direct insurer on all risks reinsured. We cannot assure you that we can obtain sufficient reinsurance to cover losses in the future or obtain the reinsurance we require in a timely or cost-effective manner. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our insurance premiums earned. Accordingly, although we seek to adopt various measures to reduce the costs of our reinsurance, we may still be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which may restrict our ability to underwrite for the business or result in the assumption of more risk with respect to the retention amounts under those policies we issue.

- Any termination of, or any adverse change to, our banc assurance arrangements may have a material adverse effect on the financial condition, results of operations and prospects of our insurance business. PRC state-owned commercial banks and regional commercial banks which have entered into banc assurance agreements with Happy Life are the main distribution channel for our life and health insurance products. CCB is the largest bancassurance partner for our life and health insurance products. Any termination of, disruption to, or any other adverse change to, our relationship with the banks, in particular CCB, with which we have entered into banc assurance agreements, the formation of any exclusive partnership between these banks and any of our competitors, may significantly reduce our insurance product sales and growth opportunities of our insurance business. Regulatory changes affecting the banc assurance business and distribution of banc assurance products may materially affect our relationship and arrangements with these banks or restrict our ability to further expand our banc assurance arrangements. In addition, as the banc assurance market becomes increasingly competitive, banks could demand higher commission rates, which would increase our costs of sales and reduce the profitability of our insurance business. Any of the foregoing may have a material adverse effect on the financial condition, results of operations and prospects of our insurance business.

- Concentrated policy surrenders in our insurance business may cause us to dispose of our investment assets, and the liquidity of certain investment assets could prevent us from selling them at commercially favorable prices in a timely manner, which could have a material adverse effect on the financial condition, results of operations and prospects of our insurance business. Under normal circumstances. it is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impacts, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, loss of customer confidence in the insurance industry due to the severe or perceived weakening of the financial strength of one or more insurance companies, or the severe weakening of our financial strength, may trigger concentrated surrenders of insurance policies. If this were to occur, our insurance subsidiaries would have to dispose of investment assets to cover the respective amount of surrender payments when our reserve for claims is insufficient. Our insurance subsidiaries may be unable to sell their investment assets at favorable prices and in a timely manner to cover the respective level of surrender payments, which could have a material adverse effect on the financial condition, results of operations and prospects of our insurance business.

- Catastrophic events, which are covered by our insurance, could materially increase our liabilities for claims by policyholders. Both our P&C insurance business and our life and health insurance business expose us to risks of liabilities for insurance claim payments relating to unpredictable catastrophic events, including natural hazards, man-made disasters and epidemics or pandemics. The frequency and severity of catastrophes covered by our insurance are inherently unpredictable. Furthermore, catastrophes could also increase the operating costs, adversely affect our operations or those of our clients, or result in losses in our investment portfolios, and could in turn have a material adverse effect on our business, financial condition and results of operations.

Our failure to pay the principals and investment returns to the investors under any trust plans as scheduled may materially and adversely affect our trust business.

We provide various trust plans for investors through our subsidiary Jingu Trust. In the process of launching trust plans, we need to inform investors about the amount of funds raised, duration and expected returns of the trust plans. The investment projects of the trust plans launched by Jingu Trust mainly focus on industries such as infrastructures, manufacturing and trade and real estate. In case of the downturn and slowdown in such industries, we may not be able to collect the principals and/or expected investment returns of our trust plans. If we fail to pay the principals and expected investment returns to investors in accordance with our expectations when the trust expires, the reputation of our trust business will be damaged and the confidence and sentiment of investors towards our existing and future trust plans will be affected, which may adversely affect the results of operations of our trust business. In addition, in the event that any assets incur losses due to any violation or misconduct by Jingu Trust in performing its management obligations or conducting its trust business, Jingu Trust may need to compensate its investors with its own funds. Under such circumstances, the asset quality, financial condition and results of operations of Jingu Trust may be materially and adversely affected.

Our securities business may be subject to various risks.

Our securities business is directly affected by the inherent risks associated with the securities markets in the PRC, such as market volatility, overall investment sentiments, fluctuations in market capitalization and trading volumes, the supply of liquidity and the creditworthiness of the securities industry. Our business is also subject to changes in macroeconomic conditions, such as monetary policies, fiscal policies, currency fluctuations, cost of funding, interest rate volatility and other macroeconomic policies, legislation and regulations affecting the financial and securities industries. In addition, our securities business may be subject to various risks, including but not limited to:

- Revenue from our securities brokerage business depends significantly on the volume of trading that we execute for our clients and the brokerage commission rate. Trading volume is subject to various factors including, among others, macroeconomic conditions, monetary policies, market conditions, fluctuations in interest rates and investor behavior, all of which are beyond our control. For instance, the daily average trading volume in the A share market decreased in 2010, 2011 and 2012, which had adversely affected our securities trading volume and resulted in a decrease in our securities brokerage revenue. We face intense price competition in our securities brokerage business as some of our competitors seek to increase their market shares by reducing prices as well as the introduction of electronic trading through the Internet and other alternative trading systems, which may lead to a decrease in our brokerage commission. As a result, we cannot assure you that commission and fee income from our brokerage business can be sustained at current levels.

- We provide services to customers of our securities brokerage business and manage customer relationships primarily through our securities branches. However, there is no assurance that we will be successful in further expanding our branch network due to changes in regulatory policies, difficulties in managing retail brokerage staff and other unforeseeable reasons. Since March 2013, the CSRC has permitted the PRC securities companies to establish more branches, which may further intensify the competition in the securities brokerage business in the PRC and the securities brokerage commission rate may decrease accordingly. We may fail to maintain our current market position and competitiveness, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

- Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that the underwriting commission and sponsorship fees can be sustained. Offerings of securities in the PRC, especially initial public offerings, are subject to approvals by various regulatory authorities. The timing and results of these regulatory reviews and approvals are beyond our control and the listings of securities underwritten and sponsored by us may be significantly delayed or even terminated due to unfavorable market conditions and fluctuations in the capital markets. If any project fails to complete on time or at all for any reason, we may not receive sponsor fees and underwriting commission as planned or at all. If we underwrite securities offerings on a firm commitment basis, we may be required to purchase some or an entire unsubscribed portion for our own account, which could adversely affect our liquidity or even result in losses. Furthermore, acting as a sponsor in the securities offering and listing, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC due to inadequate due diligence in connection with an offering, fraud or misconduct committed by issuers, their agents, other sponsors or ourselves, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the sponsorship, which may materially and adversely affect our reputation, business and results of operations.

Our financial leasing business may be subject to various risks.

Our financial leasing business may be subject to various risks, including but not limited to:

- The value of collateral or guarantee securing our leases and the assets underlying such leases, which are disposed of upon repossession, may be inadequate to cover related finance lease receivables. We usually request the lessees to provide collateral and/or guarantee to secure the obligations under the lease agreements. The value of collateral and/or assets underlying our leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the financial condition of guarantors under our leases could significantly decrease the amounts we may recover under such guarantees. We conduct periodic impairment tests for collateral and assets underlying our leases. If the value of the collateral or assets underlying our leases is determined to be inadequate to cover the related finance lease receivables, we may need to obtain additional guarantee. Declines in the value of collateral, guarantees or assets underlying our leases or our inability to obtain additional guarantee may result in impairment losses and require us to make additional provisions for impairment losses on our finance lease receivables, which may materially and adversely affect our financial leasing business, financial condition and results of operations.

- We may not be able to successfully enforce our rights to the underlying collateral or guarantees to our leases or our rights to repossess the assets underlying such leases for our financial leasing business. For our financial leasing services, we usually request the lessees to provide collateral or guarantees for the leases with specific guarantee agreements. The lessees and guarantors of our finance leases are generally third parties with respect to us, our shareholders or directors or any of their respective associates. In the event of any material default on interest payment terms, we are entitled to enforce our security rights and/or repossess and dispose of the assets underlying our leases to realize their value. In the PRC, the procedures for liquidating or otherwise realizing the collateral value of tangible assets, enforcing the rights to a guarantee, or repossessing the assets underlying the leases are usually time-consuming. Although we could apply to a PRC court for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying our leases upon the event of default, it is uncertain whether the local court's judgment would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, our rights to any collateral securing our leases may be subordinated to other claims. If we are unable to bring an enforcement action with respect to any collateral or guarantee securing the assets underlying our leases for repossession and disposal on a timely basis, it may have a material adverse effect on the asset quality, financial condition or results of operations of our financial leasing operations.

- Our provision for impairment losses on finance lease receivables and prepayments for equipment leasing may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment to cover such future credit losses. We made provisions for impairment losses on finance lease receivables and prepayments for equipment leasing of RMB440.5 million, RMB547.0 million and RMB752.1 million (US$121.2 million) as of December 31, 2012, 2013 and 2014, respectively. The amount of such provision is determined on the basis of our internal provisioning procedures and guidelines and relevant regulatory requirements with consideration of certain other factors. Our provisions for impairment losses on receivables from finance lease receivables and prepayments for equipment leasing may prove to be inadequate if adverse changes occur in the PRC economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables and prepayments for equipment leasing, which could significantly reduce our profit and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our asset management, fund management and trust business depend largely on our ability to raise funds from investors and retain the funds raised. A significant decline in the size of the AUM and poor management performance may materially and adversely affect our asset management, fund management and trust business.

Our ability to raise funds for our asset management business depends on a number of factors, many of which are beyond our control. Investors may reduce or withdraw their investments due to market volatility and unfavorable economic conditions as well as when the investment objective is satisfied. Poor performance of our asset management plans could also make it more difficult for us to raise new capital. Our investors and potential investors assess our asset management performance, market benchmarks and performance of our competitors, which affects our ability to raise funds for existing and future asset management plans. To the extent that economic and market conditions deteriorate, we may be unable to raise sufficient funds to support the investment activities of future asset management plans. If we fail to raise funds, the financial condition and results of operations of our asset management business could be materially and adversely affected.

We charge management fees based on the size of assets of mutual funds and trust plans under our management. In addition, we may earn performance fees for our private equity fund management services as well as our collective and targeted asset management plans. Investment performance affects the scale of our AUM and our ability to retain existing clients and secure new clients. Limitations on investment options and hedging strategies, as well as market volatility, could limit our ability to provide stable returns for our clients and retain their investments under our management. Market volatility, adverse economic conditions or inability to outperform our competitors or market benchmarks may reduce our AUM or affect the performance of the assets, funds or trust plans under our management. In the event of any circumstances above, our clients may withdraw their investments from our asset management plans or mutual funds or terminate the trust contracts prior to the expiration dates. Our clients may request us to lower our management fees, and the performance fees, which are calculated as a percentage of investment returns, may also decline. Any of the foregoing circumstances could have a material adverse effect on our competitiveness, financial condition and results of operations.

Other Risks Relating to Our Company

Our business operation is exposed to market risk.

Our equity investment business, liquidity management and investment business of Happy Life and Cinda Securities consist of investments in financial products such as equity and fixed-income securities. Our equity and fixed-income securities business is exposed to risk arising from the fluctuation in the PRC capital markets. The downturn of equity and fixed-income securities markets may result in a decrease of the unrealized gain of investment assets, unrealized or realized losses or impairment and a decrease of gains realized upon the disposal of such assets, any of which may have a material adverse effect on our business. financial condition, results of operations and prospects.

Certain portion of our assets, such as part of our available-for-sale financial assets, are valued at market prices. If the values of available-for-sale financial assets decrease significantly and our management considers that the decrease is not temporary, impairment losses may be recognized. Such estimates are based on judgments which involve the assessment of various factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company — Critical Accounting Policies and Estimates" in this offering memorandum. For example, for the years ended December 31, 2012, 2013 and 2014, we made provisions for impairment losses in relation to our available-for-sale financial assets amounting to RMB3,340.2 million, RMB4,007.0 million and RMB1,512.3 million (US$245.4 million), respectively. The recognition of asset impairment losses will have a material adverse impact on our results of operations.

Our business operations are subject to credit risk.

A substantial proportion of our asset portfolio consists of distressed assets that we acquired from financial or non-financial enterprises. A portion of distressed debt assets which we acquired are not secured by sufficient collateral and guarantees. Please see "— Risks Relating to Our Distressed Asset Management — If we are unable to effectively maintain the quality of our distressed debt asset portfolio, our financial condition and results of operations may be materially and adversely affected" in this offering memorandum. Some of our subsidiaries. including Cinda Investment, also provide credit enhancement services to customers primarily in the form of long-term purchase commitment. As a result, we are susceptible to credit risks associated with the deteriorating credit quality of the relevant debtors. Losses may occur due to increased delinquencies.

Our financial services are also subject to different credit risks, primarily including:

- *Securities and futures business*. Our credit exposure from securities and futures businesses mainly results from our businesses of margin financing to customers, futures brokerage and repurchase transactions. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and us, which may subject us to significant expenses or litigation risks, hence adversely affecting our financial position, results of operations and cash flows.

- *Financial leasing business*. Our financial leasing business is exposed to credit risk arising primarily from the default by the lessees or the guarantors, which may result in deterioration in the quality of our lease receivables portfolio or a decline in the quality of future receivables. In addition, if we fail to effectively mitigate the credit risk and collect our outstanding finance lease receivables, our cash flows from and liquidity condition of financial leasing business could be materially and adversely affected.

- *Insurance business*. Our insurance business is exposed to the risk that our customers and partners do not perform their obligations. Our customers and partners may default on their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. Our rights against these counterparties may not be enforceable in all circumstances.

We are exposed to credit risk with respect to our investments in proprietary trading activities, insurance and securities businesses, which are recorded as available-for-sale financial assets and held-to-maturity financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. If our credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types, or number of third parties, or if we fail to effectively manage, our credit exposure through our risk management policies and procedures, the volatility of any negative impact of credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

Our business operation is exposed to liquidity risk.

Our business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to our business operations. We satisfy the liquidity requirement mainly through cash from our operating activities and debt financings. Any decline in our liquidity level may impair the confidence of our customers or counterparties, which may result in loss of business and customers.

Factors which may adversely affect our liquidity level include unfavorable changes to macroeconomic environment, policies or money market, our failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavorable changes of capital markets, firm-commitment underwriting transactions under investment banking business, failure to realize the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If we are unable to generate sufficient cash from operating activities to meet our liquidity needs, we would be required to seek external financing.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective in identifying or managing risks to which we are exposed.

The complexity of our operations and products exposes us to various risks, including market risk, credit risk, operational risk, liquidity risk, compliance risk, legal risk and other risks. We have established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products we offer, and we have been dedicated to continuously improving these systems and procedures. Please see "Description of the Group — Risk Management" in this offering memorandum. However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, are restricted by the information, tools, models and technologies available to us, and our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or protecting us against all types of risks. Our risk management and internal control systems require constant monitoring, maintenance and continual improvements. Our efforts to maintain these systems may be ineffective or inadequate.

Effectiveness of our risk management and internal control systems and procedures may also be adversely affected by misjudgment, clerical mishandling and errors, reporting errors or our limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of our methods for managing risk exposure are based upon observed historical market behavior or data. Future risk exposure can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that we rely on may quickly become obsolete as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

In addition, financial institutions typically utilize various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate or hedge different risks. Therefore, the risk management tools available to us are limited, which in turn limits our risk management capability and effectiveness. As a result, we may be unable to take timely and appropriate measures to manage our risks due to the ineffectiveness of risk management methods and techniques adopted by us.

We cannot assure you that our risk management and internal control systems are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations, disciplinary actions or even prosecution being taken against us or our employees, or disruption to our risk management system, any of which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to various capital requirements, which may restrict our business activities.

We are subject to capital requirements imposed by regulatory authorities. According to the requirements of the CBRC, the minimum capital of an AMC group company on a consolidated basis shall be determined by the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis, and the consolidated financial leverage ratios of our Group shall not fall below 6%. The minimum capital of our Company shall not fall below 12.5% of the risk-weighted assets (including off-balance sheet assets). Risk weight is determined mainly based on the factors such as the effects of the risk exposure of specific assets and the effects of such risk exposure on our Company’s primary businesses. In addition, the leverage ratio of our Company shall not fall below 6% and the liquidity ratio shall not fall below 15%. However, such requirements are subject to further amendments by the CBRC, including the standards for risk-weighted assets. If the CBRC increases the minimum capital adequacy requirements or changes the methodology for calculating regulatory capital or capital adequacy ratios, we will be subject to new capital adequacy requirements.

In addition, the minimum capital of subsidiaries within our Group which are engaged in securities and futures, financial leasing, trust, and insurance businesses shall meet the applicable regulatory requirements set forth by their respective regulatory authorities. Therefore, our business activities may be restricted.

- *Securities business*. According to the requirements of the CSRC, the ratio of net capital to net assets of Cinda Securities shall not fall below 40%, the ratio of net capital to total liabilities shall not fall below 8% and the ratio of net assets to total liabilities shall not fall below 20%. The net capital for securities companies, a consolidated risk control standard which is established pursuant to business scope of securities companies and the liquidity features of their assets and liabilities, is determined based on the net assets after making risk-adjustment to the assets and liabilities as well as relevant businesses. The net capital is defined as net assets minus risk adjustment to financial assets minus risk adjustment to other assets minus risk adjustment to contingent liabilities, and making other adjustments recognized or approved by the CSRC.

- *Trust business*. According to the requirements of the CBRC, the net capital of Jingu Trust shall not be less than RMB200 million, and shall not fall below 100% of the risk capital or 40% of the net assets. The net capital for trust companies is defined as net assets minus risk mitigation for all assets minus risk mitigation for contingent liabilities minus other risk mitigation determined by the CBRC.

- *Financial leasing business*. According to the requirements of the CBRC, the net capital of Cinda Leasing shall not fall below 8% of its risk-weighted assets.

- *Insurance business*. According to the requirements of the CIRC, Happy Life and Cinda P&C are required to maintain a solvency margin ratio of no less than 100%. For more information, please see "— Risks Relating to Our Financial Services — If we fail to satisfy the requirements regarding minimum solvency margin ratio, our insurance business may be subject to regulatory sanctions, which may have a material adverse effect on our insurance business" in this offering memorandum.

If we fail to meet regulatory capital requirements set forth by regulatory authorities, regulatory authorities may impose penalties on us or limit the operation of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations.

Our operations depend on key management and professional staff and our business may be materially and adversely affected if we are unable to recruit, train or retain a sufficient number of qualified employees.

The success of our business, to a large extent, depends on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the distressed debt assets industry, experienced investment managers and finance professionals, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other asset management companies and financial institutions are vying for the same pool of talent. Our business and financial condition could suffer if we are unable to retain our management team, including our senior management and operating management, and other high-quality personnel, including our management in the business, finance, investment and IT departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, we may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

Some of our key employees are subject to non-compete arrangements. However, we cannot ensure that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Failures of or inadequacies in our IT systems could have a material adverse effect on our business, financial condition and results of operations.

Our business operations depend heavily on our business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose us to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of our business processing, accounting, financial controls, risk management, customer service and other business is dependent on our IT systems and communication networks with the third parties. If the fundamental system which supports our business suffers from malfunction or disruption, including system problems or communication disruption of our systems and the systems of any third parties we engaged may be indirectly affected, which will have a material adverse effect on our ongoing business. These failures could be caused by, among other things, hardware failure, software program errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond our control. Although we back up the business data regularly and we have established the same-city disaster recovery backup, any prolonged disruption to or malfunction in the operation of our IT systems could limit our ability to monitor and manage data, control financial and operation conditions, monitor and manage our risk exposures, keep accurate records, provide high-quality customer service and to develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate our losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify our losses.

In addition, we provide online financial services such as securities and futures brokerage services to our customers. Disruption to or instability of our online financial services platform or mobile service platform could impair our ability to serve our customers and execute trades on their behalf and on our own account, which could materially and adversely affect our results of operations and reputation.

We update our IT systems and introduce new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability, and may also not be able to meet the needs of our business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in our inability to perform, or delays in performing critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business, financial condition and results of operations.

Our historical financial information is not necessarily indicative of our future performance, and we may not be able to continue acquiring additional DES Assets or explore other revenue resources, and as a result, our revenues may be volatile due to the nature of our business.

Our historical financial information included in this offering memorandum is not indicative of our future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. Our future results of operations may change materially if our future growth does not follow our historical trends for various reasons, including factors beyond our control, such as changes in economic environment, competitive landscape and financial markets.

From time to time, including recent financial periods, we have derived a significant portion of income from a few major disposals of distressed assets and DES Assets in our distressed asset management business. In the future, we may dispose of debt or equity assets that may contribute to a significant portion of our income during the period. Income earned from each disposal of assets depend on the specific conditions of such assets, including the duration for holding the assets, operating conditions of creditors or companies owned by us, opportunities in the market and our bargaining power, and general economic and market conditions. As a result, the returns on historical disposal of assets may not be indicative of our returns on disposing of other assets in the future. In addition, we formulate plans for the assets to be disposed of and estimate income from such disposals for each year based on our operation development, quality of assets, business growth strategies, and financial and operation targets. Furthermore, after disposing of part or all our existing DES Assets, we may not be able to continue acquiring additional DES Assets or explore other sources of income. Therefore, the amount of assets we disposed of and income therefrom for each year in the past do not reflect our disposal plans and possible income in the future.

We had net cash outflows from operating activities in the year ended December 31, 2012. We may continue to experience cash outflows from operating activities and, as a result, we may need to obtain additional funding from other sources in the future.

We had net cash outflows from operating activities of RMB5,015.9 million in 2012, and we may have net cash outflow from operating activities in the future. We had cash outflows from operating activities primarily due to cash paid to acquire distressed debt assets classified as receivables and financial assets at fair value through profit or loss, as well as to expand our financial leasing business.

We expect the cash used in acquiring distressed assets and providing financial leases to customers to increase as we continue to expand our operations. Net cash outflows used in our operating activities may harm our ability to acquire distressed assets, expand our operations and make additional capital expenditures. We may need to obtain external financing to satisfy our financial needs and repay our debts. In case we are unable to repay the debts and interests as scheduled, our creditors may accelerate repayment of the relevant debts. We may not be able to achieve or sustain positive cash flows from operating activities, and even if we achieve positive operating cash flows, such cash inflows may not be sufficient to satisfy our anticipated capital expenditures and other cash needs.

We have financed our operations and other funding requirements primarily with borrowings from banks, other financial and non-financial enterprises and proceeds from issuing bonds and shares. As of December 31, 2012, 2013 and 2014, we had RMB31,093.4 million, RMB48,192.0 million and RMB34,476.9 million (US$5,556.7 million), respectively, in cash and cash equivalents. We may need to raise additional funding for our continuing operations. We cannot assure you that additional funds will be available on acceptable terms, or at all.

We may be unable to obtain sufficient funds on commercially acceptable terms to support our business operations.

A substantial amount of funds is required to support the growth of our asset portfolio and future expansion of our business operations. Historically, a certain portion of the financial resources we used to acquire distressed assets were from the MOF and the PBOC. As of December 31, 2014, the outstanding balance of our borrowings from the PBOC was RMB986.1 million (US$158.9 million). Such borrowings from the PBOC for the acquisition of distressed assets of banks bear a fixed interest rate of 2.25% per annum and are due in full by December 31, 2014. As of December 31, 2014, we had an amount due to the MOF of RMB9,710.7 million (US$1,565.1 million), which was the consideration payable to the MOF for the acquisition of distressed assets by us before 2010, and shall be paid to the MOF by installments of RMB9,713.5 million each year within five years from 2011. We have repaid RMB2,000 million of the RMB9,713.5 million that was payable as of the end of 2011, and have made a request for postponing repayment of the remaining RMB7,713.5 million. In February 2012, the MOF approved extension of our payment of the first installment of RMB9,713.5 million to the end of 2014. The deferred payment bears an interest rate of 2.25% per annum. We cannot assure you that we can further defer the repayment of the borrowings from the PBOC and/or the amount due to the MOF. If we pay these outstanding amounts in full in accordance with the current repayment schedule, we will need to raise additional funds from other sources which may bear higher interest rates, resulting in an increase in our financing costs accordingly.

We have been gradually increasing our financing by expanding market-oriented sources of funding, primarily including (i) cash generated from operations, (ii) borrowings from banks and non-banking financial institutions, and (iii) proceeds from issuance of bonds and equity. As of December 31, 2012, 2013 and 2014, the balance of our borrowings, which were primarily from market-oriented sources, were RMB76,099.2 million, RMB173,834.7 million and RMB263,452.4 million (US$42,460.8 million), respectively. For the years ended December 31, 2012, 2013 and 2014, our interest expense on such borrowings were RMB2,202.7 million, RMB6,048.4 million and RMB13,456.0 million (US$2,183.7 million), respectively. As of December 31, 2012, 2013 and 2014, the balance of our bonds issued were RMB12,534.6 million, RMB13,285.0 million and RMB43,694.9 (US$7,042.3 million), respectively. For the years ended December 31, 2012, 2013 and 2014, our interest expense on bonds issued were RMB114.0 million, RMB585.3 million and RMB1,489.0 million (US$241.6 million), respectively. We may need additional funding for our further acquisition of distressed debt and other investments. If there are changes in international and/or domestic macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements with commercial banks, we may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet our needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to fund our operations, investments and business expansion, introduce new business or compete effectively.

Furthermore, our subsidiaries or branches may need financial support from us to meet their liquidity requirements during the ordinary course of their businesses. Some of our subsidiaries may need additional capital injections from us to meet applicable regulatory requirements. We may not be able to provide sufficient funds to our subsidiaries or branches in a timely manner, or at all, which could materially and adversely affect our financial condition and results of operations.

Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to maintain our growth rate or successfully manage challenges arising during our growth.

Our efforts to integrate our various business operations and coordinate among our branches and subsidiaries may not be effective or timely. In addition, we cannot assure you that such growth will continue in the future. The expansion of our business activities poses various challenges to us, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio, solvency margin ratio and net capital requirements, as well as other capital needs;
- strengthening our risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;
- managing our fast-growing distressed debt assets, AUMs, insurance assets, finance lease receivables and other financial assets;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for our products and services; and
- maintaining and developing our brand and reputation.

Our investments, acquisitions and business initiatives may expose us to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If we are not able to manage future growth successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Expansion of our offerings of products and services may expose us to challenges and risks.

We have recently been expanding our financial services, including securities and futures, trust, financial leasing, fund management, and insurance services, and will continue to, as permitted by the PRC regulatory authorities, expand our offerings of products and services. These new businesses may have different operational parameters and risk profiles as compared to our more established existing businesses, and we may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks.

These new businesses may expose us to challenges and risks, including but not limited to:

- insufficient experience, expertise and skills in offering new products and services and dealing with new counterparties and customers;
- stricter regulation and increased credit risks, market risks and operational risks;
- failure to achieve investment returns from our new businesses;
- reputational concerns arising from dealing with new counterparties and customers who are less familiar to us and may be less sophisticated;
- failure to hire sufficient qualified personnel to support the offering of new products and services;
- lack of market and customer acceptance of our new products and services;
- failure to make accurate analysis or judgment on market conditions of our new business;
- failure to obtain sufficient financing from internal and external sources to support our business expansion; and
- failure to enhance our risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of products and services.

If we are unable to achieve the expected results with respect to our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to extensive regulatory requirements and the non-compliance with the applicable regulatory requirements may result in penalties.

We are subject to various regulations by PRC and overseas regulatory authorities and we may be subject to regulatory proceedings from time to time.

Our distressed asset management business is subject to the supervision of the MOF and the CBRC. Our financial services are subject to supervision of various authorities, including the CBRC, the CIRC, the CSRC and the PBOC. These regulatory authorities impose requirements on our businesses in various aspects, including capital adequacy, capital deposits, financial leverage ratios and deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolio, as well as the number and locations of branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict our business activities and require us to incur increased expenses, restate or write down the value of our assets or liabilities, and devote considerable time and resources to such compliance.

We are subject to periodic and non-periodic inspections and examinations by the CBRC, the CIRC, the CSRC, the PBOC and other PRC governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of our compliance with PRC laws and regulations. For the three years ended December 31, 2014, we were subject to penalties or sanctions by the tax or other regulatory authorities due to our non-compliance with certain relevant regulations, including the prohibition on us to conduct new business and to establish new branch entities for a prescribed period, fines, order for rectification or other regulatory measures imposed by domestic regulatory authorities due to our violation of certain domestic regulations. For details, please see "Description of the Group — Legal and Regulatory Proceedings" in this offering memorandum.

We may not be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations or guidelines at all times, and we cannot ensure that the results of the regular and special inspections by the MOF or other regulatory authorities will not have any adverse effect on us. Failure to do so will result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to launch new businesses and harm our reputation, and consequently materially and adversely affect our financial condition and results of operations.

We may not be able to achieve the anticipated intra-group synergies through our implementation of group management and control of our branches and subsidiaries.

We operate our distressed asset management business through our head office (the "Head Office") and our branches (the "Company Branches"). As of December 31, 2014, we had 31 Company Branches in the PRC, which are located in various geographical regions and are authorized to conduct their operations and management within our management system. We conduct our financial investment and asset management business and provide a wide range of financial services, including securities and futures, trusts, financial leasing services, fund management and insurance, primarily through our subsidiaries in the PRC and Hong Kong. Certain of our subsidiaries also have other shareholders holding significant portions of equity interests in such subsidiaries and have a certain degree of management autonomy. We cannot assure you that our strategies and policies are implemented effectively and consistently in each subsidiary and Company Branch.

In addition, due to the large number of our subsidiaries and Company Branches, their broad geographic distribution, limitations in our information systems and other factors, we may not always be able to effectively detect or prevent operational or management issues at these subsidiaries and Company Branches on a timely basis, and information available to and received by our management may not be accurate, timely or sufficient to manage risks and plan for and respond to market and other changes in our operating environment. If we are unable to effectively implement our centralized management and supervision on our subsidiaries and branches, or implement our strategies and policies consistently throughout our Group, our Company Branches, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

We have formulated certain strategies to achieve and enhance collaboration among various business lines and intra-group cooperation between our Company Branches and subsidiaries so as to further enhance synergies. However, these strategies are still under development. There can be no assurances that we will be able to fully develop or implement these strategies or that we will realize the anticipated benefits of these strategies. Implementation of these strategies could also be affected by a number of factors beyond our control, including operating difficulties, increased operating costs, regulatory developments, deterioration in general or local economic conditions or increased competition. In particular, the applicable PRC regulatory framework allows the regulatory authorities to oversee and inspect the cooperation within our Group, and licenses may be required for certain activities. If the cooperation within our Group is deemed a violation of any regulations in the PRC or other territories, our intra-group cooperation and collaboration may be adversely affected, and we may be subject to relevant legal liabilities or administrative penalties and our reputation may be harmed, all of which would have a material adverse effect on our business and prospects.

We may not be able to detect money laundering and other illegal or improper activities in our business operations completely or on a timely basis.

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and overseas. The PRC Anti-money-Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Please see "Regulatory Overview — The PRC Regulatory Environment — Financial Asset Management Companies and Their Distressed Asset Business — Other Provisions Regarding Institutional Regulation of Financial Asset Management Companies — Anti-money Laundering" in this offering memorandum.

Our existing policies and procedures for the detection and prevention of money laundering activities and terrorism-funding activities through our business platform have only been adopted in recent years and may not eliminate instances in which we may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. We cannot assure you that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business reputation, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties in a timely manner.

We may encounter fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by us and expose us to regulatory sanction. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us. These misconducts could include, but may not be limited to, committing contract fraud.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconducts, and the precautions we take to detect and prevent such activities may not be fully effective. We cannot assure you that fraud or other misconducts will not occur in the future. Our failure to detect and prevent fraud and other misconducts in a timely manner may have a material and adverse effect on our business reputation, financial condition and results of operations.

We may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect our business.

As we expand the scope of our businesses and client base, it becomes increasingly important for us to be able to address potential conflicts of interest, including situations where two or more interests within our businesses legitimately exist but are in competition or conflict. We may encounter conflicts of interest where (i) our services to a particular client or our own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information we obtain through business channels is disclosed to other business departments of the Company; and (iii) we may be a counterparty of an entity to which we also provide financial services or with which we have other business relationships. Our failure to prevent imprudent use of information or manage conflicts of interest could harm our reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time due to the nature of our businesses, which may expose us to potential liabilities.

We are often involved in legal and other disputes in the ordinary course of our businesses. In our experience, such legal and other disputes relate to a variety of reasons, including, without limitation, (i) we seek to recover outstanding amounts from our debtors, repossess or dispose of the collateral or enforce guarantees; (ii) we and the counterparties involved in acquisition or disposal of distressed assets seek court orders to affirm each side's legal rights; (iii) some of the entrustment agreements in connection with our distressed asset management services may contain unclear provisions of our obligations as trustee, based on which our clients may allege that we have not fulfilled our obligations as trustee if the disposal of the distressed assets does not achieve the anticipated results; (iv) disagreements with the DES Companies and their controlling shareholders in relation to our rights in the DES Companies and certain contractual arrangements; or (v) for our custody, liquidation and restructuring business, the creditor of an entity under custody, liquidation and restructuring or other related parties may consider that we shall be legally liable for such entity under custody, or the legal representative of an entity under custody and liquidation or other related stakeholders may challenge our qualifications or legal status as custodial liquidator. Lawsuits and arbitration claims against us may arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, we will make provisions for the loss based on the relevant policies. We will also make provisions with respect to pending legal proceedings and other disputes against us. Please see "Description of the Group — Legal and Regulatory Proceedings — Litigations and Arbitrations" in this offering memorandum. However, we cannot assure you that the judgments in any of the litigations in which we are involved would be favorable to us or that our provisions made for the litigations are adequate to cover all the losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions will also be changed. We expect that we will continue to be involved in various legal and other disputes in the future, which may expose us to additional risks and losses.

In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our directors, senior management or key employees would have a material adverse effect on our business, reputation, financial condition, results of operations and prospects. In addition to the aforesaid adverse effects, according to the relevant requirements of the Supreme People's Court of the PRC, no people's court shall accept any lawsuit involving disputes between us and state-owned commercial banks regarding transfer of policy distressed financial assets. Relevant provisions remain unclear on whether the disputes arising from policy DES could be treated as disputes between equal civil subjects, which are within the scope of acceptance by the people's courts. For more information, please see "Regulatory Overview — Lawsuits Related to Acquisition, Management and Disposal of Distressed Assets." The abovementioned situation may have an adverse effect on legal remedies sought by us.

Our acquisitions may not be successful.

In addition to organic growth, we may also seek opportunities to expand through acquisition of products or services complementing our business operations. We may be unable to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. The investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant conditions, disclosure documents and other instruments will usually require substantial time of and attention from our management and incur substantial expenses for services provided by accountants, attorneys and other advisors. In addition, even if an agreement is reached relating to a specific acquisition or investment target, we may end the investment or acquisition plan due to many factors beyond our control. If such acquisition or investment plan is not implemented, the costs incurred up to that point for the proposed transaction may not be recoverable. Furthermore, we may not have sufficient capital resources to complete our proposed acquisitions in the future.

The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to realize the expected synergies, successfully incorporate the acquired businesses and assets into our existing operations or minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations.

Our overseas expansion may be subject to the risks associated with relevant businesses.

We may continue to expand our overseas business and explore opportunities in other overseas markets in the future. In expanding our business internationally, we have entered and intend to continue to enter into markets in which we have limited or no operating experience. Therefore, we may not be able to attract a sufficient number of new clients due to our limited presence and brand recognition in such overseas markets and may fail to effectively compete in these markets. In addition, such expansion may increasingly subject us to risks inherent in conducting business internationally, including but not limited to:

- failure to obtain and renew local government approvals, permits, licenses or documents in a timely manner or at all;
- possibility of cost overruns and other operating difficulties;
- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increase in labor costs;
- difficulties in complying with local legal and regulatory requirements, including labor, industrial and tax regulations;
- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, our products;
- high sales and marketing costs;
- difficulty in implementing internal control and risk management policies in overseas operations;
- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions; and
- political, regulatory or macroeconomic environment and potential foreign exchange differences.

If we are unable to manage the risks resulting from our expansion outside the PRC, our business, reputation, financial condition and results of operations may be adversely affected.

We do not possess the relevant land use right certificates or building ownership certificates for certain of our properties and certain of our lessors do not possess relevant title certificates for some of our leased properties, and we may be required to seek alternative premises for some of our properties or business sites.

As of the date of this offering memorandum, Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate held 159 properties with an aggregate gross floor area of approximately 153,305 square meters in the PRC. We did not have the relevant land use right certificates and/or building ownership certificates for certain of these properties. We are in the process of communicating closely with the local land and property administrative authorities to obtain the relevant land use right certificates or building ownership certificates. For details, please see "Description of the Group — Properties." However, we may not be able to obtain certificates for all of these properties due to title defects or other reasons, which may adversely affect our land use rights and ownership rights in respect of these properties. If we were forced to relocate any of the operations we conduct on the affected properties, we may suffer disruptions in such business operations and incur additional costs.

In addition, as of June 30, 2013, we leased from third parties outside of our Group 435 properties with an aggregate gross floor area of approximately 296,418 square meters in the PRC, primarily as business premises for our branches and subsidiaries. Among these properties, 91 properties with an aggregate gross floor area of approximately 59,078 square meters were leased from third-party lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners to sublet such properties. As a result, such leases may be invalid. With respect to approximately 40% of the aggregate gross floor area of properties covered by such defective leases, the relevant lessors have confirmed that they hold legal rights to let such properties and undertaken to indemnify us for losses arising from their defective legal titles or other rights to such properties. In addition, we may not be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of being challenged or were not renewed upon expiration, we may need to seek alternative premises, which may lead to disruptions in our business operations and cause us to incur additional costs relating to such relocations. Furthermore, as of June 30, 2013, lease agreements for 239 properties with an aggregate gross floor area of approximately 142,299 square meters that we have leased from third-party lessors had not been registered with the relevant PRC authorities. Although the lack of registration of the lease agreements may not affect the legality of such lease agreements, we may suffer penalties imposed by relevant PRC authorities.

Our largest shareholder is able to exercise significant influence over us and may not act in concert with us or our other shareholders.

As of December 31, 2014, the MOF holds approximately 67.84% of our shares and is the largest shareholder of our Company. As a result, it is entitled to exercise significant influence over us, including, among others, matters relating to:

- nomination and election of our directors and supervisors;
- determination of business strategies and investment plans;
- determination of dividend distribution;
- change of use of proceeds; and

- review of any plans related to major corporate activities, including mergers, acquisitions or investments.

The interest of the MOF may not be aligned with our or our other shareholders' interests. As a result, the MOF may take actions that other shareholders may not agree with or that are not in our or our other shareholders' best interests.

Risks Relating to the Financial Industry in China

Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business.

Our business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries.

Unfavorable financial or economic environments, including the continued global financial uncertainties and the Euro zone sovereign debt crisis, have had and may continue to have an adverse impact on investors' confidence and global financial markets. In addition, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment rate, consumer confidence, declining asset values, capital market volatility and liquidity Issues have resulted in adverse market conditions.

Although the structural transformation and development of the PRC economy provide opportunities for our businesses, adverse financial or economic conditions could adversely affect our businesses, in particular:

- the value of our asset portfolio, including distressed debt assets, DES Assets, stocks, bonds and private equity investment, is closely correlated to monetary policies and credit supply, performance of capital markets and the market price of commodities. Adverse economic and market conditions could negatively affect the value and returns on our financial assets and investments, which could reduce the value of our trading and investment positions, affect our profitability. limit our liquidity and reduce our opportunities to realize gains and exit from our investments;

- our income from certain property development projects may decrease due to weakening domestic demands;

- downturn in macroeconomic conditions and adverse market conditions in China may result in declines in trading volume by our customers and investment and financing activities, which could adversely affect the commission and fee income from our securities brokerage business and underwriting and sponsors' fees from our investment banking business;

- unfavorable economic and market conditions may increase the risk of defaults in the margin loans and financial leases we provide to our customers; and

- adverse economic conditions could affect our ability to effectively deploy capital as well as our ability to raise new funds and attract new investments.

If the adverse financial and economic conditions continue, our business, results of operations and financial position could be materially and adversely affected.

We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively.

For our distressed asset management business, we primarily compete with Huarong, Great Wall and Orient. Although the distressed asset management industry in China is currently dominated by the Four AMCs, it is expected to become increasingly competitive. Some of these AMCs may have a more established presence in certain areas and more management and technology resources than we do. We may, from time to time, also compete with asset management companies established by the local governments and private or foreign financial institutions engaging in the distressed asset disposal and management. Certain local asset management companies may have more simple management structures and procedures in certain regions and business areas. We compete with our competitors engaged in the distressed asset management areas for financial institutions and non-financial enterprises which supply us with distressed assets. Such competition may adversely affect our distressed asset management business by reducing our market shares, the size of our distressed asset portfolios and our revenue from disposal of distressed assets, and increasing the asset acquisition costs, marketing expenses and competition for senior management and qualified professional talents.

We also compete with domestic and international financial institutions in the securities and futures, trust, financial leasing, fund management, and insurance businesses. We compete with these competitors in terms of brand recognition, market shares, marketing and distribution capability, quality of service, financial strength, pricing and the range of products and services offered, and the sophistication of IT systems. If we fail to effectively compete with our competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The financial industry in China is highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The PRC financial industry is highly regulated. AMCs like us, including their branches and subsidiaries, are subject to regulations on various perspectives, including, capital adequacy ratio, business licenses, the scope of operations, the scope of investments, as well as the specific regulatory requirements for each financial sector, such as insurance, securities and financial leasing, in which they operate. For details, please see “Regulatory Overview” in this offering memorandum. Our business and operations are subject to changes in policies, laws, rules and regulations of the PRC relating to the financial industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies.

In addition, pursuant to applicable laws and regulations in the PRC, we are required to obtain or renew approvals, permits and licenses with respect to our relevant operations from the government. In order to obtain such qualifications, we are required to fulfill requirements of regulatory authorities in various aspects. In case we fail to fulfill such regulatory requirements continuously, our qualifications of operation may be revoked by regulatory authorities, or we may be denied to renew our qualification upon its expiration, or we may fail to obtain the relevant approvals for any new businesses as planned. We cannot assure you that we can obtain or renew all necessary approvals, permits and licenses on a timely basis. Failure to obtain the relevant approvals could subject us to sanctions, fines, penalties, revocation of license or other punitive actions, including suspension of our business operations or restriction or prohibition on certain business activities, or result in failure to commence new businesses as scheduled or falling behind our competitors in such sectors.

As the PRC financial industry is undergoing significant changes, relevant laws and regulations may change from time to time based on the developments of the financial markets. Most of the emerging businesses require further development and improvement and there are uncertainties regarding the enforcement of existing policies and regulations in relation to these new businesses. We cannot assure you that we will be able to adapt to all such changes on a timely basis. Any changes in regulatory requirements may have a material and adverse effect on our business, financial condition and results of operations. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws, regulations or accounting standards. Failure to comply with the applicable policies, laws, rules, regulations or accounting standards may result in fines and restrictions on our business operations, which could also have a significant impact on our business, financial condition and results of operations.

Significant interest rate fluctuations could have a material impact on our financial condition and results of operations.

As with most financial institutions, our financial condition and results of operations are subject to interest rate risks, primarily associated with our interest income, interest expense and investment returns on fixed-income securities. The profitability of some of our business lines is sensitive to interest rate fluctuations.

- *Distressed asset management*. We generally adopt fixed-return rates for the restructuring agreement in connection with distressed assets classified as receivables. While we take into account the prevailing interest rates in the market when we determine the return ratios, we may not be able to adjust the return ratios pursuant to the changes in the market after we acquire such assets. Such arrangement would prevent us from increasing the interest rates when the rates increase in the market. We make interest payments on our borrowings from commercial banks and other financial institutions. A majority of our outstanding borrowings have fixed interest rates during their terms. In addition, we have largely matched the terms of our assets with those of our liabilities. As a result, the income for our acquired assets may remain stable when the interest rates increase. However, if the increases in the return ratios of our projects are lower than the increases in the interest rates of our new borrowings, our profit margin will decrease.

- *Insurance business*. Changes in prevailing interest rates (including changes in the difference between the basis of prevailing short-term and long-term rates) could reduce our investment returns and spread and thus materially and adversely affect our insurance business. A decline in interest rates could not only increase the value of our existing fixed-income assets measured by fair value, but also result in reduced investment returns on our newly acquired fixed-income assets and thus materially reduce our profitability. During periods of declining interest rates, our average investment rates of return may be affected as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with new investments carrying lower rates of return, thus reducing our investment margins and investment income. Lowering predetermined interest rates could help offset decreases in investment margins on some life and health insurance products. However, our ability to lower these rates could be limited by competition and may not match the timing or magnitude of changes in return ratios on investments, which would reduce or offset the profit margins on our products. An increase in interest rates could not only result in an increase in investment returns on our newly acquired fixed-income assets, but could also reduce the value of our existing fixed-income assets measured by fair value. We may not be able to replace, in a timely manner, the existing fixed-income assets in our investment portfolio with assets of higher rates of return needed to fund our life and health insurance policies that offer higher rates of return. Therefore, we may have to accept a lower spread and thus, lower profitability. While the increased investment rates of return will increase the returns on investment from newly acquired assets in our investment portfolios, surrenders and withdrawals of existing insurance policies may increase as policyholders may seek to buy products with perceived higher returns.

- *Securities business*. We earn interest income from deposits with banks and other non-banking financial institutions, margin financing and securities lending as well as financial assets held under resale agreements. We also make interest payments on deposits that we hold on behalf of our customers, our short-term borrowings and repurchase transactions. In addition, we hold fixed-income debt securities. Our interest income, interest expense and investment returns on fixed-income debt securities are linked to the prevailing market interest rates. If market interest rates decrease, our interest income would generally decrease. During periods of rising interest rates, our interest expense and financing costs would generally increase while market prices and our investment returns on fixed-income debt securities will generally decrease.

- *Financial leasing business*. Our financial leasing business is affected by interest rates, including both the interest rates charged to our financial leasing customers and the interest rates we pay for our loans and financing obligations. An increase in interest rates, or the perception that such an increase may occur, could adversely affect our ability to obtain bank loans at favorable interest rates, our ability to maximize our interest income, our ability to originate new leases and our ability to borrow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (e.g. basis risk) could affect the interest rates received on interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in net interest income (which is our interest income minus our interest expense). Our net interest income is also affected by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings in order to maintain our net interest spread and our net interest margin.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, from October 2010 to July 2011, in an effort to rein in inflation, the PBOC raised the benchmark interest rate on one-year term deposits from 2.25% to 3.50%. On June 8 and July 6, 2012, November 22, 2014 and March 1, 2015, the PBOC lowered the benchmark interest rate on one-year term deposits four times, each time by 0.25% to 2.50%. In addition, the PBOC decided to eliminate the lower limit on lending rates offered by financial institutions starting from July 20, 2013, which has further promoted the market liberalization of interest rates. The PRC government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain facts, forecasts and statistics contained in this offering memorandum with respect to the PRC, Hong Kong and their economies and financial industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistics in this offering memorandum, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, industry associations, independent research institutes or other third-party sources which are generally believed to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Arrangers, the Dealers or any of our or their respective affiliates or advisors. Therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed “Risk Factors,” “Industry Overview” and “Description of the Group.” Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should not unduly rely on such facts, forecasts or statistics.

Investments in PRC AMCs are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in PRC AMCs are subject to ownership restrictions. Prior approval from the CBRC is required for any individual or corporation to hold 5% or more of the registered capital or total issued shares of a PRC AMC. If a shareholder of a PRC AMC increases its shareholding to 5% or more without obtaining prior approval from the CBRC, such shareholder may be subject to sanctions imposed by the CBRC, such as the correction of such misconduct, fines and confiscation of any related gains. For a shareholder holding 5% or more of our total issued shares (hereinafter referred to as “Excess Shares”) without obtaining prior approval from the CBRC, our articles of association (the “Articles of Association”) contain provisions that restrict such shareholder from exercising certain rights over such excess shares prior to obtaining such approval. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC government may materially and adversely affect the value of your investment.

Risks Relating to China

The economic, political and social conditions in the PRC and government policies could affect our business, financial condition, results of operations and prospects.

We conduct most of our businesses in the PRC, substantially all of our assets are located in the PRC, and substantially all of our revenue is derived from the financial markets in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including but not limited to, governmental regulations and controls, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transforming from a planned economy into a more market-oriented economy for more than three decades, a substantial portion of economic resources in the PRC are still owned by the PRC government. The PRC government also has significant oversight over the economic growth of the PRC through various measures, including, among others, allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment for particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of economic resources and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry or across different regions in the PRC. As a result, we may not benefit from these measures.

The PRC government has the power to implement macroeconomic measures affecting the PRC economy. For example, to mitigate the negative impact on the PRC from the global financial crisis and economic downturn in 2008, the PRC government implemented a series of macroeconomic measures and a moderately loose monetary policy between September 2008 and the end of 2010, which included announcing an RMB4 trillion (approximately US$586.0 billion) economic stimulus package and reducing benchmark interest rates. In 2010 and 2011, the PRC government introduced a number of monetary tightening measures to curb the overheated real estate markets and increasing inflation in the PRC. The PBOC announced several increases in benchmark interest rates for general lending and in the deposit reserve ratio for commercial banks in the PRC in 2011. The various macroeconomic measures adopted by the PRC government to stimulate economic growth may not be as effective as expected in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measure reduces the disposable income of the overall population who purchase financial products or services, such measures may have a material adverse effect on our business, financial condition, results of operations and prospects.

Though the PRC has been one of the world's fastest growing economies as measured by GDP growth in recent years, the PRC may not be able to sustain historical growth rates. Since the global financial crisis and subsequent economic slowdown, the GDP growth in the PRC has slowed down. The growth rate of China's GDP decreased 7.4% in 2014 to 7.7% in 2013, down from 7.8% in 2012 and 9.6% in 2011. An economic slowdown in the PRC could substantially and adversely affect the financial markets in the PRC and Hong Kong, which could affect our financial condition and results of operations.

The PRC legal system has uncertainties that could limit the legal protections available to you. Holders of the Notes may not be able to enforce their rights successfully according to the PRC Company Law or Hong Kong regulatory provisions.

We are incorporated under the laws of the PRC. The PRC legal system is based on statutory law. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Under the Enterprise Income Tax Law, the HK Guarantor, the KW Notes Issuer or the Guaranteed Notes Issuer may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to the Company, HK Guarantor, the relevant Issuer and non-PRC Note holders.

Under the Enterprise Income Tax Law ("EIT Law"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income." The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 ("Circular 82") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. On September 1, 2011, the State Administration of Taxation issued Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group ("Circular 45"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Circular 45 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The HK Guarantor and the Issuers believe that they are currently not PRC resident enterprises. However, since substantially all of the HK Guarantor's and the Issuers' management is currently based in China, we cannot assure you that the HK Guarantor and the Issuers will not be deemed "resident enterprises" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on its global income in the future. Provided that the HK Guarantor and the Issuers are each not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Notes and payments under the Notes and the HK Guarantee to the overseas holders of the Notes will not be subject to PRC withholding tax. However, if the Issuers and/or the HK Guarantor are considered to be PRC resident enterprises, interest payments and/or payments under the Guarantee and gains on disposition of Notes may be subject to PRC tax as described below.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is normally applicable to PRC-source income derived by nonresident enterprises from a PRC resident enterprise, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in China. If the HK Guarantor or any of the Issuers is deemed a PRC resident enterprise for tax purposes, interest and/or payments under the HK Guarantee to overseas Note holders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10% for enterprise Note holders and 20% for individual Note holders (or a lower treaty rate, if any). Any gains realized on the transfer of the Notes by such investors may also be subject to PRC income tax at a rate of 10% for enterprise Note holders or 20% for individual Note holders, if such gains are regarded as PRC-sourced. In addition, as the Company is a PRC resident enterprise, payments on the PRC Guarantee in respect of interest payments on the Notes will be PRC-source subject to PRC withholding tax at a rate of 10% for enterprise Note holders and 20% for individual Note holders.

If any of the Issuers or the Guarantors is required under the EIT Law to withhold PRC income tax on interest payable to foreign holders, such Issuer or Guarantor would be required, subject to certain exceptions, to pay such additional amounts as would result in receipt by a holder of a Note of such amounts as would have been received by such holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on such Issuer's ability to pay interest on, and repay the principal amount of, the Notes.

Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations.

While we generate most of our revenue in the PRC, we also offer financial products and services in Hong Kong to overseas customers. Income and expenses of Cinda HK are denominated in Hong Kong dollars, and a portion of capital contribution from our strategic investors is denominated in U.S. dollars, although our functional currency is Renminbi. As a result, fluctuations in exchange rates, particularly Renminbi against Hong Kong dollars or U.S. dollars, could affect our profitability and may result in exchange losses of our foreign currency-denominated assets and liabilities.

The volatility in exchange rate of Renminbi against U.S. dollars and other currencies is affected by, among other factors, changes in the PRC and international political and economic conditions and the fiscal and currency policies of the PRC government. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the Renminbi exchange rate to fluctuate within a regulated range that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, Renminbi has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar on December 31, 2014. It is difficult to predict how the Renminbi exchange rates may change in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollars. We cannot assure you that Renminbi will not experience significant appreciation against U.S. dollars in the future.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAM, THE GUARANTEES, THE KEEPWELL DEEDS AND THE DEEDS OF EQUITY INTEREST PURCHASE, INVESTMENT AND LIQUIDITY SUPPORT UNDERTAKING

Risks Relating to the Notes

Each of the KW Notes Issuer, the Guaranteed Notes Issuer and the HK Guarantor has limited financial resources.

Each of the KW Notes Issuer and the Guaranteed Notes Issuer is an offshore subsidiary of the Company incorporated specifically for the purpose of raising finance through the issuance of the Notes. Each of the KW Notes Issuer and the Guaranteed Notes Issuer has limited assets as recourse for the holders of Notes. Each of the KW Notes Issuer and the Guaranteed Notes Issuer does not and will not have any business activities other than the issue of the Notes, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the HK Guarantor, the Company and/or the Company's other subsidiaries.

The HK Guarantor is a wholly-owned offshore subsidiary of the Company, acting as the primary overseas platform for the Company. There can be no assurance that the HK Guarantor is able to generate sufficient cash from its operations to meet its payment obligations under the HK Guarantee. If the KW Notes have been accelerated, it is uncertain whether the HK Guarantor will be able to pay the KW Notes in full.

The Notes and the Guarantees are unsecured obligations.

The Notes and the Guarantees are unsecured obligations of the relevant Issuer and the relevant Guarantor, respectively. The repayment of the Notes and payment under the Guarantees may be adversely affected if:

- the relevant Issuer or Guarantor enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under the relevant Issuer's or Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the relevant Issuer's or Guarantor's indebtedness.

If any of these events were to occur, the relevant Issuer's or Guarantor's assets may not be sufficient to pay amounts due on the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this offering memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. A potential investor should ensure that he has sufficient knowledge and experience (either alone or with the help of a financial adviser) to make his own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Notes and that he considers the suitability of the Notes as an investment in light of his own circumstances and financial condition.

Investors shall pay attention to any modification, waivers and substitution.

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The terms and conditions of the Notes may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to any modification for the purpose of, among other things, curing any ambiguity, omission, defect or inconsistency, adding guarantees with respect to the Notes or to secure the Notes or making any change that does not adversely affect the rights of any Noteholders.

Investors shall be aware of the effect of change of law.

Each of the Indentures governing the Notes is based on New York law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of issue of the relevant Notes.

Limited liquidity of the Notes may affect the market price of the Notes.

The Notes will not be registered under the Securities Act or the securities or blue sky laws of any state of the United States. The Notes are being offered and sold to non-U.S. persons in offshore transactions within the meaning of and in compliance with Regulation S under the Securities Act; or to a person who is both a qualified institutional buyer ("QIB") (as defined in Rule 144A under the Securities Act) and a qualified purchaser ("QP") (as defined in Section 2(a)(51) of the Investment Company Act and related rules), in each case purchasing for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or pursuant to another exemption from the registration requirements of the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale.

The Notes are a new issue of securities with no established trading market. Application may be made to list the Notes on HKSE. However, if for any reason the Notes are not listed, the liquidity of the Notes may be negatively impacted.

A liquid or active trading market for the Notes may not develop. If an active trading market for the Notes does not develop or does develop and is not maintained, the market price of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial issue price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. See "Subscription and Sale".

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make scheduled payments on the Notes and our ability to make payments on our indebtedness and our contractual obligations and to fund our ongoing operations will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors" section, many of which are beyond our control. If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations, our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. No assurance can be given that we would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indentures governing the Notes.

Upon the occurrence of certain events constituting a "Change of Control Triggering Event," as such term is defined in the Indentures governing the Notes, we are required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101.0% of the principal amount of the Notes. If a Change of Control Triggering Event were to occur, no assurance can be given that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. A Change of Control Triggering Event may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control Triggering Event itself does not.

The Change of Control provision contained in the Indentures governing the Notes may not necessarily afford Noteholders protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization, sale of all or substantially all assets or other similar transaction that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control". Except as described under "Description of the Notes and the Guarantees — Repurchase Upon a Change of Control Triggering Event", the Indentures governing the Notes do not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization, sale of all or substantially all assets or similar transaction.

The liquidity and price of the Notes may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our assets and some of our subsidiaries are located in the PRC. In addition, most of our directors, supervisors and senior management reside within the PRC, and the assets of our directors, supervisors and senior management may be located within the PRC. As a result, it may not be possible to effect service of legal process within the United States or elsewhere outside the PRC upon most of our directors, supervisors and senior management, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Issuers will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

The Issuers will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what holders of Notes are accustomed to.

The ratings of the Program may be downgraded or withdrawn.

The Guaranteed Notes issuable under the Program are expected to be assigned a rating of "A3" by Moody's Investors Service, Inc. ("Moody's"), a rating of "A-" by Standard & Poor's Ratings Services ("S&P") and a rating of "A" by Fitch Ratings Ltd. ("Fitch"). The KW Notes issuable under the Program are expected to be assigned a rating of "Baa1" by Moody's, a rating of "BBB+" by S&P and a rating of "A" by Fitch. In addition, the Company has been assigned a rating of "A3" by Moody's, a rating of "A-" by S&P and a rating of "A" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the relevant Issuer and the applicable Guarantor to perform their respective obligations under the Notes and the applicable Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the relevant Issuer's or applicable Guarantor's ability to access the debt capital markets.

The insolvency laws of the PRC, British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Company, the Issuers and the HK Guarantor are incorporated under the laws of the PRC, British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Company, the Issuers or the HK Guarantor would likely involve the PRC, British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may, at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indentures, the Keepwell Deed or the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Considerations related to a particular issue of Notes.

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuers may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

Each of the Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "Relevant Factor"). In addition, each of the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

Each of the Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks Relating to KW Notes

The Keepwell Deed is not a guarantee of the payment obligations under the KW Notes and the HK Guarantee and performance by the Company of its obligations under the Keepwell Deed is subject to the approvals of the PRC authorities.

The Company will enter into a Keepwell Deed in relation to each series of the KW Notes, as further discussed in "Description of the Keepwell Deed." Pursuant to the terms of the Keepwell Deed, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company of the payment obligation of the KW Notes Issuer under the relevant series of the KW Notes or the payment obligation of the HK Guarantor under the HK Guarantee. Accordingly, the Company will only be obliged to cause the KW Notes Issuer or the HK Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the KW Notes Issuer or the HK Guarantor to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in causing the KW Notes Issuer or the HK Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient meet its obligations under the KW Notes or the HK Guarantee, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the MOF, PBOC, CBRC, the National Development and Reform Commission ("NDRC"), the Ministry of Commerce of the People's Republic of China ("MOFCOM") and the State Administration of Foreign Exchange ("SAFE"). Although the Company is required to use all reasonable efforts to obtain any required consents and approvals in order to fulfil its obligations under the Keepwell Deed, there is no assurance that such consents or approvals will be obtained in a timely manner or at all.

In addition, under the Keepwell Deed, the Company will undertake, among other things, to cause the KW Notes Issuer and the HK Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the relevant series of the KW Notes and/or the HK Guarantee. However, any claim by the KW Notes Issuer, the HK Guarantor, the Trustee and/or holders of Notes against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the Notes), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the Notes) will have priority to the assets of such entities over the claims of the KW Notes Issuer, the HK Guarantor, the Trustee and/or holders of the KW Notes under the Keepwell Deeds.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking is subject to approvals of the PRC governmental authorities.

The Company intends to assist the KW Notes Issuer and the HK Guarantor to meet their respective obligations by entering into the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking. However, neither the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the KW Notes Issuer under the KW Notes or the payment obligation of the HK Guarantor under the HK Guarantee. Under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking, upon the occurrence of an Event of Default (as defined in "Description of the Notes and the Guarantees"), the Company agrees to purchase from any offshore subsidiary of the Company (each, a "Relevant Transferor") the equity interest in subsidiaries held by such offshore subsidiaries (the "Purchase") at a purchase price not lower than the amount sufficient to enable the KW Notes Issuer and the HK Guarantor to discharge their respective obligations under the relevant series of the KW Notes, the HK Guarantee and the KWN Indenture. Upon the occurrence of an Event of Default, the Company agrees to make either (i) a loan to the KW Notes Issuer or the HK Guarantor, as the case may be, or (ii) an investment in the KW Notes Issuer or the HK Guarantor, as the case may be, in each case with a loan amount or an investment amount, as the case may be, not lower than the amount sufficient to enable the KW Notes Issuer or the HK Guarantor to discharge their respective obligations under the relevant series of the KW Notes, the HK Guarantee and the KWN Indenture.

Performance of the Company of the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking is subject to the approval of the MOF, the CBRC, the NDRC and the MOFCOM, and registration by the SAFE, the relevant Administration for Industry and Commerce and the relevant tax authority, as applicable.

As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either of the requisite approvals in time, or at all. In the event that the Company fails to obtain the requisite approvals, the KW Notes Issuer and the HK Guarantor may still have insufficient funds to discharge their outstanding payment obligations under the relevant series of the KW Notes, the HK Guarantee or the KWN Indenture.

Further, in the event of an insolvency of the KW Notes Issuer, the HK Guarantor or a Relevant Transferor, any amount received by the KW Notes Issuer, the HK Guarantor or that Relevant Transferor, as the case may be, may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of the KW Notes Issuer, the HK Guarantor or such Relevant Transferor where it is the HK Guarantor. Where a Relevant Transferor is not the HK Guarantor, the Trustee will not have a direct claim against the amounts received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favor of third party creditors.

Under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking, the Company agrees to purchase from any offshore subsidiary of the Company (each, a "Relevant Transferor") the equity interest in subsidiaries held by such offshore subsidiaries. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and

- in the event that certain equity interests have been secured in favor of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the KW Notes and the Keepwell Deed, there are no restrictions on the KW Notes Issuer, the HK Guarantor or their respective subsidiaries from entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the KW Notes Issuer, the HK Guarantor and their respective subsidiaries in favor of its creditors.

In the event the obligation to purchase under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking becomes effective, there is no assurance that the Relevant Transferor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If the Relevant Transferor is not able to do so, it may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company.

In the event that the required consents or waivers from third party creditors are not able to be obtained and in the case of third party creditors, the relevant indebtedness cannot be repaid in the timely manner, the sale of the equity interest may not able to proceed and eventually the KW Notes Issuer and the HK Guarantor may have insufficient funds to discharge their respective payment obligations to the KW Notes holders.

In addition, the sale of the equity interests in certain non-wholly-owned companies may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement or otherwise that would require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company. In the event the obligation to purchase under the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking becomes effective there is no assurance that any required consents or waivers can be obtained from third party shareholders in a timely manner or at all.

Parallel proceedings may be required in order to enforce your rights as the KW Notes, the HK Guarantee and the KWN Indenture are governed by New York law, whereas the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking are governed by Hong Kong law and provide for the exclusive jurisdiction of Hong Kong courts

The KW Notes, the HK Guarantee and the KWN Indenture are each governed by the laws of the State of New York. Under the KW Notes, the HK Guarantee and the KWN Indenture, the KW Notes Issuer and the HK Guarantor (as the case may be) will irrevocably submit to the non-exclusive jurisdiction of any state or United States federal court located in the Borough of Manhattan, the City of New York, New York in any suit, action or proceeding arising out of or relating to the KW Notes, the HK Guarantee and the KWN Indenture. The Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking (together, the "Deeds") are each governed by Hong Kong law. Under the Deeds, each of the KW Notes Issuer, the HK Guarantor and the Company has submitted to the exclusive jurisdiction of the courts of Hong Kong in respect of any dispute which may arise out of or in connection with the Deeds. Therefore, it may be necessary for the Trustee or holders of the KW Notes to bring parallel proceedings in respect of claims arising under the KW Notes, the HK Guarantee or the KWN Indenture (which may be brought in New York courts as described, or other jurisdictions where venue and jurisdiction may be properly established, if any) and claims arising under the Deeds (which can be brought only in courts in Hong Kong). Given that Hong Kong will be the exclusive jurisdiction in which claims relating to the Deeds may be brought, the Trustee and Noteholders will be restricted in their ability to bring an action relating to the Deeds in any other courts. This may make it more difficult as a practical matter for the Trustee and holders of the KW Notes to enforce their rights as efficiently as if all claims relating to the KW Notes, the HK Guarantee, the KWN Indenture and the Deeds could be heard in a single proceeding.

Risks Relating to the Guaranteed Notes

The Guaranteed Notes Issuer may not be able to redeem the relevant Series of the Guaranteed Notes upon the occurrence of a SAFE Noncompliance Event.

Following the occurrence of a SAFE Noncompliance Event (as defined in the "Description of the Notes and the Guarantees"), the Guaranteed Notes Issuer may, at the option of any holder of the relevant series of the Guarantee Notes, be required to make an offer to repurchase all of the Guaranteed Notes issued under such series at a price in cash equal to 100% of the principal amount of the Guaranteed Notes repurchased, plus accrued and unpaid interest on the principal amount of the Guaranteed Notes being repurchased to but excluding the date of repurchase. If such an event were to occur, the Guaranteed Notes Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Guaranteed Notes in time, or on acceptable terms, or at all. There is also no assurance that the Company would have sufficient liquidity at such time to make the required redemption of the relevant series of the Guaranteed Notes. The ability to redeem the Guaranteed Notes in such event may also be limited by the terms of other debt instruments. The Guaranteed Notes Issuer's and the Company's failure to repay, repurchase or redeem the relevant Guaranteed Notes could constitute an event of default under the Guaranteed Notes, which may also constitute a default under the terms of the Guaranteed Notes Issuer's, the Company's or our other indebtedness.

Risks Relating to Renminbi Denominated Notes

Notes denominated in Renminbi (the "Renminbi Notes") may be issued under the Program. Renminbi Notes contain particular risks for potential investors.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The relevant Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the Hong Kong dollar or other foreign currencies, the value of the investment made by a holder of the Renminbi Notes in Hong Kong dollars or any other foreign currency terms will decline.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The trading price of the Renminbi Notes will vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into and outside of the PRC.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Singapore and Taiwan have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes. However, remittance of Renminbi by foreign investors into the PRC for purposes known as capital account items, such as capital contributions, is generally permitted only upon obtaining specific approvals from relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC ("MOFCOM") promulgated the "Circular on Certain Issues Concerning Direct Investment Involving Cross-border Renminbi" (商務部關於跨境人民幣直接投資有關問題的通知) (the "MOFCOM Circular"). Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts were authorised to approve Renminbi foreign direct investments ("FDI") with certain exceptions based on, among others, the size and industry of the investment. The MOFCOM Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement.

On 13 October 2011, PBOC promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (外商直接投資人民幣結算業務管理辦法) (the "PBOC FDI Measures") as part of the implementation of PBOC's detailed FDI Renminbi accounts administration system. The system covers some aspects in relation to Renminbi-denominated FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for Renminbi-denominated FDI and Renminbi-denominated shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBOC is still necessary. As the MOFCOM Circular and the PBOC FDI Measures are relatively new circulars, their interpretation and application may vary among different authorities during the course of implementation.

On 5 July 2013, PBOC published Circular on the Simplification of Renminbi Cross-border Business Processes and the Improvement of Relevant Policies (Yin Fa [2013] No. 168) (關於簡化跨境人民幣業務流程和完善有關政策的通知), pursuant to which on the basis of three principles of "know your customer", "Know your business", and "due diligence", domestic banks can directly handle the cross-border settlement by virtual of business vouchers provided by enterprises.

Although the PRC Government is liberalising the control over cross-border Renminbi remittances (especially given the goal to achieve full convertibility of capital accounts (if the risk is under control) and promote convenient cross-border Renminbi flow in the China (Shanghai) Pilot Free Trade Zone), there is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future, that the pilot schemes introduced in Hong Kong, Singapore and Taiwan will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

In addition, on 31 August 2012, the Taiwan government and the PRC government signed the Renminbi Settlement Memorandum for the purposes of settling Renminbi. Accordingly, on 25 January 2013, the Bank of China, Taipei Branch entered into the Settlement Agreement on the Clearing of RMB Business with the PBOC to further expand the scope of Renminbi business for participating banks in Taiwan. As of 5 February 2013, there were 46 Taiwanese banks that had signed the settlement agreement and become participating banks in order to open Renminbi settlement accounts with the Bank of China, Taipei Branch.

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Taiwan.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service the Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

As at 28 February 2015, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB973.0 billion.

While the PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business (the "Settlement Agreements") with Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China Limited, Taipei Branch in Taiwan (each, a "Renminbi Clearing Bank"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes or Global Certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The relevant Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in China).

China

The People's Bank of China (the "PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by the PBOC. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for the trading against the Renminbi on the following business day. On May 18, 2007, the PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3% to 0.5% from May 21, 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to this announcement, the PBOC will place more emphasis on reflecting market supply and demand with reference to a basket of currencies and continue dynamic management and adjustment of exchange rate floating practice according to published exchange rate floating bands in foreign exchange markets. The floating band was further widened to 1.0% on April 16, 2012.

The PBOC announced on March 15, 2014 that since March 17, 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dolloar was further widened from 1% to 2%. On each business day, the spread between the Renminbi and U.S dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3% of published central parity of U.S. dollar on that day, instead of 2%. The PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Reminbi exchange rate basically stable at an adaptive and equilibrium level.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
October	6.1224	6.1251	6.1385	6.1107
November	6.1429	6.1249	6.1429	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January.	6.2495	6.2181	6.2535	6.1870
February.	6.2695	6.2511	6.2594	6.2399
March	6.1990	6.2386	6.2741	6.1955
April (through April 3).	6.1930	6.1958	6.1976	6.1930

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of payments to U.S. residents. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on July 1, 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK$7.80 per U.S. dollar (the "Linked Exchange Rate System"). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK$7.80 per U.S. dollar to a new range varying between HK$7.75 per U.S. dollar and HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However no assurance can be given that the Hong Kong government will maintain the trading band at HK$7.75 to HK$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following tables sets forth, for periods indicated, certain information concerning the exchange rates between Hong Kong dollars and U.S. dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(HK$ per US$1.00)			
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7506
2011	7.7663	7.7793	7.8087	7.7634
2012	7.7507	7.7557	7.7699	7.7493
2013	7.7539	7.7565	7.7652	7.7503
2014	7.7531	7.7544	7.7669	7.7495
October	7.7551	7.7572	7.7645	7.7541
November	7.7548	7.7543	7.7572	7.7519
December	7.7531	7.7541	7.7616	7.7509
2015				
January	7.7529	7.7531	7.7583	7.7508
February	7.7559	7.7551	7.7584	7.7517
March	7.7540	7.7584	7.7686	7.7534
April (through April 3)	7.7516	7.7522	7.7525	7.7516

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

FORM OF THE NOTES

The Notes of each Series will be in bearer or registered form.

Unless otherwise provided with respect to a particular Series, Notes of each Series sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by interests in a Temporary Global Note (as defined below), Permanent Global Note (as defined below) or a global note in registered form, without interest coupons (an "Unrestricted Global Security"), which may be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream or with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Temporary Global Note or Bearer Notes issued in definitive form ("Definitive Bearer Note") may not be offered or sold to, or for the account or benefit of, a U.S. person and may be held only through Euroclear and Clearstream or DTC for the accounts of Euroclear and Clearstream, as the case may be. Temporary Global Notes, Permanent Global Notes and Unrestricted Global Securities will be exchangeable for Definitive Bearer Notes or Certificated Securities, as applicable, only in limited circumstances as more fully described in the section captioned "Global Clearance and Settlement Systems".

Notes of each Series to be issued in registered form ("Registered Notes") may only be offered and sold in the United States to a person who is both a QIB and a QP, in each case purchasing for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Registered Notes of each Series sold to persons who are both QIBs and QPs pursuant to Rule 144A will, unless specified in the applicable Pricing Supplement, be represented by a restricted global note in registered form, without coupons (a "Restricted Global Security"), deposited with a custodian for, and registered in the name of a nominee of, DTC.

Notes in fully-registered certificated form (other than a global security (as defined below) evidencing all or part of a Series of Notes (each a "Certificated Security") will, at the request of the holder (except to the extent otherwise indicated in the applicable Pricing Supplement), be issued in exchange for interests in an Unrestricted Global Security or a Restricted Global Security (each a "Registered Global Security") upon compliance with the procedures for exchange as described in the relevant Indenture.

Notes of each Series to be issued in bearer form ("Bearer Notes") will be initially represented by either a temporary global Note (a "Temporary Global Note") or a permanent global Note (a "Permanent Global Note" and together with a Temporary Global Note, a "Bearer Global Note") that will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream. Notes issued in accordance with the D Rules will be initially represented by Temporary Global Note.

Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: **"Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".**

Bearer Notes will be assigned a Common Code and relevant ISIN (as applicable). Registered Notes will be assigned (as applicable) a Common Code, ISIN and CUSIP number.

The Issuer with respect to a series of Notes may, without the consent of the holders thereof, create and issue additional Notes with the same terms and conditions as such Notes (or that are the same except for the amount of the first interest payment and for the interest paid on the Notes prior to the issuance of the additional Notes). Such Issuer may consolidate such additional Notes with the outstanding Notes to form a single series, *provided* that:

(i) in the case of Registered Notes where the outstanding or additional Notes were or are issued in reliance on Rule 144A, such additional Notes will not have the same CUSIP number, ISIN number, Common Code or other identifying number as the outstanding Notes of the relevant series unless such additional Notes are fungible with the outstanding Notes of that series for U.S. federal income tax purposes; and

(i) in the case of Bearer Notes issued in accordance with the D Rules that are initially represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Bearer Notes, such consolidation can only occur following the exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership.

Each Temporary Global Note will be exchangeable, free of charge to the Noteholder, on or after its Exchange Date:

(a) if the relevant Pricing Supplement indicates that such Temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Subscription and Sale"), in whole, but not in part, for the Definitive Bearer Notes described below; and

(b) if the relevant Pricing Supplement indicates that such Temporary Global Note is issued in compliance with the D Rules, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Indenture for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Bearer Notes.

Each Permanent Global Note will be exchangeable, free of charge to the Noteholder, on or after its Exchange Date in whole but not in part for Definitive Bearer Notes:

(a) an Event of Default has occurred in respect of any Note of the relevant Series; or

(b) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Bearer Global Note is exchanged for Definitive Bearer Notes, such Definitive Bearer Notes shall be issued in Specified Denomination(s) only. A holder of Notes with a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Exchange Date means the date that is 40 days after the Issue Date.

All Notes will be issued pursuant to the relevant Indenture.

No beneficial owner of an interest in a Global Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, in each case, to the extent applicable.

So long as any Notes are listed on the HKSE and the rules of the HKSE so require, the Company shall appoint and maintain a paying agent in Hong Kong, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Security representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the HKSE. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Hong Kong.

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used for working capital, investment and other general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALIZATION

The following table sets forth our Group's indebtedness, equity and total capitalization under IFRS as of December 31, 2014.

	As of December 31, 2014	
	RMB	**US$[1]**
	(in millions)	
Indebtedness		
Borrowings from central bank	986.1	158.9
Borrowings	263,452.4	42,460.8
Financial assets sold under repurchase agreements	9,939.6	1,602.0
Bonds issued	43,694.9	7,042.3
Notes offered hereby		
Equity		
Equity attributable to owners of the company	93,368.9	15,048.3
Non-controlling interests	8,494.4	1,369.1
Total equity	101,863.3	16,417.4
Total capitalization[2]	419,936.3	67,681.4

(1) Calculated at the exchange rate of US$1.00 = RMB6.2046 on December 31, 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Total capitalization equals the sum of indebtedness and total equity.

Except as disclosed in this offering memorandum, there has been no material adverse change in the consolidated capitalization of the Group since December 31, 2014.

The following table sets forth the HK Guarantor's indebtedness, equity and total capitalization under HKFRS as of December 31, 2014.

	As of December 31, 2014	
	HK$	**US$[1]**
	(in millions)	
Indebtedness		
Amounts due to associates	12.2	1.6
Borrowings	4,451.4	574.1
Bond payables	15,879.6	2,048.2
Equity		
Equity attributable to owners of the company	5,643.5	727.9
Non-controlling interests	503.6	65.0
Total equity	6,147.1	792.9
Total capitalization[2]	26,490.3	3,416.7

(1) Calculated at the exchange rate of US$1.00 = HK$7.7531 on December 31, 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Total capitalization equals the sum of indebtedness and total equity.

Except as disclosed in this offering memorandum, there has been no material adverse change in the HK Guarantor's capitalization since December 31, 2014. The HK Guarantor may from time to time incur ordinary course bank borrowings to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014 and the accompanying notes thereto, included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors including, but not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "Risk Factors" and "Forward-Looking Statements."

OVERVIEW

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms.

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business.

We experienced rapid growth for the three years ended December 31, 2014. For the years ended December 31, 2012, 2013 and 2014, our total income was RMB32,335.2 million, RMB42,413.2 million, and RMB59,790.1 million (US$9,703.0 million), respectively, and the profit attributable to the equity holders of the Company was RMB7,306.3 million, RMB9,027.3 million and RMB11,896.2 million (US$1,930.6 million), respectively. As of December 31, 2012, 2013 and 2014, our total assets were RMB254,614.4 million, RMB383,785.4 million and RMB544,427.4 million (US$87,810.3 million), respectively, and the equity attributable to equity holders of the Company was RMB54,773.6 million, RMB75,998.3 million and RMB93,368.9 million (US$15,048.3 million), respectively.

MAJOR EXTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by external factors beyond our control, which primarily include: (i) macroeconomic conditions in China; (ii) monetary policy and interest rate environment; (iii) conditions of the capital markets; (iv) regulatory environment: and (v) competitive landscape of the financial industry in China.

Macroeconomic Conditions in China

Our business operations are primarily conducted in China and most of our income is generated within China. Our business, financial condition, results of operations and prospects are significantly affected by the macroeconomic conditions in China and indirectly by the economic and market conditions of other regions in the world.

China has achieved significant economic development over the last few decades and has become one of the fastest growing economies in the world. According to the National Bureau of Statistics of the PRC (the "NBSC"), from 2007 to 2014, China's real GDP grew at a CAGR of 13.15%. According to the 2012 Sigma Report, despite China's slower economic growth due to the global financial crisis that began in 2008, the recovery of China's economy was faster than that of most other economies. The real GDP growth rate of China from 2010 to 2011 was 9.3%, as compared to 1.8%, -0.6% and 1.6% for the United States, Japan and European Union, respectively, in the same period. Since 2012, the growth rate of China's economy has slowed down but is still at a relatively high level. China's real GDP growth rate in 2013 decreased to 7.7%. In 2014, China's real GDP growth rate was 7.4%. The PRC Government has been actively promoting the transformation of economic development and expediting industrial restructuring, which will accelerate the consolidation of resources, eliminate enterprises with excess production capacity and improve the operating efficiency of the real economy.

Impact on Distressed Asset Management Business

We believe we can benefit from the rapid growth of GDP, the growing innovations in the financial market and the improved regulatory and legal environment to achieve satisfactory returns from our existing distressed assets or distressed assets to be acquired in the future. In addition, the transformation of China's economic structure, fluctuations in market liquidity and changes in the quality of bank loans and accounts receivable from enterprises will create opportunities for us to grow our distressed asset management business. In particular:

- In line with the rapid growth of China's economy from 2009 to 2011, the NPL ratio in China's banking industry remained at a low level. According to the CBRC, the balance and ratio of NPLs of the commercial banks in China gradually decreased from 2009 to 2011. However, from 2010 to 2012, the distressed assets our Company acquired from financial institutions grew at a CAGR of 169.4% primarily because we expanded the acquisition channels of distressed assets through continuous innovation efforts, in particular, from non-bank financial institutions. Along with the moderately slowing growth of China's economy since 2012, NPLs in the banking industry in China have increased for 13 consecutive quarters since the third quarter of 2011, and the NPL ratio has increased moderately since the first quarter of 2012. Due to the slowing growth and further restructuring of China's economy, the operational challenges faced by enterprises as well as the loan overdue ratio may further increase. It is expected that the total balance of commercial bank NPLs may continue to increase. We expect the following factors to bring us more opportunities for acquiring distressed assets in the future: the growing balance of commercial bank NPLs, the continuing needs for banks to remove NPLs from their balance sheets and de-leverage, the restructurings of city commercial banks, rural commercial banks and credit cooperatives as well as the structural adjustments carried out by non-bank financial institutions, such as trusts.

- The softness of the global economic recovery, the moderate slowdown of China's economy and inadequate overall market demand may lead to an increase in defaults and delinquencies with respect to certain enterprises. During the current transformation of China's economy, there will be more opportunities to acquire NFE Distressed Assets as a result of the restructuring of industries, enterprises and assets. NFE Distressed Assets have become a major source for our distressed debt assets acquisitions. Since 2011, we have launched innovative products in a timely manner and commenced the Restructuring Model. The balance of our newly acquired amount of NFE Distressed Assets increased from RMB29,551.0 million in 2012 to RMB91,626.5 million (US$14,767.5 million) in 2014, representing a CAGR of 76.1%.

- The DES Companies mainly operate in industries that are highly correlated with China's economic cycle, including coal, chemical and metals. China's macroeconomic performance may affect the financial condition and results of operations of DES Companies which in turn would affect our gains on disposal of and dividend income from these enterprises. China's macroeconomic performance may also affect our income from disposal of debt assets. From 2012 to 2014, as China's economy maintained rapid growth, we achieved superior return from distressed debt assets and DES Assets. However, our asset quality, financial condition and results of operations may deteriorate if there are adverse changes to China's macroeconomic conditions.

Impact on Financial Investment and Asset Management and Financial Services Businesses

Our Company and certain of our subsidiaries are engaged in the businesses of investment and asset management, real estate, securities and futures, trust, financial leasing, fund management and insurance. The profitability of these businesses has been and will continue to be affected by the economic conditions in China in various aspects, including:

- The performance of our principal investment, private equity investments, investment portfolio by our financial subsidiaries as well as the impairment ratio and overdue ratio of our finance lease receivables and the value of relevant collaterals of our financial leasing business are affected by the macroeconomic condition, industry cycle and operating conditions of enterprises in China and the intensity of financing and investment activities in China.

- The continuing increases in the disposable income and personal wealth attributable to China's economic growth have resulted in increasing demand for investment management products by institutions, enterprises and individuals, driving the growth of our private equity, trust and fund management businesses.

- The economic and population growth in China leads to increased demand for various insurance products. The increases in disposable income and personal wealth drive the demand for life insurance and P&C insurance products (including insurance products for household properties and automobiles). The growth in fixed assets investment and enterprise assets drives the demand for P&C insurance products.

Monetary Policy and Interest Rate Environment

Monetary policy is an important measure used by the PRC government to carry out macroeconomic adjustments and controls. In order to curb excessive inflation, the PBOC raised the RMB benchmark lending and deposit interest rates five consecutive times from October 2010 to July 2011. The PBOC further adjusted monetary policy in 2012, including consecutive decreases in the statutory deposit reserve ratio and benchmark interest rates. In addition, the PBOC removed the lower limit for the lending rates of financial institutions on July 20, 2013, further promoting the liberalization of interest rates. PBOC cut required reserve ratio (RRR) by 50bps for all banks on February 5, 2015. Meanwhile, the RRR for city-level banks and China Agricultural Development Bank will be cut by another 50bps and 400bps, respectively, to support lending to agriculture and small & micro businesses. This earmarks the first country-wide cut since May 2012.

PBOC cut the 1-year lending rate and 1-year deposit rate by 25bps from 5.6% and 2.75% to 5.35% and 2.5%, respectively, on February 28, 2015. The demand deposit rate was left unchanged while other-maturity deposit rates and lending rates are all reduced by 25bps. Meanwhile, PBOC also declared it would further raise the deposit rate ceilings from 120% of base rates to 130%, heralding another step in interest rate liberalization since the last policy moves in 2012 and 2014.

The profitability of certain of our businesses is sensitive to the monetary policy of the PRC government and condition of the currency market, including the level of interest rates and liquidity.

- *Distressed asset management.* (i) Our financing cost for the acquisitions of distressed assets may be affected by changes in interest rates. Currently, our sources of external financing primarily include borrowings from banks and other financial institutions as well as proceeds from issuing bonds and equity. If the market interest rates increase, our interest expense on borrowings from banks and other financial institutions and financing cost of issuing bonds may also increase. (ii) Changes in market liquidity affect enterprises' needs for external financing from sources other than banks, which in turn affect our opportunities and bargaining power to acquire distressed debt assets.

- *Financial investment and asset management.* Changes in market interest rates affect funding costs and the overall performance of our investment portfolio, in particular the performance of fixed-income investments, and, to a certain extent, also affect the securities market and the business operations of our investee enterprises.

- *Securities.* Changes in interest rates may affect (i) our interest income, (ii) our interest expense for deposits held on behalf of our clients and financial assets sold under repurchase agreements and (iii) the investment return of our fixed-income securities.

- *Financial leasing.* Changes in market interest rates will affect our interest income from financial leasing clients and interest expense paid for borrowings.

- *Insurance.* Changes in interest rates may affect the investment yield of our investment portfolio and the fair value of our securities investment. Changes in interest rates and the impact on personal consumption by changes in inflation may also affect the market demand for insurance products, hence affecting the insurance premium income of our insurance business.

For more information, please see "Risk Factors — Risks Relating to the Financial Industry in China — Significant interest rate fluctuations could have a material impact on our financial condition and results of operations."

The Capital Markets Environment

Our equity assets include the equities we hold in publicly listed and unlisted enterprises. For the equities we hold in unlisted enterprises, we usually exit from such investment through swaps for equities in publicly listed companies in connection with their initial public offerings, private placements of newly issued shares, repurchases of equity interests by such unlisted companies themselves or sales of equity interest to existing major shareholders or other institutions. Our principal investment, private equity, trust, fund management and insurance businesses mainly focus on debt and equity investments in China. As a result, our investment return is affected by changes in capital market conditions. The capital markets in China are less developed than those in the U.S. and certain other developed countries, and may be significantly affected by changes in the laws, regulations and policies in China. Fluctuations in the domestic and overseas capital markets, general investment environment, volatile market value and trading volume, and the uncertainty in liquidity and financial market may lead to significant fluctuations in securities' prices, liquidity shortages and lack of financing activities in the capital markets, which will affect the timing of our exit from equity investments, including DES Assets, and result in changes in asset values, as well as fluctuations in our overall investment income.

Regulatory Environment

Most of our business operations are in China and are subject to strict regulations. Please see "Regulatory Overview" in this offering memorandum.

In recent years, the regulation of China's financial industry has been gradually reformed and improved to reflect market demands. For example, the MOF promulgated the Administrative Measures on the Packaged Transfer of Distressed Assets of Financial Enterprises (金融企業不良資產批量轉讓管理辦法) in February 2012 for financial institutions to streamline the procedures to dispose of distressed assets in a market-oriented manner, allowing Chinese financial institutions to independently conduct sales of distressed assets. We believe that such changes in the regulatory environment will facilitate AMCs' acquisition of distressed assets through various channels and will improve the operational efficiency of AMCs. In addition, the financial regulatory authorities in the PRC may further revise and refine the regulatory rules for AMCs, which may help AMCs, including us, in managing existing businesses and expanding into new businesses. For example, we have been approved by the CBRC to acquire NFE Distressed Assets. We are also the first AMC approved by the PBOC for interbank borrowing. However, changes in certain applicable laws, rules and regulations may impair our profitability and hinder our future growth.

Competitive Landscape of the Financial Industry in China

The financial industry is becoming increasingly competitive in China, and our business segments face competition at various levels.

Our major competitors in distressed asset management are the other three AMCs: Huarong, Great Wall and Orient. We may also compete with asset management companies established by local governments in China, as well as private or foreign financial institutions which engage in the management and disposal of distressed assets. In addition, we compete with domestic and international financial institutions in principal investment, private equity funds, securities and futures, trust, financial leasing, fund management and insurance businesses.

In order to effectively compete and preserve or increase our market share, we need to maintain our competitive strengths, including acquiring suitable distressed debt assets and realizing gain from disposal of such assets. We also need to maintain and enhance our investment management capability and our investment returns, and provide differentiated financial products and services tailored to the various needs of our clients.

INTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are also affected by various internal factors relating to how we develop our business. Our operating results primarily depend on (i) our capabilities of managing distressed assets, including capabilities in sourcing, management and disposal of distressed assets, (ii) investment and financing capabilities and (iii) centralized management and synergistic operations.

Capabilities of Operating Distressed Asset Management Business

- *Capabilities in sourcing of distressed assets.* We possess leading capabilities in sourcing distressed assets and, during the past 16 years, have maintained and further developed the most extensive acquisition channels among the Four AMCs based on our brand, leading valuation and pricing capabilities, innovative acquisition structures, track record of distressed asset disposal, extensive business and client networks and close relationships with local governments, large-scale financial institutions and other strategic partners. The ending gross balance of our distressed debt assets increased from RMB57,510.7 million as of December 31, 2012 to RMB117,304.9 million as of December 31, 2013 and further to RMB209,766.3 million (US$33,808.2 million) as of December 31, 2014.

- *Capabilities in management of distressed assets.* Through our synergistic and diversified business platforms, we provide our clients with differentiated and diversified services such as debt restructuring, liquidity support and consolidation of industrial resources based on the characteristics of various obligors. These services help enhance the value of the debt assets we manage. We established the first financial risk research center among the Four AMCs to enhance our understanding of macroeconomic trends and industry development patterns.

- *Capabilities in disposal of distressed assets.* We adhere to the management philosophy of discovering and enhancing the value of distressed assets and specialize in utilizing diversified asset disposal plans and tailoring them to the nature of various distressed assets. In order to maximize value recovery, we constantly innovate asset disposal plans based on our in-depth knowledge of local administrative, judicial and social environments and capital markets. For the years ended December 31, 2012, 2013 and 2014, our Traditional Distressed Assets realized rate of return on disposal of such assets was 112.5%, 111.3% and 62.1%, respectively. For the years ended December 31, 2012, 2013 and 2014, annualized return on monthly average balance of our Restructured Distressed Asset reached 16.0%, 13.5% and 12.2%, respectively.

Our results of operations may be materially affected by our abilities to continuously source distressed assets, enhance asset values and formulate effective disposal plans to realize asset values.

Investment and Financing Capabilities

We make direct investments through DES arrangements or through our principal investment business. We also hold equity interests in various companies through private equity investments leveraging our experiences of managing DES Companies, we invest in the industries and companies in which we have unique advantages. The investment selection, management of investments during the holding period, divestment schedule, and investment returns of our investment portfolio are important factors affecting our operating results. In 2012, 2013 and 2014, our net gains on disposal of DES Assets were 165.6%, 85.3% and 112.9% of our acquisition cost, respectively.

We also engage in investment business through our platforms of securities, trust, fund management and insurance businesses. Our investment assets are mainly concentrated on bonds, stocks and other non-standard financial products in the PRC. The quality and performance of the investment portfolios of our securities and insurance businesses have direct effect on the operating results of such businesses, while the investment results of our securities, trust, and fund management businesses affect the AUMs of our securities, trust, and fund management businesses, which in turn affect our fee and commission income.

Our distressed asset management business and financial investment and asset management business have significant funding requirements. We strive to meet such requirements by exploring diversified financing channels. We are the first AMC qualified for interbank borrowing. We also explore direct financing channels such as bond and equity financings as well as the securitization of assets, raising funds from third parties and leveraging our financial services platform to provide funding support and other innovative financing methods.

Capabilities of Centralized Management and Synergistic Operations

Our business consists of three principal business segments, namely (i) distressed asset management, (ii) financial investment and asset management and (iii) financial services. With distressed asset management as our core business, we have established a diversified business platform and strive to provide our clients with customized financial solutions through integrated design and development of various products while also enhancing the value of our own asset portfolio.

We seek to achieve synergistic operations through the centralized management and control at the Group level with respect to, among others, client relationships, business operations, cross-selling, institutional networks, management system, performance review mechanism, branding, sharing of talent and expertise as well as information system, and by doing so, effectively control cost and improve the efficiency of resource utilization. From 2012 to 2014, we generated income from not less than 961 projects through our cross-selling efforts and provided not less than 928 existing clients with our other services through our different business lines such as securities and futures, trust, financial leasing and insurance. Our cost-to-income ratio for 2012, 2013 and 2014 was 29.7%, 26.2% and 24.0%, respectively.

Our income and profitability may be affected by our resource allocation capabilities, including our ability to effectively reallocate resources among various businesses based on our strategies, market conditions, clients' needs and changes in other factors as well as our ability to consolidate and utilize the existing resources to effectively control cost.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial statements. The determination of these accounting policies is fundamental to our financial condition and results of operations and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Significant Accounting Policies

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities arc 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.

Determination of fair value

Fair value is determined in the manner described in our consolidated financial statements included elsewhere in this offering memorandum.

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, we estimate 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.

Financial assets

Our financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables, investment securities comprise held-to-maturity investments, available-for-sale financial assets and financial assets classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that we manage together and has a recent actual pattern of short-term profit-taking: or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. Any interest income arising from financial assets designated as at fair value through profit or loss is also included in fair value changes of such assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which we have a positive intention and the ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by us include bank balances, deposits with exchanges and a financial institution, placements with banks, financial assets classified as receivables, loans and advances to customers and accounts receivable.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognized in profit or loss.

Debt securities with fixed or determinable payments but have no quoted price in an active market are classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

e) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

— adverse changes in the payment status of borrowers in the portfolio; and

— national or local economic conditions that correlate with defaults on the assets in the portfolio.

g) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

h) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; or

i) other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collateral financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment loss on available-for-sale equity investment at fair value is not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and that the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets classified as receivables and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in available-for-sale financial assets and assets in satisfaction of debt.

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables, gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as 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 debt.

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income.

Fee and commission income

<u>*Income from investment contracts*</u>

Fees are charged for investment contracts issued by us for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in commission and fee income.

<u>Other fee and commission income</u>

The income from securities trading brokerage business is recognized as fee and commission income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as fee and commission income when the securities are allotted.

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognized when services are provided on accrual basis.

Fee from leasing business is recognized when services are provided on accrual basis.

Fee and commission income from trust services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by us, it is probable that related economic benefits will flow to us 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.

Critical Accounting Estimations and Judgments

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next twelve months:

Classification of financial assets

Our management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification may affect our financial position and results of operations. If we sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

Fair value of financial instruments

We use valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of us and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, we evaluate the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or a group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

Impairment of loans and advances to customers and financial assets classified as receivables

We review our loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidences of impairment, we make judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. We first make the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and actual loss experience.

Measurement method of insurance contract reserve

At the end of each reporting period, we need to make reasonable estimations on the future cash layout for carrying out insurance contract obligations. Such estimations are based on the current information available at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. We make estimations on the assumptions in measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

Total Income

Income from Distressed Debt Assets Classified as Receivables

Income from distressed debt assets classified as receivables represents income generated from the restructuring of loans acquired from financial institutions and the accounts receivable acquired from non-financial enterprises (together, the "distressed debt assets classified as receivables"), which are accounted for as interest income. Such income is derived from the Restructuring Model as described in "Description of the Group."

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets consist of (i) net gains or losses generated from disposal or collection of distressed debt assets which are designated as at fair value through profit or loss in consolidated statements of financial position that we purchased at discount prices, and (ii) unrealized fair value changes on such distressed debt assets. Such income is derived from the Traditional Model as described in "Description of the Group."

Fair Value Changes on Other Financial Assets

Fair value changes on other financial assets consist of net realized gains or losses from disposal of and unrealized fair value changes of financial assets at fair value through profit or loss, primarily including bonds, wealth management products, fund products, equity instruments and derivatives for investment purpose.

Investment Income

Our investment income consists of (i) realized net gains or losses from disposal of available-for-sale financial assets; (ii) interest income from available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables; and (iii) dividend income on available-for-sale financial assets. The available-for-sale equity assets under distressed asset management segment are our DES Assets.

Net Gains on Disposal of Subsidiaries and Associates

Our net gains on disposal of subsidiaries and associates primarily consist of net gains generated from disposal of equity interests in subsidiaries and associates by the Company and our subsidiaries. The equity interests we held in Beijing Zizhu Pharmaceutical Co., Ltd. and Qinghai Salt Lake Industry Co., Ltd., are included in our DES Assets.

Net Insurance Premiums Earned

Premiums from direct insurance contracts include premiums written by Cinda P&C and Happy Life on P&C insurance contracts, life insurance contracts and accident and health insurance contracts issued or renewed for a given period.

Premiums ceded to reinsurers represent the portion of gross premiums ceded to reinsurers who share part of the insured risk that we have assumed under our P&C insurance contracts and life and health insurance contracts.

Changes in unearned premium reserves represent the reserves provided for the net written premiums (net of certain acquisition costs) relating to the unexpired terms of insurance at the end of the current period, less the reserves provided for the net written premiums relating to the expired terms of insurance coverage at the end of the previous period.

Net insurance premiums earned represent the gross premium income after deduction of (i) premiums ceded to reinsurers and (ii) changes of unearned premium reserves.

Commission and Fee Income

Our commission and fee income consists primarily of (i) commission and fee income on securities and futures brokerage business, (ii) commission and fee income on our trust services, (iii) consultancy and financial advisory fee income, (iv) fee income on fund and asset management services, (v) commission and fee income on securities underwriting and (vi) fee income on agency services.

Revenue from Sales of Inventories

Revenue from sales of inventories primarily consist of (i) revenue from sales of properties from Cinda Investment's property development business, and (ii) revenues generated from merchandise trading of Cinda Investment and Zhongrun Development and certain of their subsidiaries.

Interest Income

Our interest income primarily consists of (i) interest income from loans and advances to clients, (ii) interest income from our deposits with banks and (iii) interest income from accounts receivable.

Our interest income from loans and advances to clients primarily consists of (i) interest income from financial lease receivables of Cinda Leasing, (ii) interest income from loans extended to clients in course of existing businesses of Jingu Trust and (iii) interest income from entrusted loans and financing projects.

Other Income and Other Net Gains or Losses

Our other income and other net gains or losses primarily consist of (i) rental income of leased properties, (ii) revenue from hotel operation, (iii) net gains on disposal of assets in satisfaction of debt in distressed assets, and (iv) government grants and compensation. As government grants and compensation are non-recurring in nature, we cannot assure you that we will continue to receive them in the future.

Total Costs and Expenses

Our total costs and expenses consist of insurance costs, commission and fee expense, purchases and changes in inventories, employee benefits, business tax and surcharges, depreciation and amortization expenses, other expenses, impairment losses on assets and interest expense.

Costs of Insurance Business

Our costs of insurance business primarily consist of (i) reserves for insurance contracts, (ii) interest credited to policyholders on investment contracts and policyholder dividends payable on Happy Life's participating life insurance products, (iii) refund of reinsurers premium and (iv) other insurance expenses, including claims incurred and surrenders paid on life insurance policies issued by us.

Commission and Fee Expense

Our commission and fee expense primarily consist of (i) commission and fee expense for insurance sales and (ii) commission and fee expense for securities brokerage, including securities dealing expenses charged by the stock exchange and other authorized institutions for using their transaction and settlement systems.

Purchases and Changes in Inventories

Purchases and changes in inventories represents the cost of sales of properties from Cinda Investment's property development business and the cost for merchandise trading of Cinda Investment and Zhongrun Development and certain of their subsidiaries.

Employee Benefits

Employee benefits primarily consist of (i) salaries, bonuses, allowances and subsidies, (ii) social insurance, (iii) housing funds, and (iv) staff welfare, labor union fees and staff education fees.

Business Tax and Surcharges

Business tax is levied at 5% primarily based on the total of (i) our net income generated from the difference between the proceeds from disposal of distressed assets and the carrying value of such assets, (ii) our gross commission and fee income and (iii) gross written premiums (excluding tax-free insurance). Surcharges primarily consist of education surcharges.

Depreciation and Amortization Expenses

Our depreciation and amortization expenses primarily consist of depreciation of our property, equipment and investment properties and amortization of intangible assets.

Other Expenses

Other expenses primarily consist of daily administrative expenses, operating lease expenses, business promotion, litigation expenses, attorneys' fees, appraisal expenses and other administrative expenses.

Impairment Losses on Assets

Provisions for impairment losses primarily consist of provisions for impairment losses on available-for-sale financial assets, debt securities classified as receivables, loans and advances to customers, accounts receivable, assets in satisfaction of debt and other receivables.

Interest Expense

Our interest expense primarily consist of (i) interest expense on borrowings from banks, other financial institutions and non-financial enterprises, (ii) interest expense on amounts due to central bank and the MOF[1], (iii) interest expense paid for repurchase transactions and (iv) interest expense on bonds issued.

Change in Net Assets Attributable to Other Holders of Consolidated Structured Entities

We consolidate certain structured entities including private equity funds, trusts, asset management plans and wealth management products when we are deemed to have the control. For the three years ended December 31, 2014, the financial impact of each of the private equity funds, trusts and wealth management products consolidated on our financial position, results of operation and cash flows are not significant and therefore not disclosed separately. For the details of our

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1 Our transactions with the MOF mainly include two types of transactions by nature. One type is accounts payable to the MOF resulted from acquisition of assets in the policy business portfolio from the MOF at a value determined based on an independent valuation. The other type is purchasing of treasury bonds issued by the MOF in our ordinary course of business.

significant consolidated structured entities and the basis to determine such control, see our consolidated financial statements included elsewhere in this offering memorandum. Interests held by other interest holders in these entities are presented as change in net assets attributable to other holders of consolidated structured entities.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of our Group are domiciled and operate. For the three years ended December 31, 2014, our Company and most of our subsidiaries in the PRC (excluding subsidiaries established in Shenzhen and the western region in the PRC) were subject to an enterprise income tax rate of 25% in accordance with the EIT Law that became effective on January 1, 2008.

SUMMARY FINANCIAL INFORMATION

You should read the summary consolidated financial statements set forth below in conjunction with our consolidated financial information included elsewhere in this offering memorandum, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary audited consolidated income statements for the years ended December 31, 2012, 2013 and 2014, and the consolidated statements of financial position as of December 31, 2012, 2013 and 2014 set forth below are derived from our consolidated financial statements, including the notes thereto included elsewhere in this offering memorandum.

Summary Consolidated Income Statements Data

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Income from distressed debt assets classified as receivables	3,518.4	10,144.2	18,113.5	2,939.6
Fair value changes on distressed debt assets	3,878.3	4,617.6	4,077.5	661.7
Fair value changes on other financial assets	399.3	539.0	2,180.5	353.9
Investment income	6,528.8	7,043.8	9,116.5	1,479.5
Net insurance premiums earned	5,324.9	5,771.9	7,443.0	1,207.9
Interest income	2,493.3	5,059.2	8,810.5	1,429.8
Revenue from sales of inventories	3,924.1	4,321.9	4,340.5	704.4
Commission and fee income	2,226.3	2,520.1	3,008.2	488.2
Net gains on disposal of subsidiaries and associates	2,585.3	200.6	642.9	104.3
Other income and other net gains or losses	1,456.5	2,194.9	2,056.8	333.8
Total	32,335.2	42,413.2	59,790.1	9,703.0
Interest expense	(3,697.6)	(7,803.8)	(15,961.1)	(2,590.3)
Insurance costs	(4,690.1)	(5,018.8)	(6,865.3)	(1,114.1)
Employee benefits	(3,417.6)	(3,797.4)	(4,600.6)	(746.6)
Purchases and changes in inventories	(2,391.8)	(2,720.3)	(2,824,0)	(458.3)
Commission and fee expense	(900.7)	(869.4)	(1,034.3)	(167.9)
Business tax and surcharges	(785.7)	(1,233.9)	(1,981.3)	(321.5)
Depreciation and amortization expenses	(449.1)	(443.8)	(456.4)	(74.1)
Other expenses	(2,266.5)	(2,560.2)	(2,872.5)	(466.2)
Impairment losses on assets	(4,601.0)	(6,153.3)	(5,438.1)	(882.5)
Total	(23,200.1)	(30,600.9)	(42,033.6)	(6,821.4)
Change in net assets attributable to other holders of consolidated structured entities	(151.5)	(540.5)	(1,909.9)	(310.0)
Profit before share of profit or loss of associates and tax	8,983.6	11,271.8	15,846.5	2,571.6
Share of results of associates	612.3	500.3	460.2	74.7
Profit before tax	9,595.9	11,772.1	16,306.7	2,646.3
Income tax expense	(2,378.7)	(2,671.1)	(4,164.0)	(675.7)
Profit for the year	**7,217.2**	**9,101.0**	**12,142.7**	**1,970.6**
Profit attributable				
Equity holders of the Company	7,306.3	9,027.3	11,896.2	1,930.6
Non-controlling interests	(89.1)	73.7	246.5	40.0

Summary Consolidated Statements of Financial Position Data

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Assets				
Cash and bank balances	42,726.3	57,059.1	43,891.2	7,074.0
Clearing settlement funds	1,525.8	1,707.9	5,145.2	829.2
Deposits with exchanges	907.2	831.1	918.2	148.0
Placements with banks	2,000.0	290.0	3,000.0	483.5
Financial assets at fair value through profit or loss	16,923.0	25,178.5	57,220.5	9,222.3
Financial assets held under resale agreements	57.2	1,053.5	11,454.2	1,846.1
Available-for-sale financial assets	64,376.6	72,747.2	85,794.6	13,827.6
Financial assets classified as receivables	51,195.1	116,662.7	180,913.1	29,157.9
Loans and advances to customers	25,041.5	48,636.4	80,224.7	12,929.9
Accounts receivable	5,257.3	6,448.9	7,022.1	1,131.8
Held-to-maturity investments	7,343.3	7,592.3	7,042.5	1,135.0
Properties held for sale	13,815.4	17,789.9	29,932.8	4,824.3
Investment properties(1)	2,099.7	1,858.0	1,606.3	258.9
Interests in associates	7,476.3	8,961.6	10,079.6	1,624.5
Property and equipment	3,466.8	3,620.2	3,687.6	594.3
Goodwill	361.6	323.7	324.1	52.2
Other intangible assets	137.2	159.6	184.0	29.7
Deferred tax assets	2,623.0	3,937.4	3,442.6	554.8
Other assets	7,281.1	8,927.5	12,544.1	2,021.7
Total assets	254,614.4	383,785.4	544,427.4	87,745.8
Liabilities				
Borrowings from central bank	7,053.4	4,913.0	986.1	158.9
Accounts payable to brokerage clients	6,629.5	6,480.8	11,663.3	1,879.8
Financial liabilities at fair value through profit or loss	53.4	48.5	37.0	6.0
Financial assets sold under repurchase agreements	11,993.6	9,442.8	9,939.6	1,602.0
Placement from banks	—	10,477.0	11,827.0	1,906.2
Borrowings	76,099.2	173,834.7	263,452.4	42,460.8
Accounts payable	39,539.4	22,814.1	13,891.2	2,238.9
Investment contract liabilities for policyholders	3,213.1	3,244.4	6,251.2	1,007.5
Tax payable	2,132.1	2,060.6	1,742.8	280.9
Insurance contract liabilities	17,585.7	20,722.5	25,219.0	4,064.6
Bonds issued	12,534.6	13,285.0	43,694.9	7,042.3
Deferred tax liabilities	356.7	450.8	664.5	107.1
Other liabilities	16,538.9	33,249.1	53,195.2	8,573.5
Total liabilities	193,729.6	301,023.3	442,564.2	71,328.4

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Equity				
Share capital	30,140.0	35,458.9	36,256.7	5,843.5
Capital reserve	6,520.6	15,903.6	17,328.5	2,792.7
Investment revaluation reserve	406.1	730.6	3,970.9	640.0
Surplus reserve	1,760.0	2,483.1	3,394.3	547.1
General reserve	1,468.8	3,866.1	4,461.3	719.0
Retained earnings	14,870.0	17,976.4	28,366.3	4,571.8
Foreign currency translation reserve	(391.9)	(420.4)	(409.1)	(65.9)
Equity attributable to equity holders of the Company	54,773.6	75,998.3	93,368.9	15,048.3
Non-controlling interests	6,111.2	6,763.9	8,494.4	1,369.0
Total equity	60,884.8	82,762.1	101,863.3	16,417.4
Total equity and liabilities	254,614.4	383,785.4	544,427.4	87,745.8

(1) We have not obtained certificate of land use right or certificate of properly ownership for certain of our investment properties. Under IAS 40, the cost of an item of investment properties shall be recognized as an asset if, and only if: (i) it is probable that future economic benefits associated with the stem will flow to the entity; and (ii) the cost of such item can be measured reliably. Considering that we have paid consideration to obtain those investment properties, and relevant economic benefits from such assets have flowed to us, we recognized the investment properties although property right registration has not been completed.

The following table sets forth the revenue breakdown according to the types of the financial assets for the years indicated:

Items of Statements of Financial Position	As of December 31, 2012	2013	2014		Items of Income Statements	For the year ended December 31, 2012	2013	2014	
	RMB	RMB	RMB	US$		RMB	RMB	RMB	US$
	(in millions)					(in millions)			
Cash and bank balances	42,726.3	57,059.1	43,891.2	7,074.0	Interest income	652.1	1,242.2	1,861.5	302.1
Clearing settlement funds	1,525.8	1,707.9	5,145.2	829.3	Interest income from clearing settlement funds and deposits with exchanges and a financial institution	147.4	34.4	7.5	1.2
Deposits with exchanges and a financial institution	907.2	831.1	918.2	148.0					
Placements with banks	2,000.0	290.0	3,000.0	483.5	Interest income	31.1	105.1	77.7	12.6
Distressed debt assets at fair value through profit or loss	7,960.2	16,391.7	42,302.0	6,817.8	Fair value changes on distressed debt assets	3,878.3	4,617.6	4,077.5	661.7
Other financial assets at fair value through profit or loss	8,962.8	8,786.8	14,918.5	2,404.4	Fair value changes on other financial assets	399.3	539.0	2,180.5	353.9
Financial assets held under resale agreements	57.2	1,053.5	11,454.2	1,846.1	Interest income	4.5	28.9	236.8	38.4
Available-for-sale financial assets	64,376.6	72,747.2	85,794.6	13,827.6	Investment income	5,843.1	6,263.1	6,755.9	1,096.4
Financial assets classified as receivables-Distressed debt asset	48,068.2	97,970.6	162,108.9	26,127.2	Income from distressed debt assets classified as receivables	3,518.4	10,144.2	18,113.6	2,939.6
Financial assets classified as receivables-Others	3,126.9	18,692.1	18,880.8	3,043.0	Investment income	396.3	426.1	2,011.8	326.5
Loans and advances to customers	25,041.5	48,636.4	80,224.7	12,929.9	Interest income	1,593.1	3,224.4	6,191.5	1,004.8
Accounts receivable	5,257.3	6,448.9	7,022.1	1,131.8	Interest income	58.6	362.2	361.0	58.6
Held-to-maturity investments	7,343.3	7,592.3	7,042.5	1,135.0	Investment income	289.5	354.6	348.8	56.6

CERTAIN KEY FINANCIAL RATIOS

	For the year ended December 31,		
	2012	2013	2014
Return on average shareholders' equity(1)	15.8%	13.8%	14.0%
Return on average assets(2).	3.4%	2.9%	2.6%
Cost-to-income ratio(3)	29.7%	26.2%	24.0%

(1) Represents the percentage of profit attributable to the equity holders of the Company for the year in the average balance of equity attributable to the equity holders of the Company as of the beginning and the end of the year.

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

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

Our total income increased by 31.2% from RMB32,335.2 million in 2012 to RMB42,413.2 million in 2013 and further increased by 41.0% to RMB59,790.1 million (US$9,703.0 million) in 2014. The significant increase in 2013 was primarily attributable to the expansion of our income sources by continuously developing our Restructuring Model business, an increase in income from traditional distressed asset management and a substantial increase in related income derived from our fast growing business at our financial subsidiaries. The increase in 2014 was primarily attributable to (i) the expansion of our income sources by continuously developing our Restructuring Model business, (ii) an increase in income from our principal investment business, and (iii) an increase in interest income and commission and fee income due to the rapid development of our securities and futures brokerage, life insurance and financial leasing businesses.

Our net profit increased by 26.1% from RMB7,217.2 million in 2012 to RMB9,101.0 million in 2013 and further increased by 33.4% to RMB12,142.7 million (US$1,957.0 million) in 2014. The significant increases in our net profit in 2013 were driven by the increase in income from distressed debt assets classified as receivables and gains from disposal of DES Assets. We made provisions for impairment losses of RMB2,917.9 million in 2012, RMB3,037.9 million in 2013 and nil in 2014 and in accordance with the accounting standards in respect of our equity interests in Aluminum Corporation of China Limited ("Chalco"), a listed DES Company, which limited the growth of our profit in 2012 and 2013 and a large proportion of which was disposed of in 2014. The increase in 2014 was primarily due to (i) the increase in income from distressed debt assets classified as receivables and gains from disposal of DES Assets, (ii) the increase in commission and fee income from our securities and futures brokerage business, and (iii) a significant decrease in losses in our life insurance business.

Our total assets increased by 50.7% from RMB254,614.4 million as of December 31, 2012 to RMB383,785.4 million in 2013 and further increased by 41.9% to RMB544,427.4 million (US$87,745.8 million) as of December 31, 2014. The significant increases were mainly attributable to (i) the significant increase in the balance of investments classified as receivables in line with our development of the Restructuring Model business, (ii) the significant increase in the assets of our financial investment and asset management business in 2012 and 2013, and (iii) the significant increase in assets of our financial services business, reflecting the rapid development of our financial leasing and insurance businesses. The increase in 2014 was primarily due to (i) the significant increase in the balance of investments classified as receivables in line with our development of the Restructuring Model business, (ii) the significant increase in the assets as a result of the growth of our financial investment and asset management business, and (iii) the significant increase in assets of our financial services business, reflecting the rapid development of our securities and futures brokerage, financial leasing and life insurance businesses.

Equity attributable to equity holders of the Company increased by 38.7% from RMB54,773.6 million as of December 31, 2012, to RMB75,998.3 million in 2013 and further increased by 22.9% to RMB93,368.9 million. (US$15,048.3 million) as of December 31, 2014. The significant increase was mainly attributable to the proceeds of RMB10,368.6 million from issuing shares to strategic investors in 2012, net proceeds of approximately RMB14,577.0 million from issuing new shares in our initial public offering in Hong Kong in December 2013, and the increase in retained earnings for 2012 and 2013, which was partially offset by the dividends paid to our shareholders for 2012. The increase in 2014 was primarily due to the net proceeds from exercising the over-allotment options after our initial public offering, which were recognized as equity attributable to equity holders of the Company and the increase in retained earnings, which was partially offset by the dividends paid to our shareholders.

In 2012, 2013 and 2014, the return on average shareholders' equity was 15.8%, 13.8% and 14.0%, respectively, and return on average assets was 3.4%, 2.9% and 2.6%, respectively. Return on average shareholders' equity and return on average assets decreased from 2012 to 2013 mainly because: (i) the equity dilution as a result of issuing new shares to strategic investors in 2012 and in our initial public offering in Hong Kong in December 2013; (ii) the additional capital injections into our insurance business to improve its solvency ratio, which lowered overall returns; and (iii) the provisions we made in response to the downturn of the capital markets in 2012 and in accordance with accounting policy lowered the net profit growth despite the significant increase in profit before impairment losses on assets as a result of the rapid increase in income from distressed assets, the rapid development of trust and financial leasing businesses as well as our effective cost control measures. The slight increase in return on average shareholders' equity from 2013 to 2014 was mainly attributable to (i) return from use of the net proceeds from our initial public offering and (ii) the rapid growth of our total income. The slight decrease in return on average assets from 2013 to 2014 was mainly attributable to the rapid expansion of total assets in line with our business growth.

Our cost-to-income ratio decreased from 29.7% in 2012 to 26.2% in 2013 and further decreased to 24.0% in 2014, mainly attributable to the enlarged scale of our three principal business segments, the significant increase in total income and our effective cost control.

RESULTS OF OPERATIONS OF THE CONSOLIDATED GROUP

Total Income

Income from Distressed Assets

Our income from distressed assets, which is classified as different accounting items based on the nature of the assets, includes (i) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring, (ii) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets, (iii) income from DES Assets, including dividend income and net gains on disposal of DES Assets, which is accounted for as investment income and net gains on disposal of associates and (iv) net gains on disposal of assets in satisfaction of debt. The table below sets out the components of our income from distressed assets for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Income from distressed debt assets classified as receivables	3,518.4	10,144.2	18,113.6	2,939.6
Fair value changes on distressed debt assets	3,878.3	4,617.6	4,077.5	661.7
Income from DES Assets	5,647.7	4,995.4	4,488.3	728.3
Available-for-sale financial assets investment income(1)	4,664.5	4,995.4	4,488.3	728.3
Interests in associates(2)	983.2	—	—	—
Net gains on disposal of assets in satisfaction of debt(3)	189.1	363.9	231.0	37.5
Total	**13,233.5**	**20,121.1**	**26,910.4**	**4,367.2**

(1) Represents investment income from available-for-sale equity assets which we hold for distressed asset management segment, including net gains realized on disposal of and dividend income from such equity assets, which is recorded as investment income on our consolidated income statements.

(2) Represents net gains on disposal of interest in associates included in our DES assets, which are included as net gains on disposal of subsidiaries and associates on our consolidated income statements.

(3) Included in other income and other net gains or losses on our consolidated income statements.

Our income from distressed assets increased from RMB13,233.5 million in 2012 to RMB26,910.4 million (US$4,367.2 million) in 2014 with a CAGR of 42.6%, accounting for 40.9%, 47.4% and 45.0% of our total income for 2012, 2013 and 2014, respectively. For the analysis of the income from distressed assets, please see "— Income from Distressed Debt Assets Classified as Receivables," "— Fair Value Changes on Distressed Debt Assets," "— Investment Income," "— Net Gains on Disposal of Subsidiaries and Associates" and "— Other income and Other Net Gains or Losses" below. For the specific definition of DES Assets, please see "Description of the Group — Our Principal Businesses — Distressed Asset Management — DES Asset Management" in this offering memorandum.

Income from Distressed Debt Assets Classified as Receivables

Our income from distressed debt assets classified as receivables refers to income from distressed debt assets classified as receivables on consolidated statements of financial position. Distressed debt assets classified as receivables include NPLs and other distressed debts acquired from financial institutions and accounts receivable acquired from non-financial enterprises through our Restructuring Model. Income from distressed assets classified as receivables represented 10.9%, 23.9% and 30.3% of our total income for the years ended December 31, 2012, 2013 and 2014, respectively.

In 2011, we developed the Restructuring Model based on our Traditional Model. Under the Restructuring Model, we determined debt restructuring plans when we acquired accounts receivable from non-financial enterprises and distressed debts from banks, trusts and other financial institutions. We generally determine the rate of return on debt restructuring of accounts receivable of non-financial enterprises through negotiating with debtors and creditors based on the relevant credit enhancement measures, the underlying assets, their liquidity and financial condition. In respect of loans acquired from financial institutions, we also take into account the interest rates set out in the original contracts and charge penalties when debtors fail to repay in a timely manner. After reaching agreement among us, the creditors and the debtors, a series of debt restructuring arrangements are carried out in relation to, among others, the amount, methods and schedules for repayment as well as the collateral or guarantee for the purposes of debt collection and realizing gains from restructuring. As of December 31, 2012, 2013 and 2014, the gross balance of our distressed debt assets classified as receivables under such business model amounted to RMB49,550.5 million, RMB100,913.2 million and RMB167,464.3 million (US$26,990.3 million), mainly because we had designed and continuously adjusted the transaction structures of such products to meet market demands, and as a result, we achieved a rapid growth of our Restructured Distressed Assets since 2012.

We significantly increased our investment in distressed debt assets classified as receivables primarily because (i) we seized the arising opportunities of accounts receivable of non-financial enterprises as a result of the increased volume of accounts receivable due to macroeconomic conditions and industry consolidation; (ii) since the distressed assets for sale in the market by commercial banks was limited due to the regulatory restrictions during the period after the state-owned banks disposed of their distressed assets in large volume in 2004 and 2005 and before the regulatory promulgation of the administrative measures on the batch transfer of distressed assets of financial enterprises in 2012, we proactively explored alternative sources of distressed assets and increased our acquisition of distressed debt assets classified as receivables in response to the changes in market conditions; and (iii) we obtained the license to conduct this business in 2010 and achieved significant growth from 2012 to 2014.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our income from distressed debt assets classified as receivables increased by 78.6% to RMB18,113.6 million (US$2,939.6 million) in 2014 from RMB10,144.2 million in 2013, primarily because the total average amount of distressed debt assets classified as receivables increased rapidly, which resulted in a significant increase in the profit, and the gross balance of distressed debt assets classified as receivables increased further by 65.9% from RMB100,913.2 million as of December 31, 2013 to RMB167,464.3 million (US$26,990.3 million) as of December 31, 2014.

As of December 31, 2013 and December 31, 2014, our balance of distressed debt assets classified as receivables, accounts receivable acquired from non-financial enterprises and loans acquired from financial institutions increased from RMB64,400.3 million and RMB36,512.9 million to RMB123,877.8 million (US$19,965.5 million) and RMB43,586.5 million (US$7,024.9 million), respectively. Accounts receivable from non-financial enterprises was the major assets in distressed debt assets classified as receivables acquired by us. Under current market and macroeconomic environments, we have made significant efforts to acquire distressed debt assets classified as receivables from non-financial enterprises in light of the gradually expanded scale and the prolonged recovery period of accounts receivable from non-financial enterprises, as well as the increased demand for restructuring accounts receivable. As of December 31, 2013 and December 31, 2014, our balance of accounts receivable acquired from non-financial enterprises accounted for 63.8% and 74.0%, respectively, of the balance of distressed debt assets classified as receivables.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased from 13.5% in 2013 to 12.2% in 2014, primarily due to our proactive risk control to maximize risk-adjusted return, including focusing on major high-quality customers, enhancing the portfolio through the structural adjustment of industry composition, regional exposure, and maturity profile, and strengthening the credit assessment process while expanding our business.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our income from distressed debt assets classified as receivables increased by 188.3% to RMB10,144.2 million in 2013 from RMB3,518.4 million in 2012, primarily because the total average amount of distressed debt assets classified as receivables increased rapidly, which resulted in a significant increase in the profit, and the gross balance of distressed debt assets classified as receivables increased further by 103.7% from RMB49,550.5 million as of December 31, 2012 to RMB100,913.2 million as of December 31, 2013.

As of December 31, 2012 and December 31, 2013, our balance of distressed debt assets classified as receivables, accounts receivable acquired from non-financial enterprises and loans acquired from financial institutions increased from RMB30,256.0 million and RMB19,294.5 million to RMB64,400.3 million and RMB36,512.9 million, respectively. Accounts receivable of non-financial enterprises was the major assets in distressed debt assets classified as receivables acquired by us. Under current market and macroeconomic environments, we have made significant efforts to acquire distressed debt assets classified as receivables from non-financial enterprises in light of the gradually expanded scale and the prolonged recovery period of accounts receivable from non-financial enterprises, as well as the increased demand for restructuring accounts receivable. As of December 31, 2012 and December 31, 2013, our balance of accounts receivable acquired from non-financial enterprises accounted for 61.1% and 63.8%, respectively, of the balance of distressed debt assets classified as receivables.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased from 16.0% in 2012 to 13.5% in 2013, primarily due to our proactive risk control to maximize risk-adjusted return, including focusing on major high-quality customers, enhancing the portfolio through the structural adjustment of industry composition, regional exposure, and maturity profile, and strengthening the credit assessment process while expanding our business.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets include (i) net gains realized from disposal of distressed debt assets designated as at fair value through profit or loss and (ii) unrealized fair value changes on such distressed debt assets. Distressed debt assets at fair value mainly include distressed assets sold by commercial banks, other financial institutions and non-financial enterprises. We usually acquired such assets at discount to their Original Values under our Traditional Model. We categorize these assets based on their nature, devise the corresponding management and disposal strategies to increase the value of the assets and achieve cash recovery. As of December 31, 2012, 2013 and 2014, our balance of distressed debt assets at fair value was RMB7,960.2 million, RMB16,391.7 million and RMB42,302.0 million (US$6,817.8 million), respectively. For the years ended December 31, 2012, 2013 and 2014, fair value changes on distressed debt financial assets were RMB3,878.3 million, RMB4,617.6 million and RMB4,077.5 million (US$661.7 million), respectively, accounting for 12.0%, 10.9% and 6.8% of our total income, respectively.

The table below sets out the changes of our distressed debt assets at fair value:

	As of and for the year ended December 31,	
	RMB	US$
	(in millions)	
Group		
December 31, 2011	**7,415.4**	**1,224.9**
Ending balance of:		
Acquisition for the year	3,456.1	570.9
Disposal for the year	(3,208.9)	(530.1)
Unrealized fair value changes	297.6	49.2
December 31, 2012	**7,960.2**	**1,314.9**
Ending balance of:		
Acquisition for the year	12,279.5	2,028.4
Disposal for the year	(4,148.2)	(685.2)
Unrealized fair value changes	300.2	49.6
December 31, 2013	**16,391.7**	**2,707.7**
Ending balance of:		
Acquisition for the year	31,511.2	5,078.7
Disposal for the year	(6,134.5)	(988.7)
Unrealized fair value changes	533.6	86.0
December 31, 2014	**42,302.0**	**6,871.8**

The table below sets out the components of fair value changes on our distressed debt assets for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Realized fair value changes	3,580.7	4,317.4	3,543.9	575.1
Unrealized fair value changes	297.6	300.2	533.6	86.6
Total fair value changes on distressed debt assets	**3,878.3**	**4,617.6**	**4,077.5**	**661.7**

Due to the nature of the Traditional Distressed Asset Management business, the timing of and income generated from disposal of distressed debt assets depend on specific factors for each project, including the financial and operation conditions of debtors, the status of distressed debt assets at the time of disposal, the methods of disposal of distressed debt assets, the prevailing market conditions, and negotiations with our counterparties. The income generated from disposal and the timing of income recognition may vary from project to project. Therefore, the net gain or loss and rate of return (which represents the realized fair value changes divided by the amount of disposal for the year) from the disposal of distressed debt assets for each year fluctuate significantly as they depend on the conditions of specific projects disposed of in the year and previous years. During and after acquiring such distressed debt assets, we formulate proposals for overall goals and plans for disposal based upon the conditions of each asset and our operation strategies to cover our acquisition costs in a timely manner and increase our disposal gains.

In 2012, 2013 and 2014, our net rate of return on such assets were 112.5%, 111.3% and 62.1%, respectively.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Fair value changes on distressed debt assets decreased by 11.7% to RMB4,077.5 million (US$661.7 million) in 2014 compared to RMB4,617.6 million in 2013. The amount of disposed distressed debt assets for the year ended December 31, 2014 was RMB6,134.5 million (US$988.7 million), while the rate of return from disposal of such assets during this period decreased to 57.8% in 2014 from 104.1% in 2013, primarily because (i) gains from disposal of certain assets were recorded as unrealized fair value changes in 2013, leading to a relatively small amount of fair value changes realized through disposal in 2014, and (ii) certain projects were disposed of within a short period of time since the acquisition, which in turn lowered the yields.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Fair value changes on distressed debt assets increased by 19.1% to RMB4,617.6 million in 2013 compared to RMB3,878.3 million in 2012. The amount of disposed distressed debt assets for the year ended December 31, 2013 was RMB4,148.2 million, while the rate of return from disposal of such assets during this period decreased to 104.1% in 2013 from 111.6% in 2012, primarily due to our disposal of certain assets in 2013 with a disposal cost of RMB587 million, for which we did not realize substantial gains as a result of the facts that: (i) gains from disposal of certain assets were recorded as unrealized fair value changes in 2012, leading to a relatively small amount of fair value changes realized through disposal in 2013, and (ii) certain projects were disposed of within a short period of time since the acquisition, which in turn lowered the yields.

Fair Value Changes on Other Financial Assets

Fair value changes on other financial assets consist of net realized gain from disposal of, dividend and interest income from and unrealized fair value changes of non-distressed financial assets at fair value through profit or loss stated in our consolidated statements of financial position, primarily including bonds, wealth management products, fund products, equity instruments and derivatives for investment purposes.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Fair value changes on other financial assets increased by 304.5% to RMB2,180.5 million (US$353.9 million) in 2014 compared to RMB539.0 million in 2013, primarily due to (i) the increase in the amount of such assets from RMB8.8 billion as of December 31, 2013 to RMB14.9 billion (US$2.4 billion) as of December 31, 2014 and (ii) the increasing value of the investment in stocks and bonds a result of the strong performance in stock and bond market.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Fair value changes on other financial assets increased by 35.0% to RMB539.0 million in 2013 compared to RMB399.3 million in 2012, primarily due to income from the investment in stocks, mutual funds and bonds by Cinda Securities and Happy Life.

Investment Income

For the years ended December 31, 2012, 2013 and 2014, investment income accounted for 20.2%, 16.6% and 15.2% of our total income, respectively. The table below sets out the components of our investment income for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Net realized gains from disposal of				
Available-for-sale financial assets	3,908.2	3,850.3	4,822.7	782.7
Interest income from investment securities				
Available-for-sale financial assets	686.9	596.5	865.7	140.5
Debt instruments classified as receivables	396.3	426.1	2,011.8	326.5
Held-to-maturity financial assets	289.4	354.6	348.8	56.6
Dividend income				
Available-for-sale financial assets	1,248.0	1,816.3	1,067.5	173.2
Total investment income	**6,528.8**	**7,043.8**	**9,116.5**	**1,479.5**

Investment income from available-for-sale financial assets, including (i) net realized gains on disposal of available-for-sale financial assets stated in our consolidated statements of financial position, (ii) interest income from available-for-sale financial assets stated in our consolidated statements of financial position and (iii) dividend income from available-for-sale financial assets stated in our consolidated statements of financial position, is the main part of our investment income, and accounted for 89.5%, 88.9% and 74.1% of our total investment income in 2012, 2013 and 2014, respectively. The changes of investment income from available-for-sale financial assets from 2012 to 2014 were mainly attributable to the increases in (i) net gains from disposal of DES Assets by the Company and financial instruments held by Cinda Investment, and (ii) interest income from the financial instruments held by Cinda Investment, partially offset by a decrease in dividend income from the DES Companies. In 2012, 2013 and 2014, we disposed of 43, 88 and 33 debt-to-equity enterprises[2], respectively, the acquisition cost for which was RMB2,827.0 million, RMB3,847.9 million and RMB3,589.0 million (US$582.4 million) while the net gains on disposal of which were RMB4,682.9 million, RMB3,644.6 million and RMB4,052.2 million (US$657.6 million), accounting for 165.6%, 85.3% and 112.9% of the acquisition cost, respectively. Please

[2] Includes the available-for-sale equity assets which are included under the distressed assets management segment and the equity interests we held in Beijing Zizhu Pharmaceutical Co. Ltd.

see "Description of the Group — Our Principal Businesses — Distressed Asset Management — DES Asset Management" for details of DES Assets held by our Company. The table below sets out the components of investment income from our available-for-sale financial assets for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Net realized gains on disposal of available-for-safe financial assets	3,908.2	3,850.3	4,822.7	782.7
DES Assets of our Company[1]	3,699.7	3,644.6	4,052.2	657.6
Others[2]	208.5	205.7	770.5	125.0
Interest income from available-for-sale financial assets	686.9	596.5	865.7	140.5
Dividend income from available-for-sale financial assets	1,248.0	1,816.3	1,067.5	173.2
DES Assets of our Company	964.8	1,350.8	436.1	70.8
Principal equity investment of our Company and others	283.2	465.5	631.4	102.5
Total investment income from available-for-sale financial assets	**5,843.1**	**6,263.1**	**6,755.9**	**1,096.4**

(1) Net realized gains on disposal of DES Assets under available-for-sale financial assets do not include net realized gains from disposal of interests in associates included in DES Assets.

(2) Mainly include net gains on disposal of equity assets held by Cinda Investment and Cinda HK as well as bonds and mutual funds held by Happy Life.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our investment income increased by 29.4% to RMB9,116.5 million (US$1,479.5 million) in 2014 compared to RMB7,043.8 million in 2013, primarily due to (i) an increase in net gains from disposal of available-for-sale financial assets by RMB972.4 million, or 25.3%, from RMB3,850.3 million in 2013 to RMB4,822.7 million (US$782.7 million) in 2014; and (ii) an increase in interest income from investment securities by RMB1,849.1 million, or 134.3%, from RMB1,377.2 million in 2013 to RMB3,226.3 million (US$523.6 million) in 2014, as a result of significant increases in interest income from the investment in structured debt arrangements of the Company and the investment in trusts and asset management plans of Happy Life.

Our net realized gains on disposal of available-for-sale financial assets increased by 25.3% to RMB4,822.7 million (US$782.7 million) in 2014 compared to RMB3,850.3 million in 2013, primarily attributable to the increase in net gains from disposal of the DES Assets held by our Company and the financial instruments held by Cinda Investment. Our realized net gains on disposal of DES Assets of our Company under available-for-sale financial assets increased by 11.2% to RMB4,052.2 million (US$657.6 million) in 2014 compared to RMB3,644.6 million in 2013, primarily due to the increase in disposal of Unlisted DES Asset, which have a higher return as compared to the Listed DES Assets.

Our interest income from available-for-sale financial assets increased by 45.1% to RMB865.7 million (US$140.5 million) in 2014 compared to RMB596.5 million in 2013, primarily due to the rapid growth of the balance of the financial instruments held by Cinda Investment. Our interest income from debt securities classified as receivables increased by 372.1% to RMB2,011.8 million (US$326.5 million) in 2014 compared to RMB426.1 million in 2013, primarily due to the increase in the investment income from structured debt arrangements, which we commenced to invest in from the fourth quarter of 2013. Our interest income from held-to-maturity investments remained stable, amounting to RMB348.8 million (US$56.6 million) in 2014 compared to RMB354.6 million in 2013, primarily because we generally maintained the level of our investment in debt securities.

Our dividend income from available-for-sale financial assets decreased by 41.2% to RMB1,067.5 million (US$173.2 million) in 2014 compared to RMB1,816.3 million in 2013, primarily due to the decreased dividend distribution by the DES Companies due to the slowdown in economic growth in China.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our investment income increased by 7.9% to RMB7,043.8 million in 2013 compared to RMB6,528.8 million in 2012, primarily due to increases in dividend income from available-for-sale financial assets, which were partially offset by the decrease in (i) our net realized gains on disposal of available-for-sale financial assets and (ii) interest income from available-for-sale financial assets and debt securities classified as receivables.

Our net realized gains on disposal of available-for-sale financial assets decreased by 1.5% to RMB3,850.3 million in 2013 compared to RMB3,908.2 million in 2012, primarily attributable to a decrease of the net realized gains on disposal of DES Assets. Our realized net gains on disposal of DES Assets of our Company under available-for-sale financial assets decreased by 1.5% to RMB3,644.6 million in 2013 compared to RMB3,699.7 million in 2012, primarily due to the larger portion of disposal of Listed DES Assets, which have a lower return as compared to the Unlisted DES Assets.

Our interest income from available-for-sale financial assets decreased by 13.2% to RMB596.5 million in 2013 compared to RMB686.9 million in 2012, primarily due to a decrease in interest income from available-for-sale financial assets held by Cinda P&C and interest income from consolidated structured entities. Our interest income from debt securities classified as receivables increased by 7.5% to RMB426.1 million in 2013 compared to RMB396.3 million in 2012, primarily due to an increase in the interest income as a result of the consolidation of two structured entities. Our interest income from held-to-maturity investments increased by 22.5% to RMB354.6 million in 2013 compared to RMB289.4 million in 2012, primarily due to an increase in interest income on debt securities held by Happy Life and Cinda P&C as a result of the increase in its investment in debt securities.

Our dividend income from available-for-sale financial assets increased by 45.5% to RMB1,816.3 million in 2013 compared to RMB1,248.0 million in 2012, primarily due to (i) the improvement in the performance of DES Companies, and (ii) the increase in the dividend distribution of DES Companies in 2013. The increase in the dividends distribution from DES Companies in 2013 reflected our continued effort to improve the dividend yield of our DES Assets.

Net Insurance Premiums Earned

The following table sets out, for the years indicated, the breakdown of our net insurance premiums earned:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Gross written premiums	8,101.4	7,148.3	11,096.0	1,800.7
Less: Premiums ceded to reinsurers	(2,258.7)	(1,311.6)	(3,488.4)	(562.2)
Change of unearned premium reserves	(517.8)	(64.8)	(164.6)	(26.5)
Net insurance premiums earned	5,324.9	5,771.9	7,443.0	1,199.6

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our gross written premiums increased by 55.2% to RMB11,096.0 million (US$1,788.4 million) in 2014 compared to RMB7,148.3 million in 2013, primarily attributable to an increase in gross written premiums by 84.5% from RMB4,107.2 million in 2013 to RMB7,579.6 million (US$1,230.1 million) in 2014 as a result of the improvement of the operational efficiency of and the launch of new insurance products by Happy Life. Our premiums ceded to reinsurers increased by 166.0% from RMB1,311.6 million in 2013 to RMB3,488.4 million (US$566.1 million) in 2014, primarily because Happy Life increased the proportion of reinsurance to maintain its solvency ratio in accordance with the regulatory requirement. As a result, the premiums ceded to reinsurers increased by 195.8% from RMB1,109.0 million in 2013 to RMB3,280.1 million (US$532.3 million) in 2014. Change of unearned premium reserves increased by 154.0% to RMB164.6 million (US$26.7 million) in 2014 from RMB64.8 million in 2013, primarily due to the increase in gross written premiums, which was partially offset by the increase in premiums ceded to reinsurers and change of unearned premium reserves. Net insurance premiums earned increased by 29.0% to RMB7,443.0 million (US$1,207.9 million) in 2014 from RMB5,771.9 million in 2013, mainly because the increase in gross written premiums outpaced the increase in premiums ceded to reinsurers and unearned premium reserves.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our gross written premiums decreased by 11.8% to RMB7,148.3 million in 2013 compared to RMB8,101.4 million in 2012, primarily attributable to a decrease in gross written premiums of Happy Life by 28.0% from RMB5,707.1 million in 2012 to RMB4,107.2 million in 2013, which was partially offset by the increase in the gross written premiums of Cinda P&C. Our premiums ceded to reinsurers decreased by 41.9% from RMB2,258.7 million in 2012 to RMB1,311.6 million in 2013, primarily because the premiums ceded to reinsurers of Happy Life decreased by 43.5% from RMB1,961.0 million in 2012 to RMB1,109.0 million in 2013, which in turn was primarily due to the improvement in solvency conditions of Happy Life. Change of unearned premium reserves decreased by 87.5% to RMB64.8 million in 2013 from RMB517.8 million in 2012, primarily due to the increase in refund of reinsurance premium as a result of new reinsurance contracts entered into in 2013. Net insurance premiums earned increased by 8.4% to RMB5,771.9 million in 2013 from RMB5,324.9 million in 2012, mainly because the decrease in gross written premiums was offset by the decrease in premiums ceded to reinsurers and unearned premium reserves.

Commission and Fee Income

The following table sets out the components of our commission and fee income for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Securities and futures brokerage	768.7	1,013.8	1,207.1	195.9
Trust services	556.6	754.7	553.1	89.8
Consultancy and financial advisory	528.9	361.6	559.6	90.8
Fund and asset management business	178.2	213.7	277.7	45.1
Securities underwriting	134.9	115.9	323.7	52.5
Agency business	35.6	42.2	66.5	10.8
Others	23.4	18.2	20.5	3.3
Total commission and fee income	**2,226.3**	**2,520.1**	**3,008.2**	**488.2**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our commission and fee income increased by 19.4% to RMB3,008.2 million (US$488.2 million) in 2014 compared to RMB2,520.1 million in 2013, primarily due to commission and fee income from securities and futures securities, consultancy and financial advisory and securities underwriting services, partially offset by a decrease in commission and fee income from trust services.

Our fee income on trust services consists primarily of fees for trust services provided by Jingu Trust. Such fee income decreased by 26.7% to RMB553.1 million (US$89.8 million) in 2014 as compared to RMB754.7 million in 2013, primarily attributable to the decrease in the size of trust. The trust assets managed by Jingu Trust decreased to RMB88,500 million (US$14,264 million) as of December 31, 2014 compared to RMB93,811 million as of December 31, 2013. The proportion of collective trust products, which have relatively high rate of return, to the total trust assets decreased to 15.2% as of December 31, 2014 as compared to 23.7% as of December 31, 2013.

Our consultancy and financial advisory fee income consists primarily of income from consultancy services provided by our Company, Cinda Investment, Cinda HK and Jingu Trust. Such fee income increased by 54.8% to RMB559.6 million (US$90.8 million) in 2014 as compared to RMB361.6 million in 2013. The consultancy and agency fee income of Cinda HK was HK$71.1 million and HK$134.0 million (US$17.3 million) in 2013 and 2014, respectively.

Our commission and fee income on securities and futures brokerage services increased by 19.1% to RMB1,207.1 million (US$195.9 million) in 2014 as compared to RMB1,013.8 million in 2013.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our commission and fee income increased by 13.2% to RMB2,520.1 million in 2013 compared to RMB2,226.3 million in 2012, primarily due to an increase in commission and fee income from trust services, and securities and futures brokerage business, which was partially offset by a decrease in commission and fee income from consultancy and financial advisory.

Our fee income on trust services consists primarily of fees for trust services provided by Jingu Trust. Such fee income increased by 35.6% to RMB754.7 million in 2013 as compared to RMB556.6 million in 2012, primarily attributable to the enhanced cross selling of our Group and the improved trust product portfolio. The trust assets managed by Jingu Trust decreased to RMB93,811 million as of December 31, 2013 compared to RMB101,835 million as of December 31, 2012. The proportion of collective trust products, which have relatively high rate of return, to the total trust assets increased to 23.7% as of December 31, 2013 as compared to 21.9% as of December 31, 2012.

Our consultancy and financial advisory fee income consists primarily of income from consultancy services provided by our Company, Cinda Investment, Cinda HK and Jingu Trust. Such fee income decreased by 31.6% to RMB361.6 million in 2013 as compared to RMB528.9 million in 2012, primarily because Cinda HK recorded a large amount of one-time consultancy service fee in the first half of 2012. The consultancy fee income of Cinda HK was HK$298.6 million and HK$71.1 million in 2012 and 2013, respectively.

Our commission and fee income on securities and futures brokerage services increased by 31.9% to RMB1,013.8 million in 2013 as compared to RMB768.7 million in 2012, primarily because Cinda Securities launched the margin financing and securities lending business at the end of 2012 and the commission from credit trading in 2013 was relatively high, contributing to an increase in commission and fee income. According to the Shanghai Stock Exchange (the “SSE”) and the Shenzhen Stock Exchange (the “SZSE”), the daily average stock and mutual fund brokerage volume in the China A share market increased by 37.9% to RMB31,522,569 million in 2013 compared to RMB132,440.0 million in 2012. Our average securities brokerage commission rate was 0.0904% and 0.0935% in 2012 and 2013, respectively.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Revenue from sales of inventories	3,924.1	4,321.9	4,304.5	693.8
Purchases and changes in inventories	(2,391.8)	(2,720.3)	(2,824.0)	(455.1)
Including:				
Revenue from sales of properties	3,752.8	4,132.8	4,194.0	676.0
Purchases and changes in properties held for sales	(2,254.4)	(2,589.1)	(2,706.2)	(436.2)
Gross profit from sales of properties	1,498.4	1,543.7	1,487.8	239.8
Gross profit margin from sales of properties	39.9%	37.4%	33.5%	33.5%

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our revenue from sales of inventories increased by 0.4% to RMB4,340.5 million (US$704.4 million) in 2014 as compared to RMB4,321.9 million in 2013 and our purchases and changes in inventories increased by 3.8% to RMB2,824.0 million (US$458.3 million) in 2014 as compared to RMB2,720.3 million in 2013.

Our revenue from sales of properties increased by 1.5% to RMB4,194.0 million (US$680.6 million) in 2014 as compared to RMB4,132.8 million in 2013. Our purchases and changes in properties increased by 4.5% to RMB2,706.2 million (US$439.2 million) in 2014 as compared to RMB2,589.1 million in 2013. Our profit from sales of properties decreased by 3.6% to RMB1,487.8 million (US$241.4 million) in 2014 as compared to RMB1,543.7 million in 2013.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our revenue from sales of inventories increased by 10.1% to RMB4,321.9 million in 2013 as compared to RMB3,924.1 million in 2012 and our purchases and changes in inventories increased by 13.7% to RMB2,720.3 million in 2013 as compared to RMB2,391.8 million in 2012.

Our revenue from sales of properties increased by 10.1% to RMB4,132.8 million in 2013 as compared to RMB3,752.8 million in 2012, primarily due to the increase in revenue from the sales of properties as a result of an increase in sales and delivery of properties developed by Cinda Real Estate in 2013. Our purchases and changes in properties increased by 14.8% to RMB2,589.1 million in 2013 as compared to RMB2,254.4 million in 2012. Our profit from sales of properties increased by 3.0% to RMB1,543.7 million in 2013 as compared to RMB1,498.4 million in 2012.

Interest Income

The following table sets out, for the years indicated, the components of our interest income:

	For the year ended December 31,			
	2012	**2013**	**2014**	
	RMB	**RMB**	**RMB**	**US$**
	(in millions)			
Loans and advances to customers	1,593.1	3,224.4	6,191.5	1,004.8
Bank balances	652.1	1,242.2	1,861.5	302.1
Accounts receivable	58.6	362.2	361.0	58.6
Placements with banks	31.1	105.1	77.7	12.6
Financial assets held under resale agreements	4.5	28.9	236.8	38.4
Others[(1)]	153.9	96.4	82.0	13.3
Total	**2,493.3**	**5,059.2**	**8,810.5**	**1,429.8**

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

Interest income primarily includes cash and balances, clearing settlement funds, deposits with exchanges and financial institutions, placements with banks, financial assets held under resale agreements, loans and advances to customers as well as accounts receivable.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our interest income increased by 74.1% to RMB8,810.5 million (US$1,429.8 million) in 2014 as compared to RMB5,059.2 million in 2013, primarily due to an increase in interest income from loans and advances to customers, bank balances and accounts receivable.

Our interest income from loans and advances to customers increased by 92.0% to RMB6,191.5 million (US$1,004.8 million) in 2014 as compared to RMB3,224.4 million in 2013, primarily due to (i) an increase in interest income from Cinda Leasing as a result of the increase in its average balance of interest earning assets in line with its rapid growth; (ii) an increase in loans secured by pledges and entrusted loans granted by subsidiaries such as Cinda Investment and Cinda HK; and (iii) an increase in entrusted loans and loans secured by pledges granted by consolidated structured entities.

Our interest income from bank deposits increased by 49.9% to RMB1,861.5 million (US$302.1 million) in 2014 as compared to RMB1,242.2 million in 2013, primarily attributable to our enhanced capabilities of short-term cash management.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our interest income increased by 102.9% to RMB5,059.2 million (US$835.7 million) in 2013 as compared to RMB2,493.3 million in 2012, primarily due to an increase in interest income from loans and advances to customers, bank balances and accounts receivable.

Our interest income from loans and advances to clients increased by 102.4% to RMB3,224.4 million in 2013 as compared to RMB1,593.1 million in 2012, primarily due to (i) an increase in interest income from Cinda Leasing as a result of the increase in its average balance of interest-earning assets in line with its rapid growth; and (ii) an increase in loans secured by pledges and properties granted by subsidiaries such as Cinda Investment and Cinda HK.

Our interest income from bank deposits increased by 90.5% to RMB1,242.2 million in 2013 as compared to RMB652.1 million in 2012, primarily attributable to the Company's enhanced capabilities of short-term cash management.

Net Gains on Disposal of Subsidiaries and Associates

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our net gains on disposal of subsidiaries and associates increased by 220.5% to RMB642.9 million (US$104.3 million) in 2014 compared to RMB200.6 million in 2013, primarily attributable to the disposal of certain property development companies by Cinda Investment in line with its business strategy.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our net gains on disposal of subsidiaries and associates decreased by 92.2% to RMB200.6 million in 2013 compared to RMB2,585.3 million in 2012, primarily attributable to the absence of net gains on disposal of Beijing Zizhu Pharmaceutical Co., Ltd., an associate held by our Company, and certain subsidiaries and associates held by Cinda Investment, which we recorded in 2012.

Other Income and Other Net Gains or Losses

The following table sets out the components of our other income and other net gains or losses for the years indicated:

	For the year ended December 31,			
	2012	**2013**	**2014**	
	RMB	**RMB**	**RMB**	**US$**
	(in millions)			
Net gains on disposal of investment properties.	102.2	679.1	291.1	47.2
Net gains/(losses) on exchange differences. . . .	(23.0)	(55.7)	244.1	39.6
Net gains on disposal of other assets	189.1	363.9	231.0	37.5
Rental income	467.7	454.9	289.6	47.0
Revenue from hotel operation	401.0	386.8	482.3	78.3
Revenue from property management business. .	190.8	186.2	234.3	38.0
Government grant and compensation	34.7	36.4	30.7	5.0
Others	94.0	143.3	253.7	41.2
Total	**1,456.5**	**2,194.9**	**2,056.8**	**333.8**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our other income and net gains or losses decreased by 6.3% to RMB2,056.8 million (US$333.8 million) in 2014 as compared to RMB2,194.9 million in 2013, primarily due to the decrease in net gains on disposal of investment properties by Cinda Investment.

Our net gains on disposal of investment properties decreased by 57.1% to RMB291.1 million (US$47.2 million) in 2014 compared to RMB679.1 million in 2013, primarily due to the fluctuation in the amount of investment properties disposed of by us in response to market conditions and business opportunities.

The others under the item of other income and other net gains or losses was RMB143.3 million in 2013 as compared to RMB253.7 million (US$41.2 million) in 2014 primarily due to non-operating income from the disposal of properties by certain subsidiaries.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our other income and net gains or losses increased by 50.7% to RMB2,194.9 million in 2013 as compared to RMB1,456.5 million in 2012, primarily due to the increase in net gains on disposal of investment properties by Cinda Investment in 2013.

Our net gains on disposal of investment properties increased by 564.5% to RMB679.1 million in 2013 compared to RMB102.2 million in 2012, primarily due to the net gains on disposal of several pieces of properties by Cinda Investment.

The others under the item of other income and other net gains or losses was RMB94.0 million in 2012 as compared to RMB143.3 million in 2013 primarily due to the increase in management fee income from funds in 2013.

Total Costs and Expenses

The following table sets out the breakdown of our total costs and expenses for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Interest expense	(3,697.6)	(7,803.8)	(15,961.1)	(2,590.2)
Insurance costs	(4,690.1)	(5,018.8)	(6,865.3)	(1,114.1)
Employee benefits	(3,417.6)	(3,797.4)	(4,600.6)	(746.6)
Purchases and changes in inventories	(2,391.8)	(2,720.3)	(2,824.0)	(458.3)
Commission and fee expense	(900.7)	(869.4)	(1,034.3)	(167.9)
Business tax and surcharges	(785.7)	(1,233.9)	(1,981.3)	(321.5)
Depreciation and amortization expenses	(449.1)	(443.8)	(456.4)	(74.1)
Other expenses	(2,266.5)	(2,560.2)	(2,872.6)	(466.2)
Impairment losses on assets	(4,601.0)	(6,153.3)	(5,438.0)	(882.5)
Total costs and expenses	**(23,200.1)**	**(30,600.9)**	**(42,033.6)**	**(6,821.4)**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our total costs and expenses increased by 37.4% to RMB42,033.6 million (US$(6,821.4) million) in 2014 as compared to RMB30,600.9 million in 2013, primarily due to increases in interest expense and business tax and sur-charges, partially offset by the decrease in impairment losses on assets.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our total costs and expenses increased by 31.9% to RMB30,600.9 million in 2013 as compared to RMB23,200.1 million in 2012, primarily due to increases in interest expense and impairment losses on assets.

Insurance Costs

The following table sets out, for the years indicated, the components of our insurance costs.

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Reserves for insurance contracts	(4,785.7)	(3,025.0)	(4,115.8)	(663.3)
Interest credited and policyholder dividends	(321.9)	(388.3)	(481.6)	(77.6)
Refund of reinsurance premium	2,212.0	1,210.8	3,374.4	543.9
Other insurance expenses[(1)]	(1,794.5)	(2,816.3)	(5,642.3)	(909.4)
Total	**(4,690.1)**	**(5,018.8)**	**(6,865.3)**	**(1,106.5)**

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

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our insurance costs increased by 36.8% to RMB6,865.3 million (US$1,106.5 million) in 2014 as compared to RMB5,018.8 million in 2013. This increase was primarily due to the benefit payments of Happy Life under the long-term life insurance contracts and increases in claims incurred and other expenses, which was in line with the increase of net insurance premiums earned.

Our refund of reinsurance premiums increased by 178.7% to RMB3,374.4 million (US$543.9 million) in 2014 as compared to RMB1,210.8 million in 2013, which was in line with the increase in premium ceded to reinsurers. The increase was primarily due to the increase in the premiums ceded to reinsurers by Happy Life in 2014.

Our other insurance expenses increased by 100.3% to RMB5,642.3 million (US$909.4 million) in 2014 as compared to RMB2,816.3 million in 2013, primarily due to the benefit payments of Happy Life under the long-term life insurance contracts and increases in claims incurred and other expenses in line with the increased insurance premiums in 2014.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our insurance costs increased by 7.0% to RMB5,018.8 million in 2013 as compared to RMB4,690.1 million in 2012, which was lower than the growth rate of net insurance premiums earned, reflecting the improved overall quality of the insurance business.

Our refund of reinsurance premiums decreased by 45.3% to RMB1,210.8 million in 2013 as compared to RMB2,212.0 million in 2012, which was in line with the decrease in premiums ceded to reinsurers. The decrease was primarily due to the decrease in the premiums ceded to reinsurers by Happy Life in 2013.

Our other insurance expenses increased by 57.0% to RMB2,816.3 million in 2013 as compared to RMB1,794.5 million in 2012, primarily due to increases in claims incurred and other expenses as a result of the increased insurance premiums of Cinda P&C.

Commission and Fee Expenses

The following table sets out, for the years indicated, the breakdown of our commission and fee expenses:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Insurance sales	(702.1)	(682.6)	(807.7)	(131.1)
Securities brokerage	(105.5)	(88.3)	(150.5)	(24.4)
Others	(93.1)	(98.5)	(76.1)	(12.3)
Total	**(900.7)**	**(869.4)**	**(1,034.3)**	**(167.9)**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our commission and fee expenses increased by 19.0% to RMB1,034.3 million (US$167.9 million) in 2014 as compared to RMB869.4 million in 2013, primarily due to the increases in commission and fees paid for insurance agency services by Happy Life and Cinda P&C and the increases in commission and fees paid for securities brokerage of Cinda Securities. Our commission and fee expenses paid for insurance agency services increased by 18.3% to RMB807.7 million (US$131.1 million) in 2014 as compared to RMB682.6 million in 2013.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our commission and fee expenses decreased by 3.5% to RMB869.4 million in 2013 as compared to RMB900.7 million in 2012, primarily due to the decreases in commission and fees paid for insurance agency services by Happy Life and Cinda P&C. Our commission and fee expenses paid for insurance agency services decreased by 2.8% to RMB682.6 million in 2013 as compared to RMB702.1 million in 2012.

Employee Benefits

The following table sets out the breakdown of our employee benefits for the years and periods indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Wages or salaries, bonuses, allowances and subsidies	(2,681.4)	(3,016.8)	(3,615.1)	(586.7)
Social insurance	(313.4)	(344.9)	(437.8)	(71.0)
Annuity Scheme	(28.4)	(30.0)	(63.5)	(10.3)
Housing funds	(146.4)	(159.0)	(168.6)	(27.4)
Labor union fees and staff education fees	(85.2)	(96.8)	(124.3)	(20.2)
Others	(162.8)	(149.9)	(191.3)	(31.0)
Total	**(3,417.6)**	**(3,797.4)**	**(4,600.6)**	**(746.6)**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our employee benefits increased by 21.2% to RMB4,600.6 million (US$746.6 million) in 2014 as compared to RMB3,797.4 million in 2013, primarily due to the increases in (1) the total number of employees and (2) wages or salaries, bonuses, allowances and subsidies as well as other costs for staff under the employee benefits. Wages or salaries, bonuses, allowances and subsidies increased by 19.8% from RMB3,016.8 million in 2013 to RMB3,615.1 million (US$586.7 million) in 2014.

Wages or salaries, bonuses, allowances and subsidies increased by 19.8% from RMB3,016.8 million in 2013 to RMB3,615.1 million (US$586.7 million) in 2014, primarily due to the increase in (i) wages or salaries and subsidies paid to employees; (ii) employee bonus as a result of the improved performance of our subsidiaries; and (iii) the total number of employees.

Social insurance increased by 26.9% to RMB437.8 million (US$71.0 million) in 2014 compared to RMB344.9 million in 2013, primarily due to an increase in payments and contributions we made for employees' social welfare benefits attributable to an increase in local benchmark salaries.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our employee benefits increased by 11.1% to RMB3,797.4 million in 2013 as compared to RMB3,417.6 million in 2012, primarily due to the increases in (i) the total number of employees, (ii) wages or salaries, bonuses, allowances and subsidies and (iii) other costs for staff under the employee benefits.

Wages or salaries, bonuses, allowances and subsidies increased by 12.5% from RMB2,681.4 million in 2012 to RMB3,016.8 million in 2013, primarily due to increases in (i) the total number of employees and (ii) the wages or salaries, bonuses, allowances and subsidies paid to employees.

Social insurance increased by 10.1% to RMB344.9 million in 2013 compared to RMB313.4 million in 2012, primarily due to an increase in payments and contributions we made for employees' social welfare benefits attributable to an increase in local benchmark salaries.

Business Tax and Surcharges

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our business tax and surcharges increased by 60.6% to RMB1,981.3 million (US$321.5 million) in 2014 compared to RMB1,233.9 million in 2013, primarily due to an increase in our income subject to business tax and surcharges, which is mainly attributable to the significant increase in the taxable income from distressed debt assets classified as receivable.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our business tax and surcharges increased by 57.0% to RMB1,233.9 million in 2013 compared to RMB785.7 million in 2012, primarily due to an increase in our income subject to business tax and surcharges.

Other Expenses

Our other expenses mainly include general administrative expenses, leasing expense for operations, litigation fees, attorney's fees, appraisal's fees, business promotion and other management fees.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our other expenses increased by 12.2% to RMB2,872.6 million (US$466.2 million) in 2014 compared to RMB2,560.3 million in 2013, primarily due to the overall growth of our business.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our other expenses increased by 13.0% to RMB2,560.3 million in 2013 compared to RMB2,266.5 million in 2012, primarily due to the overall growth of our business.

Impairment Losses on Assets

The following table sets out the principal components of our impairment losses on assets for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Distressed debt asset classified as receivables	(1,471.7)	(1,501.1)	(2,744.4)	(445.4)
Debt securities classified as receivables	(17.9)	2.3	(60.4)	(9.8)
Available-for-sale financial assets	(3,340.2)	(4,007.0)	(1,512.3)	(245.4)
Loans and advances to customers	(266.9)	(503.3)	(856.5)	(139.0)
Accounts receivable	835.4	(7.2)	(5.7)	(0.9)
Investment properties	(1.8)	—	—	—
Property and equipment	(13.2)	—	(17.3)	(2.8)
Others	(324.7)	(137.0)	(241.5)	(39.2)
Total	**(4,601.0)**	**(6,153.3)**	**(5,438.1)**	**(882.5)**

For equity investments classified as available-for-sale financial assets that have quoted market prices, objective evidences of impairment include, among others, significant (i.e. equal to or more than 50%) or prolonged (i.e. equal to or more than one year) decline in the value of the investments. When an equity investment is impaired, impairment loss is reclassified from equity to profit or loss. if an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured and therefore are measured at cost, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. Objective evidences of impairment include, among others, significant financial or operating difficulties of the investee companies and significant adverse changes in the technological, market, economic or legal environment in which the investee companies operate.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our impairment losses on assets decreased by 11.6% to RMB5,438.1 million (US$882.5 million) in 2014 as compared to RMB6,153.3 million in 2013, primarily due to the decrease in provision for impairment losses on available-for-sale financial assets.

Our impairment losses on available-for-sale financial assets significantly decreased by 62.3% to RMB1,512.3 million (US$245.4 million) in 2014 as compared to RMB4,007.0 million in 2013, primarily because the stock market performance of A shares in 2014 was better than that of 2013 and the stock prices of most listed DES Companies rose.

Our impairment losses on distressed debt assets classified as receivables increased by 82.8% to RMB2,744.4 million (US$445.4 million) in 2014 compared to RMB1,501.1 million in 2013, primarily due to the increase in the balance of distressed debt assets classified as receivables from RMB100,913.2 million in 2013 to RMB167,464.3 million (US$26,990.3 million) in 2014. Allowance for impairment losses which is collectively assessed was increased accordingly.

Our impairment losses on loans and advances to customer increased by 70.2% to RMB856.5 million (US$139.0 million) in 2014 from RMB503.3 million in 2013, primarily attributable to (i) the increase in collectively-provisioned impairment losses on our total loans and advances to customers, which increased from RMB48,636.4 million as of December 31, 2013 to RMB80,224.7 million (US$13,019.3 million) as of December 31, 2014; and (ii) the increase in individually-provisioned impairment losses from RMB172.4 million as of December 31, 2013 to RMB266.9 million (US$43.3 million) as of December 31, 2014 on finance lease receivables of Cinda Leasing and loans and advances disbursed by Cinda Investment.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our impairment losses on assets increased by 33.7% to RMB6,153.3 million in 2013 as compared to RMB4,601.0 million in 2012, primarily due to the increases in provision for impairment losses on available-for-sale financial assets and loans and advances to customers.

Our impairment losses on available-for-sale financial assets significantly increased by 20.0% to RMB4,007.0 million in 2013 as compared to RMB3,340.2 million in 2012, primarily due to provisions for impairment losses we made on the listed DES Companies resulting from the onging downturn in the domestic A share market, including a provision of RMB3,037.9 million made in connection with Chalco and others. In consideration of the quoted market price of Chalco as of December 31, 2013, we believe the impairment loss provision recognized for our investment in Chalco for the year ended December 31, 2013 is adequate and therefore no further impairment provision needs to be recognized.

Our impairment losses on distressed debt assets classified as receivables increased by 2.0% to RMB1,501.1 million in 2013 compared to RMB1,471.7 million in 2012, partially reflecting the increase in our distressed debt assets classified as receivables. In addition, we adopted prudent policies in connection with making provisions for impairment losses. Our risk management department categorizes the financial assets classified as receivables into “normal,” “special mention,” “alert,” “risky” and “loss” according to the debtors’ capability and willingness of repayment, our risk exposures of assets and our risk protection measures and based on the overdue period and expected loss ratios of such assets. We will carry out impairment tests on an individual or portfolio basis, depending on the risk classification. We will make allowance for impairment losses and recognize impairment losses based on the reviewed and approved impairment test results. We will perform portfolio impairment tests on financial assets classified as receivables categorized as “normal” and “special mention,” and perform individual impairment tests on financial assets classified as receivables categorized as ”alert,” “risky” and “loss.” We will recognize the differences between the carrying balance and the present value calculated as impairment losses based on the projected future cash flows test. The coverage ratio of distressed debt assets classified as receivable was 266.7% for the year ended December 31, 2014.

Our impairment losses on loans and advances to clients increased by 88.6% to RMB503.3 million in 2013 from RMB266.9 million in 2012, primarily attributable to the increase in provision for impairment losses on entrusted loans and advances to customers made by our Group in accordance with its effort to strengthen its tolerance to risks.

Interest Expense

The following table sets out the principal components of our interest expense for the years indicated:

	For the year ended December 31,			
	2012	**2013**	**2014**	
	RMB	**RMB**	**RMB**	**US$**
	(in millions)			
Borrowings from central bank wholly repayable within five years	(196.8)	(115.7)	(32.5)	(5.3)
Accounts payable to brokerage clients	(26.2)	(20.4)	(26.6)	(4.3)
Financial assets sold under repurchase agreements	(326.9)	(396.3)	(305.7)	(49.6)
Borrowings				
wholly repayable within five years	(2,137.4)	(6,004.4)	(13,430.2)	(2,179.5)
not wholly repayable within five years	(65.3)	(44.0)	(25.8)	(4.2)
Amount due to the MOF	(810.5)	(591.5)	(375.8)	(61.0)
Bonds issued	(114.0)	(585.3)	(1,489.0)	(241.6)
Others	(20.5)	(46.1)	(275.5)	(44.7)
Total	**(3,697.6)**	**(7,803.8)**	**(15,961.1)**	**(2,590.2)**

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our interest expense increased by 104.5% to RMB15,961.1million (US$2,590.2 million) in 2014 as compared to RMB7,803.8 million in 2013, primarily due to the increases in interest expense on the borrowings and bonds issued to support the fast growth of our core businesses.

Our interest expense from borrowings increased by 122.5% to RMB13,456.0 million (US$2,183.7 million) in 2014 as compared to RMB6,048.4 million in 2013, primarily due to (i) an increase in the borrowings from banks and other financial institutions to support the growing acquisitions of distressed assets classified as receivables; and (ii) an increase in borrowings by Cinda Leasing and Cinda Investment to support the growth of their businesses. The interest expense on bonds issued increased by 154.4% to RMB1,489.0 million (US$241.6 million) in 2014 as compared to RMB585.3 million in 2013, primarily due to (i) the financial bonds of RMB10 billion and RMB20 billion issued in October 2012 and May 2014 by the Company, respectively; and (ii) 5-year and 10-year fixed rate Guaranteed Senior Notes with principal of US$1,000 million and US$500 million issued by a wholly-owned subsidiary of Cinda HK in May 2014.

Our interest expense on financial assets sold under repurchase agreements decreased by 22.9% to RMB305.7 million (US$49.6 million) in 2014 compared to RMB396.3 million in 2013, primarily due to the decreased volume of repurchase transactions, reflecting reduced demand from the commercial banks, our primary counterparties, for repurchase transactions as affected by recently changed regulatory regime.

Our interest expense on the amount due to the MOF was RMB375.8 million (US$61.0 million) in 2014 and RMB591.5 million for in 2013, which was the interest expense in connection with the consideration payable to the MOF for the acquisition of distressed assets by us before 2010. Such consideration shall be paid to the MOF by installments of RMB9,713.5 million each year within five years from 2011. In February 2012, the MOF approved extension of our payment of the first installment of RMB9,713.5 million to the end of 2014. The deferred payment bears an interest rate of 2.25% per annum.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our interest expense increased by 111.1% to RMB7,803.8 million in 2013 as compared to RMB3,697.6 million in 2012, primarily due to the increases in interest expense on the borrowings and bonds issued to support the fast growth of our core businesses.

Our interest expense from borrowings increased by 174.6% to RMB6,048.4 million in 2013 as compared to RMB2,202.7 million in 2012, primarily due to (i) an increase in the borrowings from banks and other financial institutions to support the growing acquisitions of distressed assets classified as receivables; and (ii) an increase in borrowings by Cinda Leasing, Cinda HK, Cinda Securities and Cinda Investment to support the growth of their businesses.

Our interest expense on financial assets sold under repurchase agreements increased by 21.2% to RMB396.3 million in 2013 compared to RMB326.9 million in 2012, primarily due to the increased volume of repurchase transactions conducted by Cinda Securities based on its investment strategies and Cinda Leasing based on its funding needs.

Our interest expense on the amount due to the MOF was RMB591.5 million in 2013 and RMB810.5 million for in 2012, which was the interest expense in connection with the consideration payable to the MOF for the acquisition of distressed assets by us before 2010. Such consideration shall be paid to the MOF by installments of RMB9,713.5 million each year within five years from 2011. In February 2012, the MOF approved extension of our payment of the first installment of RMB9,713.5 million to the end of 2014. The deferred payment bears an interest rate of 2.25% per annum.

Profit Before Tax

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

As a result of the foregoing, our profit before tax increased by 38.5% to RMB16,306.7 million (US$2,646.3 million) in 2014 compared to RMB11,772.1 million in 2013.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

As a result of the foregoing, our profit before tax increased by 22.7% to RMB11,772.1 million in 2013 compared to RMB9,595.9 million in 2012.

Income Tax Expense

The following table sets out our income tax expense for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Profit before tax	9,595.9	11,772.1	16,306.7	2,646.3
Income tax expense	(2,378.7)	(2,671.1)	(4,164.0)	(675.8)
Effective tax rate	24.8%	22.7%	25.5%	25.5%

According to the Enterprise Income Tax Law of PRC, effective on January 1, 2008, our Company and most of our subsidiaries incorporated in the PRC are subject to the enterprise income tax rate of 25%. Our subsidiaries in Shenzhen were subject to preferential tax rates of 25%, 25% and 25.5%, respectively, for the years ended December 31, 2012, 2013 and 2014. A subsidiary of our Company in the Western Region in the PRC was subject to a preferential tax rates of 15% for the years ended December 31, 2012, 2013 and 2014. Our subsidiaries in Hong Kong were subject to a tax rate of 16.5% for the years ended December 31, 2012, 2013 and 2014.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our income tax expense increased by 55.9% to RMB4,164.0 million (US$675.8 million) in 2014 as compared to RMB2,671.1 million in 2013, primarily due to an increase in the taxable income. Our effective tax rate was 22.7% and 25.5% in 2013 and 2014, respectively.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our income tax expense increased by 12.3% to RMB2,671.1 million in 2013 as compared to RMB2,378.7 million in 2012, primarily due to an increase in the taxable income. Our effective tax rate was 24.8% and 22.7% in 2012 and 2013, respectively.

SEGMENT RESULTS OF OPERATIONS

Each of our business segments is subject to different risks and returns. We report our financial results in three segments: (i) distressed asset management, operated by our Company, which mainly includes distressed debt asset management and DES asset management, and the custody, liquidation and restructuring services for Distressed Entities; (ii) financial investment and asset management, which primarily includes, among other things, our principal investment, real estate business, private equity funds and (iii) financial services, primarily operated through our subsidiaries, which mainly include securities and futures, trust, financial leasing, fund management and insurance. The tables in this section set forth certain information with respect to segment results of operations. For more information, see our consolidated financial statements included elsewhere in this offering memorandum.

The table below sets out the total income and profit before tax of each of our business segments for the years indicated:

	For the year ended December 31,														
	2012				2013				2014						
	Total income	% of total	Profit before tax	% of total	Total income	% of total	Profit before tax	% of total	Total income		% of total	Profit before tax		% of total
	RMB		RMB		RMB		RMB		RMB	US$		RMB	US$	
	(in millions, except percentages)													
Distressed asset management	14,392.0	44.5	6,234.0	65.0	21,849.8	51.5	8,314.3	70.6	31,495.1	5,111.2	52.7	11,496.4	1,865.7	70.5
Financial investment and asset management	7,911.3	24.5	3,284.6	34.2	8,976.8	21.2	3,011.7	25.6	12,166.9	1,974.5	20.3	3,515.2	570.5	21.6
Financial services	10,552.6	32.6	164.3	1.7	12,133.9	28.6	514.9	4.4	17,534.0	2,845.5	29.3	1,856.6	301.3	11.4
Elimination	(520.7)	(1.6)	(87.0)	(0.9)	(547.3)	(1.3)	(68.8)	(0.6)	(1,405.9)	(228.2)	(2.3)	(561.5)	(91.1)	(3.4)
Total	**32,335.2**	**100.0**	**9,595.9**	**100.0**	**42,413.2**	**100.0**	**11,772.1**	**100.0**	**59,790.1**	**9,703.0**	**100.0**	**16,306.7**	**2,646.4**	**100.0**

The table below sets out the profit margin for each of our business segments for the years indicated. The profit margin of each segment is based on profit before tax of each segment (before inter-segment eliminations) divided by total income of each segment (before inter-segment eliminations):

	For the year ended December 31,		
	2012	2013	2014
Distressed asset management	43.4%	38.1%	36.5%
Financial investment and asset management	41.5%	33.5%	28.9%
Financial services			
Cinda Securities and others[1]	16.1%	21.6%	30.8%
Jingu Trust	72.5%	34.9%	16.0%
Cinda Leasing	27.9%	27.2%	30.1%
First State Cinda Fund	1.2%	9.0%	14.5%
Cinda P&C	(21.2%)	0.1%	0.7%
Happy Life	(16.6%)	(19.3%)	(5.4%)

(1) Includes Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Cinda HK held a 63% interest as of December 31, 2014.

The table below sets out the total assets and net assets for each of our business segments for the years indicated:

	For the year ended December 31,													
	2012				2013				2014					
	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets		% of total	Net assets		% of total
	RMB		RMB		RMB		RMB		RMB	US$		RMB	US$	
	(in millions, except percentages)													
Distressed asset management	140,327.7	55.1	24,777.8	40.7	228,603.9	59.6	39,237.0	47.4	320,973.5	51,731.5	59.0	51,619.7	8,319.6	50.7
Financial investment and asset management	49,026.6	19.3	21,661.7	35.6	72,776.4	19.0	28,998.2	35.0	110,860.2	17,867.4	20.3	31,312.0	5,046.6	30.7
Financial services	69,352.1	27.2	13,801.9	22.7	86,248.2	22.5	14,555.1	17.6	123,560.4	19,914.3	22.7	22,084.6	3,559.4	21.7
Elimination	(4,092.0)	(1.6)	643.4	1.0	(3,843.1)	(1.1)	(28.2)	(0.0)	(10,966.7)	(1,767.5)	(2.0)	(3,153.0)	(508.2)	(3.1)
Total	**254,614.4**	**100.0**	**60,884.8**	**100.0**	**383,785.4**	**100.0**	**82,762.1**	**100.0**	**544,427.4**	**87,745.8**	**100.0**	**101,863.3**	**16,417.4**	**100.0**

The table below sets out the ratios of return on average net assets before tax[(1)] for each of our business segments for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
Distressed asset management	31.4%	26.0%	25.3%
Financial investment and asset management	16.8%	11.9%	11.7%
Financial services			
Cinda Securities and others[(2)]	4.7%	7.4%	18.1%
Jingu Trust	38.9%	13.3%	3.7%
Cinda Leasing	21.1%	18.4%	19.4%
First State Cinda Fund	0.6%	8.1%	12.8%
Cinda P&C	—	0.1%	0.8%
Happy Life	—	—	—

(1) Represents ratios of return on average net assets before tax (profit before tax/balance of the average of beginning and ending balance of the net assets) for 2012, 2013 and 2014.

(2) Includes Cinda Futures and Cinda International. Cinda international is a listed subsidiary in which Cinda HK held a 63% interest as of December 31, 2014.

The decrease in the profit margin of distressed asset management was mainly because the Company has made significant impairment provisions for listed DES Assets, especially Chalco, due to the adverse change in the stock market since 2012.

The profitability of Cinda Securities increased from 2012 to 2013, primarily due to (i) the recovery of the stock market in China driven by the strong performance of the growth enterprises market, and (ii) the expansion of the business scale of Cinda Securities along with the launch of certain new businesses such as margin financing and securities lending. Cinda Securities has remained profitable since its establishment. The profitability of Cinda Securities increased from 2013 to 2014.

The profitability of Jingu Trust significantly decreased from 2012 to 2013, which was mainly due to (i) the decrease in the outstanding trust AUM from RMB101.8 billion as of December 31, 2012 to RMB93.8 billion (US$15.5 billion) as of December 31, 2013, and (ii) our provision for impairment losses on certain trust assets of approximately RMB360.0 million (US$59.5 million) in 2013. Its profitability significantly decreased from 2013 to 2014, which was mainly due to the decrease in the outstanding trust AUM from RMB93.8 billion as of December 31, 2013 to RMB88.5 billion as of December 31, 2014.

The profitability of First State Cinda Fund was closely correlated with the performance of the stock market in China. The adverse conditions of the stock market led to decreases in the profits, AUM, revenue, investment returns and profitability of the mutual fund industry. However, First State Cinda Fund has remained profitable since its establishment.

Cinda P&C was established at the end of August 2009. During the initial period following its establishment, it incurred relatively high costs investing in branch outlets, labor force and institutional network, and the growth of premium income was not able to effectively cover capital expenditures. Cinda P&C became profitable since the second quarter of 2013, which was in line with the normal development pattern of P&C insurance companies.

As to Happy Life, (i) its performance was in line with that of the overall insurance industry, and its profitability was affected by low investment yields; (ii) its expansion in recent years resulted in an increase in fixed costs while the growth of premiums was limited due to competition in the industry, and (iii) it is still in the loss-making phase due to the relatively long development phase of life insurance company before becoming profitable. In the future, the company plans to enhance the productivity of premium generation, investment yields and cost controls in order to make Happy Life profitable as soon as possible.

Distressed asset management is our core business and one of our principal income contributors. In 2012, 2013 and 2014, the income generated from distressed asset management accounted for 44.5%, 51.5% and 52.7% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 65.0%, 70.6% and 70.5% of our total profit before tax, respectively. As of December 31, 2012, 2013 and 2014, the total assets of our distressed asset management accounted for 55.1%, 59.6% and 59.0% of our total assets and the net assets of our distressed asset management accounted for 40.7%, 47.4% and 50.7%, of our total net assets, respectively. Our distressed asset management business remained largely stable for the three years ended December 31, 2014. Since we commenced acquisitions of distressed debt assets from non-financial enterprises in 2011, the total income and profitability from our distressed asset management segment have achieved substantial growth. However, we made significant impairment provision for our equity investment in Chalco in 2012 and 2013, a DES Company which had an impact on the growth in the net profit, profit margin before tax and ratios of return on average net assets before tax of this segment, and a large proportion of which was disposed of in 2014.

In recent years, profit contribution from our financial investment and asset management services continued to be significant and accounted for 34.2%, 25.6% and 21.6% of our total profit before tax in 2012, 2013 and 2014, respectively. Profit margin of the segment decreased from 41.5% in 2012 to 33.5% in 2013 and further decreased to 28.9% in 2014. In 2013 and 2014, our ratio of return on average net assets before tax was 11.9% and 11.7%, respectively, as compared to 16.8% in 2012.

As a key structuring component of our diversified business platform and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The segment accounted for 27.2%, 22.5% and 22.7% of our total assets as of December 31, 2012, 2013 and 2014, respectively. In 2012, our capital injections into Happy Life, Cinda P&C and Cinda Leasing were RMB338.0 million, RMB1,326.0 million and RMB1,000.0 million, respectively. In 2013, our capital injections into Happy Life and Jingu Trust were RMB884.7 million and RMB922.9 miillion, respectively. In 2014, our capital injection to Happy Life was RMB1,325.9 million. We made such capital injections to support the business growth of these operating subsidiaries. Our insurance business was still at loss for the three years ended December 31, 2014, which we believe is in line with the development pattern of an insurance business at the early development stage. The financial leasing and securities businesses achieved growth and profitability for the three years ended December 31, 2014. Our financial services businesses are at different stages.

Distressed Asset Management

The following table sets out selected income statements data for our distressed asset management segment for the years indicated before inter-segment eliminations:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	% change	RMB	% change	RMB	US$
	(in millions, except percentages)					
Income from distressed debt assets classified as receivables	3,518.4	188.3	10,144.2	79.5	18,242.8	2,960.5
Fair value changes on distressed debt assets	3,982.9	17.2	4,668.3	(10.9)	4,157.2	674.6
Fair value changes on other financial assets	16.4	(26.8)	12.0	(100.0)	—	—
Investment income	5,108.1	2.7	5,247.5	25.5	6,583.2	1,068.4
Interest income	447.3	182.0	1,261.2	18.3	1,492.6	242.2
Commission and fee income	87.8	66.4	146.1	78.6	261.0	42.4
Net gain on disposal of subsidiaries and associates	983.2	—	—	—	—	—
Other income and other net gains or losses	247.9	49.5	370.5	104.7	758.3	123.1
Total income	**14,392.0**	**51.8**	**21,849.8**	**44.1**	**31,495.1**	**5,111.2**
Interest expense	(2,703.5)	129.9	(6,214.9)	112.2	(13,185.1)	(2,139.7)
Employee benefits	(815.5)	27.4	(1,039.3)	16.8	(1,213.2)	(196.9)
Commission and fee expense	—	—	—	—	(1.4)	(0.2)
Business tax and surcharges	(89.4)	269.4	(330.2)	147.6	(817.7)	(132.7)
Depreciation and amortization expenses	(70.3)	(13.7)	(60.7)	20.8	(73.3)	(11.8)
Other expenses	(692.1)	14.0	(789.3)	1.2	(797.1)	(129.3)
Impairment losses on assets	(4,013.8)	28.5	(5,156.0)	(23.0)	(3,977.3)	(645.5)
Total costs and expenses	**(8,384.6)**	**62.1**	**(13,590.4)**	**47.6**	**(20,065.1)**	**(3,256.3)**
Profit before share of profit or loss of associates and tax	6,007.4	37.5	8,259.4	38.5	11,430.0	1,854.9
Share of results of associates	226.6	(75.8)	54.9	20.9	66.4	10.8
Profit before tax	**6,234.0**	**33.4**	**8,314.3**	**38.4**	**11,496.4**	**1,865.7**

Total income from our distressed asset management segment has been the largest component of our total income. For the years ended December 31, 2012, 2013 and 2014, the total income from this segment before inter-segment eliminations increased from RMB14,392.0 million in 2012, to RMB21,849.8 million in 2013 and further increased to RMB31,495.2 million (US$5,076.1 million) in 2014, representing 44.5%, 51.5% and 52.7% of our total income in 2012, 2013 and 2014, respectively. For the years ended December 31, 2012, 2013 and the 2014, the profit before tax from this segment before inter-segment eliminations increased from RMB6,234.0 million in 2012 to RMB8,314.3 million in 2013 and further increased to RMB11,496.4 million (US$1,852.9 million) in 2014, representing 65.0%, 70.6% and 70.5% of our total profit before tax in 2012, 2013 and 2014, respectively.

Our total income primarily consists of (i) investment income, including net gains generated from disposal of, and dividend income from, our equity interests in DES Companies; (ii) fair value changes on distressed debt assets; and (iii) income from distressed debt assets classified as receivables. Total costs and expenses of this segment primarily consist of impairment losses on assets, interest expense, employee benefits and other expenses.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Profit before tax for our distressed asset management segment increased by 38.3% to RMB11,496.4 million(US$1,865.7 million) in 2014 compared to RMB8,314.3 million in 2013, primarily due to (i) the increase in our income from distressed debt assets classified as receivables by 79.8% from RMB10,144.2 million as of December 31, 2013 to RMB18,242.8 million (US$2,960.5 million) as of December 31, 2014 and (ii) the decrease in impairment losses on assets by 22.9% from RMB5,156.1 million as of December 31, 2013 to RMB3,977.3 million (US$645.5 million) as of December 31, 2014.

Total income from our distressed asset management segment increased by 44.1% to RMB31,495.1 million (US$5,111.2 million) in 2014 compared to RMB21,849.8 million in 2013, primarily due to the increases in income from distressed debt assets classified as receivables as a result of continued development of our Restructuring Model business.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Profit before tax for our distressed asset management segment increased by 33.4% to RMB8,314.3 million in 2013 compared to RMB6,234.0 million in 2012, primarily due to the increases in our income from distressed debt assets classified as receivables and fair value changes on distressed debt assets by 188.3% and 17.2% from RMB3,518.4 million and RMB3,982.9 million in 2012 to RMB10,144.2 million and RMB4,668.3 million in 2013, respectively, which were partially offset by the increase in impairment losses on assets.

Total income from our distressed asset management segment increased by 51.8% to RMB21,849.8 million in 2013 compared to RMB14,392.0 million in 2012, primarily due to the increases in income from distressed debt assets classified as receivables and fair value changes on distressed debt assets. The increase in income from distressed debt assets classified as receivables was primarily due to the increase in dividend income from DES Assets. The increase in fair value changes on distressed debt assets was primarily due to an increase in the realized fair value changes on distressed debt assets, which represents the net gains on disposal of such assets, by 20.6% from RMB3,580.7 million in 2012 to RMB4,317.4 million in 2013. The increase in net gains from disposal of such assets was primarily attributable to an increase in disposal of distressed debt assets by 29.3% from RMB3,208.9 million in 2012 to RMB4,148.2 million in 2013.

Financial Investment and Asset Management

The following table sets forth selected income statements data for our financial investment and asset management segment for the years indicated before inter-segment eliminations:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	% change	RMB	% change	RMB	US$
	(in millions, except percentages)					
Fair value changes on other financial assets	(10.9)	819.3	78.4	159.2	203.2	33.0
Investment income	407.4	89.0	769.8	63.2	1,256.5	203.9
Interest income	297.4	402.5	1,494.3	157.7	3,850.2	624.8
Revenue from sales of properties held for sale	3,924.1	10.1	4,321.9	0.4	4,340.5	704.4
Commission and fee income	318.9	(94.4)	17.8	1,275.8	244.9	39.7
Net gain on disposal of subsidiaries and associates	1,602.1	(87.5)	200.5	219.0	639.6	103.8
Other income and other net gains or losses	1,372.3	52.6	2,094.1	(22.1)	1,632.0	264.8
Total Income	**7,911.3**	**13.5**	**8,976.8**	**35.5**	**12,166.9**	**1,974.5**
Interest expense	(358.7)	24.1	(445.2)	184.2	(1,265.2)	(205.3)
Employee benefits	(573.4)	(14.5)	(490.3)	24.2	(608.9)	(98.8)
Purchases and changes in inventories	(2,391.8)	13.7	(2,720.3)	3.8	(2,824.0)	(458.3)
Commission and fee expense	(23.1)	32.0	(30.5)	(60.0)	(12.2)	(2.0)
Business tax and surcharges	(381.8)	30.3	(497.5)	28.3	(638.1)	(103.6)
Depreciation and amortization expenses	(227.0)	3.9	(235.8)	(4.1)	(226.1)	(36.7)
Other expenses	(766.0)	18.2	(905.3)	29.8	(1,175.1)	(190.7)
Impairment losses on assets	(139.1)	279.8	(528.3)	37.7	(727.4)	(118.0)
Total costs and expenses	**(4,860.9)**	**20.4**	**(5,853.2)**	**27.7**	**(7,477.0)**	**(1,213.4)**
Change in net assets attributable to other holders of consolidated structured entities[(1)]	(151.5)	256.8	(540.5)	187.3	(1,552.9)	(252.0)
Profit before share of profit or loss of associates and tax	2,898.9	(10.9)	2,583.1	21.4	3,137.0	509.1
Share of results of associates	385.7	11.1	428.6	(11.8)	378.2	61.4
Profit before tax	**3,284.6**	**(8.3)**	**3,011.7**	**16.7**	**3,515.2**	**570.5**

(1) Pursuant to IFRS 10, we had consolidated certain structured entities we control, including private equity funds, trusts and wealth management products. Since we do not hold 100% beneficial interests in those structured entities, profit or loss attributable to other holders of these consolidated structured entities is presented as "change in net assets attributable to other holders of consolidated structured entities." The increasing negative amounts of "Change in net assets attributable to other holders of consolidated structured entities" throughout the relevant periods was mainly due to the increase in the number of structured entities being consolidated by us.

For the years ended December 31, 2012, 2013 and 2014, the total income from our financial investment and asset management segment before inter-segment eliminations increased from RMB7,911.3 million in 2012 to RMB8,976.8 million and further increased to RMB12,166.9 million (US$1,974.5 million), representing 24.5%, 21.2% and 20.3% of our total income in 2012, 2013 and 2014, respectively. For the years ended December 31, 2012, 2013 and 2014, the profit before tax for our financial investment and asset management segment before inter-segment eliminations slightly decreased from RMB3,284.6 million in 2012 to RMB3,011.7 million in 2013 and further increased to RMB3,515.2 million (US$570.5 million), representing 34.2%, 25.6% and 22.6% of our total profit before tax in 2012, 2013 and 2014, respectively, while the profit margin before tax was 41.5%, 33.5% and 28.9%, respectively. As of December 31, 2012, 2013 and 2014, the total assets of our financial investment and asset management segment before inter-segment eliminations increased from RMB49,026.6 million in 2012 to RMB72,776.4 million in 2013 and further increased to RMB110,860.2 million (US$17,867.4 million), representing 19.3%, 19.0% and 20.3% of our total assets in 2012, 2013 and 2014, respectively.

Total income from this segment consists primarily of revenue from sales of inventories and investment income. Total costs and expenses of this segment primarily consist of purchases and changes in inventories, employee benefits, interest expense and other business expenses.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our total income of our financial investment and asset management segment increased from RMB8,976.8 million in 2013 to RMB12,166.9 million (US$1,974.5 million) in 2014, primarily due to the increase in principal investment by our Company and Cinda Investment, and the growth of the entrusted loan business of Cinda HK and Cinda Investment.

Total costs and expenses of our financial investment and asset management segment increased by 27.7% to RMB7,477.0 million (US$1,213.4 million) in 2014 compared to RMB5,853.2 million in 2013, primarily due to a significant increase in interest expense by 184.2% from RMB445.2 million as of December 31, 2013 to RMB1,265.2 million (US$205.3 million) as of December 31, 2014 as a result of the increases in our direct investment in private equity funds, as well as the increases in purchases and changes in inventories, business tax and surcharges and employee benefits, which were in line with our business growth.

Profit before tax for our financial investment and asset management segment increased by 16.7% to RMB3,515.2 million (US$570.5 million) in 2014 compared to RMB3,011.7 million in 2013, primarily as a result of the foregoing.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our total income of our financial investment and asset management segment increased from RMB7,911.3 million in 2012 to RMB8,976.8 million in 2013, primarily due to the increase in interest income attributable to the increase in our direct investment in private equity funds, the growth of the entrusted loan business of Cinda HK, Cinda Investment, Zhongrun Development, as well as the increase in other income and other net gains attributable to the sale of certain investment properties.

Total costs and expenses of our financial investment and asset management segment increased by 20.4% to RMB5,853.2 million in 2013 compared to RMB4,860.9 million in 2012, primarily due to the increases in our direct investment in private equity funds, purchases and changes in inventories, interest expense on the bonds issued by Cinda HK and impairment losses on loans and advances to clients.

Profit before tax for our financial investment and asset management segment decreased by 8.3% to RMB3,011.7 million in 2013 compared to RMB3,284.6 million in 2012, primarily as a result of the foregoing as well as due to the increase in negative amounts of change in net assets attributable to other holders of consolidated structured entities from RMB151.5 million in 2012 to RMB540.5 million in 2013, mainly due to the increase in the number of structured entities being consolidated by us.

Financial Services

The following table sets forth selected income statements data for our financial services segment for the years indicated before inter-segment eliminations:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	% change	RMB	% change	RMB	US$
	(in millions, except percentages)					
Fair value changes on other financial assets	399.2	12.4	448.6	340.8	1,977.3	320.9
Investment income	1,017.0	1.2	1,028.9	54.3	1,588.1	257.7
Net insurance premiums earned	5,340.2	8.3	5,782.2	28.8	7,446.5	1,208.5
Interest income	1,841.6	29.2	2,379.7	54.8	3,683.0	597.7
Commission and fee income	1,900.8	33.5	2,538.4	12.1	2,844.5	461.6
Net gains on disposal of subsidiaries and associates	—	—	—	—	3.3	0.5
Other income and other net gains or losses	53.8	(181.6)	(43.9)	(92.5)	(8.7)	(1.4)
Total Income	**10,552.6**	**15.0**	**12,133.9**	**44.5**	**17,534.0**	**2,845.5**
Interest expense	(785.7)	62.0	(1,272.9)	52.9	(1,946.5)	(315.9)
Insurance costs	(4,690.1)	7.0	(5,018.8)	36.8	(6,865.3)	(1,114.1)
Employee benefits	(2,028.7)	12.1	(2,274.9)	22.2	(2,780.8)	(451.3)
Commission and fee expense	(877.7)	(3.4)	(848.1)	20.4	(1,020.7)	(165.6)
Business tax and surcharges	(314.5)	29.2	(406.2)	29.3	(525.4)	(85.3)
Depreciation and amortization expenses	(153.3)	(3.8)	(147.5)	6.4	(157.0)	(25.5)
Other expenses	(1,090.3)	9.9	(1,198.7)	9.0	(1,307.0)	(212.1)
Impairment losses on assets	(448.0)	4.6	(468.8)	56.4	(733.3)	(119.0)
Total costs and expenses	**(10,388.3)**	**12.0**	**(11,635.9)**	**31.8**	**(15,336.0)**	**(2,488.8)**
Changes in net assets attributable to other holders of consolidated structure entities	—	—	—	—	(357.0)	(57.9)
Profit before share of results of associates and tax	164.3	203.1	498.0	269.7	1,841.0	298.8
Share of results of associates	—	16.9	16.9	(7.7)	15.6	2.5
Profit before tax	**164.3**	**203.1**	**514.9**	**260.6**	**1,856.6**	**301.3**

For the years ended December 31, 2012, 2013 and 2014, the total income from our financial services segment before inter-segment eliminations increased from RMB10,552.6 million in 2012 to RMB12,133.9 million in 2013 and further increased to RMB17,534.0 million (US$2,845.5 million) in 2014, representing 32.6%, 28.6% and 29.3% of our total income in 2012, 2013 and 2014, respectively. In 2012, 2013 and 2014, the profit(/loss) before tax for our financial services segment before inter-segment eliminations was RMB164.3 million, RMB514.9 million and RMB1,856.6 million (US$301.3 million), respectively, representing 1.7%, 4.4% and 11.4% of our total profit before tax, respectively.

Total income from this segment consists primarily of net insurance premiums earned, commission and fee income, interest income and investment income. Total costs and expenses of this segment primarily consist of insurance costs, employee benefits, commission and fee expense and other expenses.

The following table sets forth key data of each financial service business entity during the relevant periods:

	As of December 31,											
	2012			2013			2014					
	Total income	Total costs and expenses	Profit before tax	Total income	Total costs and expenses	Profit before tax	Total income		Total costs and expenses		Profit before tax	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$	RMB	US$
	(in millions)											
Securities and Futures[(1)]	1,691.2	(1,418.3)	272.9	2,083.5	(1,650.9)	449.5	3,981.3	646.1	(2,416.8)	(392.2)	1,226.4	199.0
Jingu Trust	946.2	(260.6)	685.6	1,003.6	(653.2)	350.4	761.6	123.6	(609.9)	(99.0)	151.7	24.6
Cinda Leasing	1,317.2	(950.0)	367.2	1,760.0	(1,281.4)	478.6	2,651.2	430.2	(1,852.4)	(300.6)	798.8	129.6
First State Cinda Fund	93.0	(91.9)	1.1	170.2	(154.9)	15.3	185.4	30.1	(158.6)	(25.7)	26.8	4.3
Cinda P&C	1,754.5	(2,125.9)	(371.4)	3,072.3	(3,069.4)	2.9	3,580.6	587.0	(3,559.2)	(577.6)	21.4	3.5
Happy Life	4,762.4	(5,553.5)	(791.1)	4,053.0	(4,833.4)	(780.4)	6,320.1	1,025.7	(6,713.2)	(1,089.5)	(393.1)	(63.8)

(1) Includes Cinda Securities, Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Cinda HK held a 63% interest as of December 31, 2014.

The following table sets forth key asset and liabilities data of each financial service business entity as of the dates indicated:

	As of December 31,											
	2012			2013			2014					
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets	Total assets		Total liabilities		Net assets	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$	RMB	US$
	(in millions)											
Securities and Futures[(1)]	14,838.4	8,943.2	5,895.2	17,648.5	11,381.5	6,267.0	34,868.4	5,619.8	27,305.10	4,400.8	7,563.4	1,219.0
Jingu Trust	2,386.2	362.6	2,023.6	3,516.6	283.1	3,233.5	3,616.0	582.8	313.4	50.5	3,302.6	532.3
Cinda Leasing	20,236.2	17,841.7	2,394.5	30,759.6	27,949.90	2,809.7	40,212.9	6,481.1	34,767.0	5,603.4	5,445.9	877.7
First State Cinda Fund	193.6	9.5	184.1	255.0	61.6	193.4	302.8	48.8	75.3	12.1	227.5	36.7
Cinda P&C	5,358.6	2.532.3	2,826.3	6,052.9	3,417.90	2,635.0	6,997.5	1,127.8	4,133.5	666.2	2,864.0	461.6
Happy Life	26,339.1	25,860.9	478.2	29,811.2	28,599.00	1,212.2	38,397.5	6,188.6	34,634.4	5,582.1	3,763.1	606.5

(1) Includes Cinda Securities, Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Cinda HK held a 63% interest as of December 31, 2014.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Profit before tax of our financial services segment increased by 260.6% to RMB1,856.6 million (US$301.3 million) in 2014 compared to RMB514.9 million in 2013, primarily attributable to an increase in our total income by 44.5% from RMB12,133.9 million in 2013 to RMB17,534.0 million (US$2,845.5 million) in 2014 as a result of increases in net insurance premiums earned, commission and fee income and interest income.

The increase in total income of our financial services segment was primarily due to the increases in interest income, net insurance premiums earned as well as commission and fee income. The increase in interest income was primarily due to an increase in interest income on financial lease receivables of Cinda Leasing as a result of its business growth. The increase in commission and fee income primarily reflected increases in securities and futures commissions, debt securities underwriting and sponsoring fees generated by Cinda Securities. The increase in our net insurance premiums earned was primarily attributable to the business growth of Cinda P&C and Happy Life, which was partially offset by a decrease in fee and commission income generated from our trust business.

The increase in total income of our financial services segment contributed by each financial subsidiary primarily reflected (i) a 91.1% increase in total income of the securities and futures business from RMB2,083.5 million in 2013 to RMB3,981.3 million (US$646.1 million) in 2014, (ii) a 55.9% increase in total income of Happy Life from RMB4,053.0 million in 2013 to RMB6,320.1 million (US$1,025.7 million) in 2014, (iii) a 50.6% increase in total income of Cinda Leasing from RMB1,760.0 million in 2013 to RMB2,651.2 million (US$430.2 million) in 2014, and (iv) a 16.5% increase in total income of Cinda P&C from RMB3,072.3 million in 2013 to RMB3,580.6 million (US$587.0 million) in 2014, which was partially offset by a 24.1% decrease in total income of Jingu Trust from RMB1,003.6 million in 2013 to RMB761.6 million (US$123.6 million) in 2014.

The increase in total costs and expenses of our financial services segment was primarily due to the increases in interest expense, insurance costs, employee benefits and business tax and surcharges, as well as impairment losses on assets. The increase in interest expenses was primarily due to the increased interest expense incurred by Cinda Leasing as a result of its increased borrowings to support its business growth. The increase in employee benefits and business tax and surcharges was primarily due to the overall business growth of Happy Life, Cinda P&C, Cinda Securities and Cinda Leasing. The increase in impairment losses on assets was primarily due to the increased provision for impairment losses on finance lease receivables of Cinda Leasing.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Profit before tax of our financial services segment increased by 213.4% to RMB514.9 million in 2013 compared to RMB164.3 million in 2012, primarily attributable to an increase in our total income by 15.0% from RMB10,552.6 million in 2012 to RMB12,133.9 million in 2013 as a result of increases in net insurance premiums earned, commission and fee income and interest income.

The increase in total income of our financial services segment was primarily due to the increases in interest income, net insurance premiums earned as well as commission and fee income. The increase in interest income was primarily due to (i) an increase in interest income on financial lease receivables of Cinda Leasing as a result of its business growth and (ii) an increase in interest income on bank deposits due to an increase in investable assets of Happy Life resulting from its accumulated insurance premiums. The increase in commission and fee income primarily reflected increases in (i) fee income on trust services provided by Jingu Trust, (ii) fee income from consultancy and financial advisory services provided by Jingu Trust and (iii) debt securities underwriting and sponsoring fees generated by Cinda Securities. The increase in our net insurance premiums earned was primarily attributable to the business growth of Cinda P&C and Happy Life.

The increase in total income of our financial services segment contributed by each financial subsidiary primarily reflected (i) a 23.2% increase in total income of the securities and futures business from RMB1,691.2 million in 2012 to RMB2,083.5 million in 2013, (ii) a 6.1% increase in total income of Jingu Trust from RMB946.2 million in 2012 to RMB1,003.6 million in 2013, (iii) a 33.6% increase in total income of Cinda Leasing from RMB1,317.2 million in 2012 to RMB1,760 million in 2013, and (iv) a 75.1% increase in total income of Cinda P&C from RMB1,754.5 million in 2012 to RMB3,072.3 million in 2013, which was partially offset by a 14.9% decrease in total income of Happy Life from RMB4,762.4 million in 2012 to RMB4,053.0 million in 2013.

The increase in total costs and expenses of our financial services segment was primarily due to the increases in employee benefits, business tax and surcharges, interest expense, other expenses and impairment losses on assets. The increase in employee benefits and business tax and surcharges was primarily due to the business growth of Happy Life, Cinda P&C, Cinda Securities, Jingu Trust and Cinda Leasing. The increase in interest expenses was primarily due to (i) the increased interest expense incurred by Cinda Leasing as a result of its increased borrowings to support its business growth and (ii) the increased interest expense incurred by Cinda HK and Happy Life. The increase in other expenses was mainly due to the increase in administrative expenses as a result of our business growth. The increase in impairment losses on assets was primarily due to the increased provision for impairment losses on finance lease receivables of Cinda Leasing.

SELECTED FINANCIAL POSITIONS OF THE CONSOLIDATED GROUP

Assets

As of December 31, 2012, 2013 and 2014, our assets amounted to RMB254,614.4 million, RMB383,785.4 million and RMB544,427.4 million (US$87,745.8 million), respectively. The principal components of our assets consist of (i) financial assets classified as receivables, (ii) available-for-sale financial assets, (iii) cash and bank balances, (iv) loans and advances to customers and (v) financial assets at fair value through profit or loss, representing 33.2%, 15.8%, 8.1%, 14.7% and 10.5%, respectively, of our total assets as of December 31, 2014.

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our own bank deposits and deposits that Cinda Securities holds on behalf of its clients in its securities brokerage business with banks and other financial institutions. As of December 31, 2012, 2013 and 2014, cash and bank balances amounted to RMB42,726.3 million, RMB57,059.1 million and RMB43,891.2 million (US$7,074.0 million), respectively. The amount of our cash was maintained at an ordinary level for business operations. We had a relatively low cash balance at the end of 2014 primarily due to the use of net proceeds from our initial public offering, primarily in acquiring distressed debt assets and principal investment.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss are divided into two categories, including held-for-trading financial assets and financial assets designated as at fair value through profit or loss.

We determine the classification of the investment through a process as follows: based on the nature of the investment, when we expect to reflect the fair value of the investment in our financial position and the changes of fair value in our financial performance, the investment is classified as either financial assets at fair value through profit or loss or available-for-sale with reference to the criteria to be met under IAS 39. In addition, the classification is also based on the consideration of a number of factors including the investment objective, nature of the investment product and our investment strategy.

- For investments purchased with the objective of making short-term profit, the investments are classified as held-for-trading financial assets with fair value changes in profit or loss.

- For investments not purchased with the objective of short-term profit making, the investments are classified as one of the following three categories:

  - An investment is classified as held-to-maturity investment if it has fixed or determinable payments (such as bonds with quoted price in an active market) and we intend to hold it till maturity and do not expect to dispose of such investment prior to its maturity to meet cash flow needs;

  - An investment is classified as loans and receivable if it has fixed or determinable payments and has no quoted price in an active market; and

  - An investment is classified as available-for-sale financial assets if it has fixed or determinable payments but do not meet the above criteria to be classified as held-to-maturity investment or loans and receivables, or if it does not have fixed or determinable payment.

The following table sets forth, at the dates indicated, the principal components of financial assets at fair value through profit or loss:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Held-for-trading financial assets				
Debt securities	4,154.8	4,096.6	7,064.7	1,138.6
Equity instruments listed or traded on exchange	813.1	736.0	2,409.9	388.4
Mutual funds	1,380.0	1,097.3	1,505.1	242.6
Derivatives	19.5	18.0	17.4	2.8
Subtotal	6,367.4	5,947.9	10,997.1	1,772.4
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	7,960.2	16,391.7	42,302.0	6,817.8
Financial institution convertible bonds	946.0	947.0	698.3	112.5
Corporate convertible bonds	72.8	106.7	46.3	7.5
Wealth management products	1,246.9	1,218.4	2,521.6	406.4
Unlisted equity instruments	329.7	566.8	655.2	105.6
Subtotal	10,555.6	19,230.6	46,223.4	7,449.8
Total	**16,923.0**	**25,178.5**	**57,220.5**	**9,222.2**

Held-for-trading financial assets primarily consist of (i) debt securities mainly held by Cinda Securities for its proprietary trading and by Happy Life, Cinda P&C and Cinda HK for their own investments, (ii) equity instruments mainly held by Cinda Securities for its proprietary trading and by Cinda HK for its own investments and (iii) fund products mainly held by Happy Life, Cinda Securities and First State Cinda Fund. As of December 31, 2012, 2013 and 2014, our held-for-trading financial assets amounted to RMB6,367.4 million, RMB5,947.9 million and RMB10,997.1 million (US$1,772.4 million), respectively. The decrease in our held-for-trading financial assets from December 31, 2012 to December 31, 2013 was primarily due to the decrease in the amount of fund products held by Cinda Securities and Happy Life, which was partially offset by the increase in the amount of fund products held by Cinda HK. The increase in our held-for-trading financial assets from December 31, 2013 to December 31, 2014 was primarily due to the significant increase in the debt securities and equity instruments held by Cinda Securities and Happy Life.

Financial assets designated as at fair value through profit or loss primarily consist of (i) distressed debt assets acquired mainly by our Company at discounted prices from financial institutions, (ii) bonds held by Happy Life and Cinda Securities and (iii) short-term wealth management products mainly held by Cinda Investment, Cinda Leasing, Jingu Trust and Zhongrun Development, which were purchased by these entities at the end of the year using the cash they held for the purposes of cash management. As of December 31, 2012, 2013 and 2014, our financial assets at fair value through profit or loss amounted to RMB10,555.6 million, RMB19,230.6 million and RMB46,223.4 million (US$7,449.8 million), respectively. The distressed debt assets designated as at fair value through profit or loss increased to RMB42,302.0 milllion (US$6,817.8 million) as of December 31, 2014 and RMB16,391.7 million as of December 31, 2013 from RMB7,960.2 million as of December 31, 2012, primarily due to our continuous acquisitions of such assets in each year.

Available for-sale Financial Assets

The following table sets forth the principal components of available-for-sale financial assets as of the dates indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Debt securities	7,998.2	10,738.6	10,785.2	1,738.3
Equity instruments	50,441.5	44,767.0	45,492.0	7,332.0
Debt instruments issued by financial institutions	—	8,502.1	13,002.7	2,095.7
Funds	3,705.1	4,541.9	8,646.3	1,393.5
Trust products and rights to trust assets	1,231.3	1,913.2	2,870.7	462.7
Asset management plans	—	902.2	2,608.3	420.4
Wealth management products	980.0	1,273.4	1,238.1	199.5
Assets backed securities	—	—	605.2	97.5
Others	20.5	108.8	546.1	88.0
Total	**64,376.6**	**72,747.2**	**85,794.6**	**13,827.6**

Available-for-sale financial assets primarily consist of (i) equity instruments, including our equity interests in DES Companies, as well as stocks of listed companies and equity interests in unlisted companies, (ii) debt securities mainly held by Cinda Securities, Happy Life, Cinda P&C and Cinda HK for their investments, (iii) debt instruments issued by financial institutions and asset management plans and (iv) fund products held by our Company and our subsidiaries. As of December 31, 2012, 2013 and 2014, our available-for-sale financial assets amounted to RMB64,376.6 million, RMB72,747.2 million and RMB85,794.6 million (US$13,827.6 million), respectively.

Equity instruments are the largest component of our available-for-sale financial assets. As of December 31, 2012, 2013 and 2014, our equity instruments amounted to RMB50,441.5 million, RMB44,767.0 million and RMB45,492.0 million (US$7,332.0 million), representing 78.4%, 61.5% and 53.0% of our total available-for-sale financial assets, respectively.

The following table sets forth the principal components of equity instruments in available-for-sale financial assets by holders, type of investment, and listing status as of the dates indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Our Group				
Listed	11,312.9	7,382.8	8,583.3	1,383.4
Unlisted	39,128.6	37,384.2	36,908.7	5,948.6
Total	50,441.5	44,767.0	45,492.0	7,332.0
Our Company				
Listed	9,152.1	5,524.7	6,431.0	1,036.5
Unlisted	37,833.0	35,510.7	33,763.8	5,441.7
Subtotal	46,985.1	41,035.4	40,194.8	6,478.2
DES Assets(1)	45,141.5	39,151.4	38,381.9	6,186.0
Financial equity investments by our Company(2)	1,843.6	1,884.0	1,812.9	292.2
Subtotal	46,985.1	41,035.4	40,194.8	6,478.2

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

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

The decrease in our equity instruments in available-for-sale financial assets from December 31, 2012 to December 31, 2014 was primarily due to a decrease in DES Assets held by our Company, which was partially offset by the increases in the financial equity investments held by our Company and our subsidiaries' investments in unlisted equities. The decrease in our DES Assets from December 31, 2012 to December 31, 2014 was primarily because we progressively disposed of certain of our DES Assets. The financial equity investments of our Company and our subsidiaries' investment in unlisted equities remained stable in December 31, 2012, 2013 and 2014, primarily attributable to the growth of our financial investment and asset management business, which increased our equity interests of listed and unlisted companies.

We assess our available-for-sale financial assets for impairment, determine the provisions for impairment losses, and recognize provisions for the year. See "— Critical Accounting Policies and Estimates — Significant Accounting Policies — Financial Instruments — Impairment of Financial Assets" and our consolidated financial statements included elsewhere in this offering memorandum.

Pursuant to our accounting policies, we are required to make provision for impairment losses for investments with evidence showing that the value of financial assets was impaired and for our investments on financial assets when their value is significantly lower than their carrying value or has been continuously below their carrying value for more than one year. According to such policy, we made provisions for impairment losses in the amount of RMB3,340.2 million in 2012, RMB4,007.0 million in 2013 and RMB1,558.7 million (US$253.0 million) in 2014 on our available-for-sale financial asset portfolios. The provisions for impairment losses mainly reflected the market price changes of certain listed companies' equity interests we held, including the effects of the significant decrease in the stock value of Chalco, a listed DES Company.

Financial Assets Classified as Receivables

The following table sets forth the principal components of our financial assets classified as receivables at the dates indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Distressed debt assets				
Loans acquired from financial institutions	19,294.5	36,512.9	43,586.5	7,024.9
Accounts receivable acquired from non-financial enterprises	30,256.0	64,400.3	123,877.8	19,965.5
Subtotal	49,550.5	100,913.2	167,464.3	26,990.3
Allowance for impairment losses	(1,482.3)	(2,942.6)	(5,355.4)	(863.1)
Other debt Investments				
Trust products	2,637.0	2,329.0	3,687.9	594.4
Certificate treasury bonds	292.7	142.7	117.7	19.0
Others	215.1	230.0	1,806.0	291.1
Subtotal	3,144.8	2,701.7	5,611.6	904.4
Allowance for impairment losses	(17.9)	(5.7)	(66.0)	(10.6)
Structured debt arrangements	—	15,996.1	13,258.6	2,136.9
Total	**51,195.1**	**116,662.7**	**180,913.1**	**29,157.9**

Financial assets classified as receivables consist of (i) distressed debt assets, including accounts receivable we acquired from non-financial enterprises and NPLs we acquired from financial institutions, for which the repayment schedules are fixed or determinable through restructuring agreements, (ii) other debt investments[3], including trust products, certificate treasury bonds and debt investment plans mainly held by our Company, Cinda Securities, Jingu Trust and Happy Life for investment purposes, and (iii) structured debt arrangements, including non-derivative financial assets we acquired from banks through structured fund arrangements with fixed return and no active market.

3 Other debt investments, including trust products, certificate treasury bonds and debt investment plans, are classified as financial assets classified as receivables since it fulfils the definition of "loans and receivables" in accordance with IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those for which the holder intends to sell immediately or in the near term, (ii) those designated as available-for-sale upon initial recognition, or (iii) those for which the holder may not recover all of its initial investment due to causes other than credit deterioration.

As of December 31, 2012, 2013 and 2014, the gross balance of distressed debt assets classified as receivables was RMB49,550.5 million, RMB100,913.2 million and RMB167,464.3 million (US$26,990.3 million), respectively. This increase was mainly because we captured the market opportunities and provided product offerings which were tailored to clients' needs and complemented the asset portfolio of our distressed asset management business. Since 2011, we have allocated more resources to our business of managing distressed debt assets classified as receivables.

As of December 31, 2012, 2013 and 2014, the impaired distressed debt assets classified as receivables were RMB596.8 million, RMB1,010.7 million and RMB2,037.1 million (US$328.3 million), respectively, representing 1.2%, 1.0% and 1.2% of the total distressed debt assets classified as receivables, respectively. The impairment ratio as of December 31, 2014 increased from December 31, 2013 primarily due to the increasing risks and challenges faced by the enterprises from which we acquired distressed debt assets as a result of the slowdown of economic growth in China. As of December 31, 2012, 2013 and 2014, the allowance for impairment losses on distressed debt assets classified as receivables was RMB1,482.3 million, RMB2,942.6 million and RMB5,355.4 million (US$875.5 million), respectively, the coverage ratio of distressed debt assets classified as receivables was 248.4%, 291.1% and 262.9%, respectively, and the ratio of allowance to total distressed debt assets classified as receivables was 3.0%, 2.9% and 3.2%, respectively.

As of December 31, 2012, 2013 and 2014, the allowance for impairment losses on other debt investment assets classified as receivables was RMB17.9 million, RMB5.7 million and RMB66.0 million (US$10.6 million), respectively.

Loans and Advances to Customers

The following table sets forth, at the dates indicated, the principal components of our loans and advances to customers:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Unsecured loans	288.1	50.0	2,790.4	449.7
Loans secured by properties	3,109.3	4,132.6	7,394.5	1,191.8
Other secured loans	461.7	1,445.4	1,192.5	192.2
Loans to margin clients	447.7	2,750.8	6,939.7	1,118.5
Finance lease receivables	18,003.4	25,700.9	37,020.4	5,966.6
Entrusted loans	3,169.8	15,498.5	26,677.4	4,299.6
Subtotal	25,480.0	49,578.2	82,014.9	13,218.4
Allowance for impairment losses	(438.5)	(941.8)	(1,790.2)	(288.5)
Total	**25,041.5**	**48,636.4**	**80,224.7**	**12,929.9**

Loans and advances to customers primarily consist of (i) finance lease receivables of Cinda Leasing, which is the largest component of our loans and advances to customers, (ii) entrusted loans extended by Cinda Investment and Cinda HK and (iii) loans secured by properties which were extended by Cinda HK and Jingu Trust. As of December 31, 2012, 2013 and 2014, loans and advances to customers amounted to RMB25,480.0 million, RMB49,578.2 million and RMB82,014.9 million (US$13,218.4 million), respectively.

Finance lease receivables of Cinda Leasing (before allowance for impairment losses) increased to RMB37,020.4 million (US$5,966.6 million) as of December 31, 2014 and RMB25,700.9 million as of December 31, 2013 from RMB18,003.4 million as of December 31, 2012, representing 70.7%, 51.8% and 45.1% of gross balance of our loans and advances to clients as of December 31, 2012, 2013 and 2014, respectively. Such increase was primarily attributable to our strategy to expand this business and the increased customer demands in the market. The table below sets forth, as of the dates indicated, the net amount of finance lease receivables we will receive within the number of years indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Gross investment in finance leases	20,776.4	29,306.0	42,361.4	6,827.4
Less: Unearned finance income	(2,773.0)	(3,605.1)	(5,341.0)	(860.8)
Net finance lease receivables	18,003.4	25,700.9	37,020.4	5,966.6
Within 1 year (inclusive)	5,502.5	8,989.9	11,432.2	1,842.5
1 year to 5 years (inclusive)	12,017.8	16,256.9	24,163.9	3,894.5
Over 5 years	483.1	454.2	1,424.3	229.6
Allowance for impairment losses	(438.5)	(543.1)	(752.1)	(121.2)
Net carrying value	**17,564.9**	**25,157.8**	**36,268.3**	**5,845.4**

Loans secured by mortgages which were extended by Cinda HK and Jingu Trust significantly increased to RMB7,394.5 million (US$1,191.8 million) as of December 31, 2014 and RMB4,132.6 million as of December 31, 2013 from RMB3,109.3 million as of December 31, 2012. The significant increase from December 31, 2012 to December 31, 2014 was primarily because Cinda HK granted loans to its clients for financing projects.

The entrusted loans extended by Cinda Investment and Cinda HK significantly increased to RMB26,677.4 million (US$4,299.6 million) as of December 31, 2014 and RMB15,498.5 million as of December 31, 2013 from RMB3,169.8 million as of December 31, 2012. The significant increase from December 31, 2012 to December 31, 2014 was primarily attributable to the increase in consolidated structured entities we engaged in the operation of entrusted loans along with our business growth and an entrusted loan extended under a structured transaction arrangement by Cinda Investment.

Credit Risk

Credit risk is the risk of potential loss arising from a debtor or counterparty's failure or unwillingness to perform its repayment obligations in a timely manner, or from unfavorable changes of its credit. The major credit risks to which our Group is exposed primarily arise from investment classified as receivables and loans and advances to clients on our balance sheet, as well as guarantees and commitments made by any member of our Group off our balance sheet. We select counterparties who we believe meet our requirements for asset quality and repayment capability and we also request collateral from counterparties. We have implemented credit risk management policies and measures. For more information see "Description of the Group — Risk Management — Management of Principal Risks — Management of Credit Risk" in this offering memorandum.

We review the quality of our assets and recognize impairment losses when there is objective evidence that the assets are impaired. We perform portfolio tests to determine the provisions for impairment losses for the financial asset if (i) such assets are individually assessed for impairment and there is no impairment loss recognized and (ii) impairment losses for such assets cannot be determined individually either due to the lack of loss event incurred on such assets or we are not able to reasonably estimate the impact of potential loss event on the future cash flows of such assets. We include a group of financial assets with similar credit risk characteristics to perform portfolio tests of impairment losses. Unlike the method adopted by commercial banks in China to categorize loans into five levels, we have established and use our internal method of categorizing debt assets into five categories to differentiate distressed debt assets classified as receivables into five categories for the purposes of management and making relevant provisions as risk reserves.

The following credit risk discussion is based on the total amount of (i) distressed debt assets classified as receivables and (ii) loans and advances. For ease of reference, in this section, we refer to such assets as "assets with credit risk exposure." For the credit risks relating to distressed debt assets classified as receivables, please see our consolidated financial statements included elsewhere in this offering memorandum.

Distribution by Geographic Region

We classify assets with credit risk exposure geographically based on the location of the branch or subsidiary that holds the asset. The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by geographic region. For definitions of our geographic regions, please see our consolidated financial statements included elsewhere in this offering memorandum:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Western Region	18,315.9	24.4	41,048.6	27.3	56,131.0	9,046.7	22.5
Bohai Rim	18,703.4	24.9	35,130.3	23.3	60,154.3	9,695.1	24.1
Central Region	14,691.2	19.6	24,194.1	16.1	44,517.2	7,174.9	17.8
Yangtze River Delta	10,827.6	14.4	16,494.1	11.0	24,454.0	3,941.3	9.8
Pearl River Delta	7,434.8	9.9	18,844.2	12.5	43,559.1	7,020.5	17.5
Northeastern Region	4,751.8	6.3	12,194.6	8.1	17,928.3	2,889.5	7.2
Overseas	305.8	0.5	2,585.4	1.7	2,735.4	440.8	1.1
Total	**75,030.5**	**100.0**	**150,491.3**	**100.0**	**249,479.3**	**40,208.8**	**100.0**

Distribution by Industry

The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by industry classification:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Real estate	39,666.2	52.9	75,621.5	50.2	127,229.8	20,505.7	51.0
Manufacturing	10,139.4	13.5	16,671.2	11.1	31,041.7	5,003.0	12.4
Water, environment and public utilities management	7,056.9	9.4	12,465.0	8.3	12,835.6	2,068.7	5.1
Leasing and commercial services	3,172.8	4.2	12,017.2	8.0	10,921.9	1,760.3	4.4
Construction	3,982.5	5.3	6,417.0	4.3	10,226.7	1,648.2	4.1
Transportation, logistics and postal services	2,692.6	3.6	5,710.2	3.8	10,128.9	1,632.5	4.1
Mining	2,539.3	3.4	5,419.7	3.6	9,972.8	1,607.3	4.0
Others[1]	5,780.8	7.7	16,169.5	10.7	37,121.9	5,983.1	14.9
Total	**75,030.5**	**100.0**	**150,491.3**	**100.0**	**249,479.3**	**40,208.8**	**100.0**

(1) Primarily consists of (i) production and supply of electricity, gas and water; (ii) telecommunication, computer services and software industry; (iii) financial industry; (iv) wholesale and retail industries; (v) lodging and catering industry; and (vi) science, education, culture and health.

Our assets with credit risk exposure are primarily in the real estate and manufacturing industries. As of December 31, 2012, 2013 and 2014, assets with credit risk exposure in the real estate industry amounted to RMB39,666.2 million, RMB75,621.5 million and RMB127,229.8 million (US$20,505.7 million), representing 52.9%, 50.2% and 51.0% of our total assets with credit risk exposure, respectively. The increase in amounts was primarily due to an increase in the receivables we acquired from real estate companies as real estate companies face increasing working capital pressures caused by macroeconomic control measures over the property market adopted by the PRC government since we launched the Restructuring Model in 2011. As of December 31, 2014, assets subject to credit risks under the real estate industry increased to RMB127,229.8 million (US$20,505.7 million), and to 51.0% as a percentage of the total assets, primarily due to the rapid growth of our distressed debt assets classified as receivables and our adjustment of the portfolio of these assets with an aim to reduce the proportion of assets under the real estate industry. As of December 31, 2012, 2013 and 2014, assets under credit risk in the manufacturing industry amounted to RMB10,139.4 million, RMB16,671.2 million and RMB31,041.7 million (US$5,003.0 million), respectively. The increase in amount from December 31, 2012 to December 31, 2014 was primarily attributable to an increase in finance lease receivables of Cinda Leasing from clients in the manufacturing industry and an increase in distressed debt assets classified as receivables.

Types of Collateral

We adopt various risk mitigation measures to control credit risk. In particular, we require the counterparties of transactions to provide appropriate guarantees, mortgages, pledges or other collaterals. We also strive to ensure that we could effectively and efficiently realize the value of collateral when the counterparties default by using various risk mitigation methods, such as selecting collateral that can be sold easily and enforcing of our claims on collateral. Assets under credit risk secured by guarantee, mortgage and pledge represented, in aggregate, 95.4%, 98.3% and 98.3% of our total assets under credit risk as of December 31, 2012, 2013 and 2014, respectively. The following table sets forth, at the dates indicated, the distribution by types of collateral:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Unsecured	3,386.5	4.6	2,566.8	1.7	5,086.0	819.7	2.0
Guaranteed	22,305.1	29.7	44,913.2	29.8	70,826.2	11,415.1	28.4
Mortgage	40,378.3	53.8	79,205.8	52.6	124,130.5	20,006.2	49.8
Pledged	8,960.6	11.9	23,805.5	15.9	49,436.6	7,967.8	19.8
Total	**75,030.5**	**100.0**	**150,491.3**	**100.0**	**249,479.3**	**40,208.8**	**100.0**

Maturity Profiles under Contracts

The following table sets forth assets under credit risk by maturity profiles under contracts at the dates indicated:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Less than 1 year	11,499.0	15.3	12,355.2	8.2	30,197.6	4,867.0	12.1
1 to 5 years	61,989.1	82.6	135,335.1	89.9	211,813.2	34,138.1	84.9
Over 5 years	1,542.4	2.1	2,801.0	1.9	7,468.5	1,203.7	3.0
Total	**75,030.5**	**100.0**	**150,491.3**	**100.0**	**249,479.3**	**40,208.8**	**100.0**

Asset Quality

The following table sets forth, at the dates indicated, the asset quality of our assets under credit risk:

Group

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Neither past due nor impaired	73,192.5	147,944.7	242,870.1	39,143.6
Past due but not impaired	961.3	1,009.7	2,841.7	458.0
Impaired	876.7	1,536.9	3,767.5	607.2
Subtotal	75,030.5	150,491.3	249,479.3	40,208.8
Allowance for impairment losses	(1,920.8)	(3,884.4)	(7,145.6)	(1,151.7)
Net carrying value	**73,109.7**	**146,606.9**	**242,333.7**	**39,057.1**

The following table sets forth, as of the dates indicated, the asset quality of distressed debt assets classified as receivables:

Company

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Neither past due nor impaired	48,020.3	99,319.3	165,692.1	26,704.7
Past due but not impaired	933.4	583.2	2,337.3	376.7
Impaired	596.8	1,010.7	2,037.1	328.3
Subtotal	49,550.5	100,913.2	170,066.5	27,409.7
Allowance for impairment losses	(1,482.3)	(2,942.6)	(5,432.0)	(875.5)
Net carrying value	**48,068.2**	**97,970.6**	**164,634.5**	**26,534.3**

As of December 31, 2012, 2013 and 2014, the balance of assets past due but not impaired was RMB961.3 million, RMB1,009.7 million and RMB2,841.7 million (US$458.0 million), respectively, and the balance of assets impaired was RMB876.7 million, RMB1,536.9 million and RMB3,767.5 million (US$607.2 million), respectively. Such increases were primarily due to an increase in distressed debt assets classified as receivables with same credit quality, as well as the increased impaired finance lease receivables of Cinda Leasing in 2012, 2013 and 2014. As of December 31, 2012, 2013 and 2014, the impaired assets (before deducting allowance for impairment losses) accounted for 1.2%, 1.0% and 1.5% of our assets under credit risk, respectively. The impaired assets of distressed debt assets classified as receivables (before deducting allowance for impairment losses) accounted for 1.2%, 1.0% and 1.2% of the balance of distressed debt assets classified as receivables, respectively.

As of December 31, 2012, 2013 and 2014, the balance of allowance for impairment losses amounted to RMB1,920.8 million and RMB3,884.4 million and RMB7,145.6 million (US$1,151.7 million), respectively. The increase in allowance for impairment losses from December 31, 2012 to December 31, 2013, and further to December 31, 2014 was primarily because (i) we significantly increased provisions made for impairment losses in order to enhance our risk mitigation capabilities; as of December 31, 2012, 2013 and 2014, the coverage ratio of debt assets classified as receivables was 248.4%, 291.1% and 266.7%, respectively and (ii) an increased allowance for finance lease receivables of Cinda Leasing as well as loans and advances disbursed by Cinda Investment. As of December 31, 2012, 2013 and 2014, the coverage ratio of distressed debt assets classified as receivables and loans and advances was 219.1%, 252.7% and 189.7%, respectively.

Liabilities

As of December 31, 2012, 2013 and 2014, our total liabilities amounted to RMB193,729.6 million, RMB301,023.3 million and RMB442,564.2 million (US$71,328.4 million), respectively. The principal components of our liabilities consist of (i) borrowings from banks, non-bank financial institutions as well as non-financial enterprises, (ii) accounts payable, (iii) bonds issued and (iv) borrowings from central bank, representing 59.5%, 3.1%, 9.9% and 0.2%, respectively, of our total liabilities as of December 31, 2014.

The following table sets forth, as of the dates indicated, our interest-bearing liabilities:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Borrowings from central bank	7,053.4	4.6	4,913.0	2.0	—	—	—
Accounts payable to brokerage clients	6,629.5	4.4	6,480.8	2.7	11,663.3	1,879.8	3.3
Financial assets sold under repurchase agreements[1]	11,993.6	7.9	9,442.8	3.9	9,939.6	1,602.0	2.8
Placements from a bank and a financial institution	—	—	10,477.0	4.4	11,827.0	1,906.2	3.4
Borrowings	76,099.2	49.9	173,834.7	72.5	263,452.4	42,460.8	75.2
Amount due to the MOF .	38,112.3	25.0	21,676.7	9.0	9,710.7	1,565.1	2.8
Bonds issued	12,534.6	8.2	13,285.0	5.5	43,694.9	7,042.3	12.5
Total	**152,422.6**	**100.0**	**240,110.0**	**100.0**	**350,287.9**	**56,456.2**	**100.0**

(1) Financial assets sold under repurchase agreements refer to transactions that financial assets such as bills, securities and loans were sold but subject to agreements with a commitment to repurchase at a specific future date. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statements of financial position. This type of transaction was mainly entered into by Happy Life, Cinda Securities and Cinda Leasing, our subsidiaries in the financial service segment. As a short-term way commonly used to obtain funding, the fluctuation of balance of financial assets sold under repurchase agreements reflects the funding position of these subsidiaries of our Group.

Borrowings

For more details of (i) borrowings from banks, non-bank financial institutions as well as non-financial enterprises, (ii) bonds issued and (iii) borrowings from central bank, please see "— Indebtedness."

Accounts Payable

Our accounts payable primarily consist of the amount due to the MOF and accounts payable associated with our real estate business. As of December 2012, 2013 and 2014, the balance of our accounts payable amounted to RMB39,539.4 million, RMB22,814.1 million and RMB13,891.2 million (US$2,238.9 million), respectively.

The amount due to the MOF relates to our acquisitions of Policy-Distressed Assets from the MOF, which include the DES Assets and distressed debt assets. The consideration was to be paid in five years starting from 2011 with annual installments of RMB9,713.5 million. In February 2012, the MOF approved the deferral of our first payment of RMB9,713.5 million to the end of 2014. The interest of the deferred payment shall be calculated at an annual interest rate of 2.25%. As of December 31, 2012, 2013 and 2014, the balance of the amount due to the MOF amounted to RMB38,112.3 million, RMB21,676.7 million and RMB9,710.7 million (US$1,565.1 million), respectively.

Cash Flows

The following table sets forth a selected summary of our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Net cash from/(used in) operating activities	(5,015.9)	10,581.3	(27,412.3)	(4,448.6)
Net cash used in investing activities	(4,908.7)	(12,926.1)	(21,049.5)	(3,416.0)
Net cash from financing activities	25,808.5	19,405.6	34,491.7	5,597.5
Net increase/(decrease) in cash and cash equivalents	15,883.9	17,060.8	(13,970.1)	(2,267.1)
Cash and cash equivalents at the beginning of the year	15,210.1	31,093.4	48,192.0	7,767.1
Effect of foreign exchange changes	(0.6)	37.8	255.0	41.1
Cash and cash equivalents at the end of the year	31,093.4	48,192.0	34,476.9	5,556.7

Net Cash from/(used in) Operating Activities

Our cash outflows used in operating activities primarily consist of cash outflows arising from the acquisition of distressed debt assets classified as receivables, loans and advances to clients, financial assets at fair value through profit or loss, properties held for sale and repayment of borrowing from central bank. Net cash flows used in operating activities reflected (i) profit before tax adjusted for non-cash and non-operating items, such as provision for impairment losses on assets, investment income, provision for insurance contracts and depreciation, (ii) the effects of movements in working capital, such as increase or decrease in borrowings from our Company and financial subsidiaries, distressed debt assets classified as receivables, loans and advances to clients and (iii) other cash items such as income tax paid.

Our operating activities had net cash outflow of RMB27,412.3 million (US$4,448.6 million) in 2014 as compared to net cash inflows of RMB10,581.3 million in 2013. The net cash outflows used in operating activities increased from 2014 to 2013, primarily attributable to an increase in cash outflows arising from fair value changes on financial assets, increase in loans and advances to customers, increase in financial assets held under resale agreements and net gains on disposal of property and equipment and investment properties, which was in line with the continuous development of our Restructuring Model business.

Our operating activities had net cash inflow of RMB10,581.3 million in 2013 as compared to net cash outflows of RMB5,015.9 million in 2012. Net cash inflows from operating activities increased from 2012 to 2013, primarily attributable to (i) an increase in borrowings from banks, other financial institutions and non-financial enterprises by our Company and financial subsidiaries, (ii) an increase in other operating liabilities, and (iii) an increase in cash generated from operations, which was partially offset by cash outflows as a result of our substantial acquisition of distressed debt assets, an increase in loans and advances to clients and a decrease in the sales of the financial assets held under repurchase agreements.

Net Cash used in Investing Activities

Our cash outflows used in investing activities primarily consist of cash paid to acquire investment securities, including available-for-sale financial assets, financial assets (excluding distressed debt assets) classified as receivables and held-to-maturity financial assets. Our cash inflows from investing activities mainly refer to cash received from disposal of investment securities, primarily available-for-sale financial assets.

Our net cash outflows used in investing activities were RMB21,049.5 million (US$3,416.0 million) in 2014 as compared to RMB12,926.1 million in 2013. The increase in net cash outflows used in investing activities from 2013 to 2014 was primarily due to an increase in cash outflows in acquiring investment securities, which was partially offset by an increase in cash inflows as a result of the disposal of DES assets and investment securities.

Our net cash outflows used in investing activities were RMB12,926.1 million in 2013 as compared to RMB4,908.7 million in 2012. The increase in net cash outflows in investing activities from 2012 to 2013 was primarily due to an increase in net cash outflows arising from the disposal and acquisition of investment securities, which was partially offset by an increased cash inflows arising from the interest received from investment securities and an increased cash inflows from consolidated structured entities.

Net Cash from Financing Activities

Our cash outflows used in financing activities primarily consist of repayments of borrowings made by our non-financial subsidiaries and interests thereon as well as cash dividends paid to our shareholders. Our cash inflows from financing activities primarily consist of proceeds from issuing bonds and equity, and cash received from borrowings of our non-financial subsidiaries.

Our cash inflows from financing activities were RMB34,491.7 million (US$5,597.5 million) in 2014 as compared to RMB19,405.6 million in 2013. The increase in net cash inflows from financing activities from 2013 to 2014 was primarily attributable to increases in proceeds from the bonds issued by our Company and Cinda HK and increased borrowings of Cinda Leasing.

Our cash inflows from financing activities were RMB19,405.6 million in 2013 as compared to RMB25,808.5 million in 2012. The decrease in net cash inflows from financing activities from 2012 to 2013 was primarily attributable to the decrease in proceeds from the bonds issued by our Company and the sale of financial assets held under repurchase agreements by our insurance subsidiaries, partially offset by an increased cash inflows as a result of our share issuance and increased borrowing.

LIQUIDITY AND CAPITAL RESOURCES

We fund our working capital and other capital requirements primarily from borrowings from banks and other financial institutions, proceeds from issuing bonds and equity and cash flows from operations. As of December 31, 2014, we had aggregate cash and cash equivalents of RMB34,476.9 million (US$5,556.7 million), consisting primarily of bank balances.

Capital Management

Our primary objectives of capital management are to ensure our compliance with regulatory requirements, to optimize our internal capital allocation and improve efficiency of use of capital and to ensure that we can maintain sound capital status in order to support the sustainable operation and steady growth of our business.

We establish our capital management principles from the perspectives of capital planning, capital allocation, capital raising and return on capital, centralized management and allocation of capital at the Group level, and created a classification system and evaluation standards for assets, including: (i) establishing explicit policies with respect to the capital management function and its responsibilities, specifying the roles and responsibilities of the board, management and relevant departments, (ii) taking into account the investment return, capital return including contribution from cross-selling and investment return after risk-related adjustments that can be achieved from the investment projects or the subsidiaries during our evaluation by project managers and in the Group's assessment system and (iii) striving to establish and improve the information-based and process-oriented capital monitoring and management system, and establish evaluation indicators based on capital measurement, capital scale, capital risks and capital allocation to formulate a modern capital management system with clear responsibilities, effective compliance and strong risk control capabilities.

We manage our capital in accordance with relevant regulations such as the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)) promulgated on March 8, 2011 and the Off-site Supervision Report System for Financial Asset Management Companies (Provisional) (金融資產管理公司非現場監管報表指標體系(試行)) ("Off-site Supervision Report System") promulgated on May 18, 2012 by the CBRC. The minimum capital of our Company shall not fall below 12.5% of the risk-weighted assets (including off-balance sheet assets). Risk weighting is mainly determined based on factors such as the risk exposure of specific assets and the correlation with our Company's primary businesses. In addition, the leverage ratio of our Company shall not fall below 6% and the liquidity ratio shall not fall below 15%. Since the Off-site Supervision Report System became effective in May 2012, we have complied with the regulatory requirements for leverage ratios and liquidity ratios. As of December 31, 2012, 2013 and 2014, we complied with all the requirements on capital adequacy ratio and risk control indicators set out in the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis and the Off-site Supervision Report System issued by the CBRC. As of December 31, 2012, 2013 and 2014, pursuant to the requirements of the Off-site Supervision Report System, our Company's capital adequacy ratio was 20.96%, 21.58% and 18.08%, respectively, which were equivalent to net qualified capital divided by risk weighted assets. The risk weighted assets were calculated according to different risk weighting and by taking into account the effects of qualified collaterals and guarantees. As of December 31, 2012, 2013 and 2014, the net qualified capital was RMB39,146.4 million, RMB56,730.9 million and RMB83,563.3 million (US$13,468.0 million), respectively. The subsidiaries within the Group which are engaged in financial services such as securities and futures, trust, financial leasing. and insurance, shall meet the regulatory requirements set forth by their respective regulatory authorities with respect to the minimum capital.

As of December 31, 2012, 2013 and 2014, the gearing ratio of our Company was 2.5:1, 2.9:1 and 3.4:1, respectively. The increase in the gearing ratio was mainly due to the increase in interest-bearing debts, which consisted primarily of borrowings and bonds, to meet our financial demand along with the significant increase in our assets, particularly the demand for acquisition of distressed assets. Since 2011, we have seized opportunities to develop our business of distressed debt assets classified as receivables. The rapid expansion of our business led to increased financing needs. Meanwhile, we strived to raise our leverage ratio and capital utilization ratio. As of December 31, 2012, 2013 and 2014, our capital adequacy ratio was 20.96%, 21.58% and 18.08%, respectively, each being higher than the minimum capital adequacy ratio set by the CBRC which is 12.5% of risk weighted assets (inclusive of off-balance assets).

Liquidity

We manage liquidity primarily by forecasing cash inflow and/or outflows for a certain period, monitoring the maturities of our assets and liabilities to ensure that we have sufficient cash flow, implementing frequent liquidity stress test, forecasting liquidity gap, estimating risks and their potential impact and other measures. While conducting centralized liquidity management, as well as controlling the liquidity risks by enhancing budget management, expanding financing channels, improving cash management capabilities and other measures, we are devoted to ensure growth in our acquisition of assets and meet our strategic and financial investment funding needs. In addition, we have been exploring diversified financing channels and focusing on maintaining stable sources of funding and increasing our borrowings from banks and other financial institutions. For more information about the measures of our liquidity risk management, see "Description of the Group — Risk Management — Management of Principal Risks — Management of Liquidity Risk."

The following table sets forth the remaining maturities of our assets and liabilities as of December 31, 2014:

	As of December 31, 2014															
	Past due/undated		On demand		Less than 1 month		1-3 months		3-12 months		1-5 years		Over 5 years		Total	
	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	(in millions)															
Cash and bank balances	—	—	28,217.6	4,547.9	9,201.9	1,438.1	1,413.7	227.8	2,538.6	409.1	3,143.4	506.6	—	—	44,515.2	7,174.5
Clearing settlement funds	—	—	5,147.6	829.6	—	—	—	—	—	—	—	—	—	—	5,147.6	829.6
Deposits with exchanges and a financial institution	918.4	148.0	—	—	—	—	—	—	—	—	—	—	—	—	918.4	148.0
Placement with banks and a financial institution	—	—	—	—	3,011.3	485.3	—	—	—	—	—	—	—	—	3,011.3	485.3
Financial assets at fair value through profit or loss	47,577.7	7,668.1	900.0	145.1	897.1	144.6	87.4	14.1	570.4	91.9	3,886.4	626.4	5,761.4	928.6	59,680.4	9,618.7
Financial assets held under resale agreements	—	—	—	—	10,894.4	1,755.9	317.9	51.2	457.5	73.7	180.0	29.0	—	—	11,849.8	1,909.8
Available-for-sale financial assets	54,051.6	8,711.5	3,649.0	588.1	136.1	21.9	14,004.9	2,257.2	1,115.4	179.8	13,634.7	2,197.5	6,861.2	1,105.8	93,452.9	15,061.9
Financial assets classified as receivables	4,684.5	755.0	—	—	6,672.4	1,075.4	12,370.0	1,993.7	73,706.7	11,879.4	119,617.0	19,278.8	900.0	145.1	217,950.5	35,127.2
Loans and advances to customers	1,523.4	245.5	160.2	25.8	1,290.4	208.0	4,166.8	671.6	25,227.7	4,066.0	58,362.3	9,406.3	1,601.5	258.1	92,332.3	14,881.3
Accounts receivable	1,282.3	206.7	1,618.3	260.8	250.9	40.4	0.3	—	2,650.2	427.1	1,575.8	254.0	—	—	7,377.7	1,189.1
Held-to-maturity investments	—	—	—	—	38.4	6.2	72.1	11.6	480.6	77.5	2,973.4	479.2	6,952.1	1,120.5	10,516.7	1,695.0
Other financial assets	—	—	153.4	24.7	126.6	20.4	33.6	5.4	108.8	17.5	1,451.0	233.9	—	—	1,873.3	301.9
Total financial assets	**110,037.8**	**17,734.9**	**39,846.0**	**6,422.0**	**32,519.6**	**5,241.2**	**32,466.7**	**5,232.7**	**106,855.7**	**17,222.0**	**204,824.0**	**33,011.6**	**22,076.2**	**3,558.0**	**548,626.1**	**88,422.5**

(1) For the bonds and notes obtained by us through buy-out and resale transactions which are one type of our purchase and resale transactions, we are able to resell or repledge such bonds and notes as their titles of ownership have been transferred to us. However, such bonds and notes shall be returned to the relevant counterparties within the terms set forth in the resale agreements.

	As of December 31, 2014															
	Past due/undated		On demand		Less than 1 month		1-3 months		3-12 months		1-5 years		Over 5 years		Total	
	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	(in millions)															
Borrowings from central bank	(986.1)	158.9	—	—	—	—	—	—	—	—	—	—	—	—	(986.1)	(158.9)
Accounts payable to brokerage clients	—	—	(11,664.6)	(1,880.0)	—	—	—	—	—	—	—	—	—	—	(11,664.6)	(1,880.0)
Financial liabilities at fair value through profit or loss	—	—	—	—	(0.3)	(0)	—	—	(33.1)	(5.3)	(3.6)	(0.6)	—	—	(37.0)	(6.0)
Financial assets sold under repurchase agreements	—	—	—	—	(4,259.9)	(686.6)	(906.3)	(146.1)	(3,220.1)	(519.0)	(1,978.0)	(318.8)	—	—	(10,364.2)	(1,670.4)
Placements from banks and a financial institution	—	—	—	—	(1.3)	(0.2)	(10,088.6)	(1,626.0)	(1,827.0)	(294.5)	—	—	—	—	(11,916.9)	(1,920.7)
Borrowings	—	—	—	—	(3,814.6)	(614.8)	(18,036.7)	(2,907.0)	(145,428.1)	(23,438.8)	(118,713.9)	(19,133.2)	(404.3)	(65.2)	(286,347.6)	(46,150.9)
Accounts payable	(461.6)	(74.4)	(3,407.1)	(549.1)	(310.6)	(50.1)	—	—	(215.5)	(34.7)	(9,713.7)	(1,565.6)	—	—	(14,108.4)	(2,273.9)
Investment contract liabilities for policyholders	(0.4)	(0.1)	(119.0)	(19.2)	(23.0)	(3.7)	(46.3)	(7.5)	(210.4)	(33.9)	(1,208.5)	(194.8)	(8,126.0)	(1,309.7)	(9,733.5)	(1,568.8)
Bonds issued	—	—	—	—	—	—	—	—	(8,554.7)	(1,378.8)	(35,685.8)	(5,751.5)	(4,684.4)	(755.0)	(48,924.9)	(7,885.3)
Other financial liabilities	(243.8)	(39.3)	(1,104.7)	(178.0)	—	—	(8.3)	(1.3)	0.6	0.1	—	—	(30,875.9)	(4,976.3)	(32,233.3)	(68,717.8)
Total financial liabilities	**(1,691.8)**	**(272.7)**	**(16,295.3)**	**(2,626.3)**	**(8,409.7)**	**(1,355.4)**	**(29,086.2)**	**(4,687.8)**	**(159,489.4)**	**(25,705.0)**	**(167,303.5)**	**(26,964.4)**	**(44,090.5)**	**(7,106.1)**	**(426,366.5)**	**(68,717.8)**
Net position	**108,346.0**	**17,426.2**	**23,550.8**	**3,795.7**	**24,109.9**	**3,885.8**	**3,380.5**	**544.8**	**(52,633.7)**	**(8,483.0)**	**37,520.6**	**(6,047.2)**	**(22,014.3)**	**(3,548.1)**	**122,259.7**	**19,704.7**

The amount of our total financial assets was significantly larger than that of our total financial liabilities for the three years ended December 31, 2014. As of December 31, 2014, the total net position amounted to RMB122,259.7 million (US$19,704.7 million), including a negative aggregate net position of RMB74,648.0 million (US$12,031.1 million), in maturities of three to 12 months and over five years, and a positive aggregate net position of RMB196,907.7 million (US$31,735.8 million), in maturities of on demand, less than one month, one to three months, one to five years and past due/undated, which is significantly larger than the negative portion of net position and enables us to cover the liquidity gap.

Our plans to cover the negative liquidity gap primarily include (i) formulating disposal plans for assets with undated maturities (mainly including DES Assets and distressed debt assets designated as at fair value through profit or loss) and generating cash inflow from the disposal of such assets on a regular basis to eliminate the negative liquidity gap and ensure our sufficient liquidity; (ii) converting assets with low liquidity into assets with high liquidity through securitization, managing the liquidity level and adjusting the maturity structure of assets and liabilities in order to eliminate the liquidity gap; and (iii) exploring various financing channels to maintain stable sources of capital, including increasing borrowings from banks and other financial institutions as well as issuing bonds.

Our liquidity management policies primarily include (i) monitoring the maturities of our assets and liabilities, implementing liquidity stress tests, forecasting liquidity gaps and utilizing other measures to ensure that we have sufficient funds to meet our obligations when they become due; and (ii) enhancing relationships with banks and other institutions, increasing credit facilities, strengthening financing capabilities and exploring various financing channels.

Our liquidity management policies are effective in addressing the mismatch of the maturities of its assets and liabilities. In particular. (i) the maturities of newly acquired distressed debt assets classified as receivables have generally matched the maturities of the corresponding liabilities; (ii) we have reduced the duration of distressed debt assets designated as at fair value through profit or loss and DES Assets in a cost-effective manner; and (iii) we have formulated plans to convert assets with undated or long maturities into cash based on liquidity needs and market conditions on an annual basis. Historically, the implementation of such plans was satisfactory and has provided effective support for liquidity sufficiency.

INDEBTEDNESS

We have borrowings from banks, other financial institutions and non-financial enterprises and unsecured borrowings from the PBOC to fund our acquisitions of distressed debt assets and other investments. Meanwhile, we diversified our financing channels through the bond markets and expect to gradually increase such financing channels as a percentage of our total external financing.

Borrowings from Central Bank

During the Policy Phase and the Transition Phase of China's distressed asset management industry, Cinda Corporation raised funds through the issuance of financial bonds and loans from the PBOC to acquire the distressed assets disposed of by the state-owned banks in accordance with relevant governmental policies. The current amount of "borrowings from central bank" in the consolidated statements of financial position was incurred when Cinda Corporation raised funds from the PBOC to acquire distressed assets disposed of by the state-owned restructured banks, including the BOC, CCB, BoCOM and ICBC, from 2004 to 2005. We assumed such liabilities when we were established as a joint stock company in 2010. Pursuant to the relevant arrangements, such debts have been fully repaid as of December 31, 2014 and the outstanding balance represents interest payable to the PBOC. Since 2005, Cinda Corporation and our Company have funded the expansion of their distressed assets business by means of commercial financing instead of borrowing from the PBOC.

We had borrowings from the PBOC in connection with our acquisitions of distressed assets from PRC commercial banks. Such borrowings bear a fixed interest rate at 2.25% per annum and have been repaid in full on December 31, 2014. As of December 31, 2012, 2013 and 2014, the outstanding balance of our borrowings from the PBOC was RMB7,053.4 million, RMB4,913.0 million and RMB986.1 million (US$158.9 million), respectively, all of which were unsecured.

Borrowings

As of December 31, 2012, 2013 and 2014, the balance of our borrowings amounted to RMB76,099.2 million, RMB173,834.7 million and RMB263,452.4 million (US$42,460.8 million), respectively. The increase in our borrowings from December 31, 2012 to December 31, 2014 was primarily due to (i) our Company's borrowings increasing by 280.6% from RMB55,831.3 million as of December 31, 2012 to RMB212,495.0 million (US$34,248.0 million) as of December 31, 2014, to finance our acquisitions of distressed debt assets classified as receivables and (ii) Cinda Leasing's increased borrowings to support the growth of its finance lease receivables portfolio.

The following table sets forth the effective interest rate ranges of the borrowings of our Company as of the dates indicated:

	As of December 31,		
	2012	**2013**	**2014**
Fixed-rate borrowings	4.80%- 6.90%	4.75%- 6.90%	4.95%-7.30%
Variable-rate borrowings	5.35%- 6.15%	5.10%- 6.25%	4.98%-6.00%

The annualized effective interest rate ranges for both fixed-rate borrowings and variable-rate borrowings of our Company as of December 31, 2014 and December 31, 2013 decreased as compared to those as of December 31, 2012. The decrease was mainly because (i) market liquidity increased slightly in 2012 and 2013 due to the market interest rate decrease in line with the PBOC's two benchmark rate cuts in 2012, (ii) our Company established a centralized liquidity management system in 2012 and made quotation inquiries for borrowings in a centralized manner so as to enhance its bargaining power and (iii) our Company increased the number of partnering banks to increase our credit facilities from banks.

The following table sets forth the breakdown of the borrowings of our Company by security interest as of the dates indicated:

	As of December 31,			
	2012	**2013**	**2014**	
	RMB	**RMB**	**RMB**	**US$**
	(in million)			
Banks and other financial institutions borrowings				
Unsecured loans	66,850.1	161,394.7	248,021.4	39,973.8
Loans secured by properties	4,543.6	6,554.9	5,878.6	947.5
Other secured loans	3,962.7	5,367.6	9,289.3	1,497.2
Other borrowings				
Unsecured loans	742.8	517.5	263.1	42.4
Total	**76,099.2**	**173,834.7**	**263,452.4**	**42,460.8**

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB6,298.5 million, RMB10,014.1 million and RMB11,904.0 million (US$1,918.6 million) as of December 31, 2012, 2013 and 2014, respectively.

Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB1,936.4 million, RMB3,235 million and RMB6,245.0 million (US$1,006.5 million) as of December 31, 2012, 2013 and 2014, respectively.

Bonds Issued

The following table sets forth the outstanding amounts of our bonds issued as of the dates indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
10-year 7.2% fixed rate subordinated bonds	495.0	504.2	504.2	81.3
3-year 4.35% fixed rate financial bonds	5,019.0	5,025.6	5,030.7	810.8
5-year 4.65% fixed rate financial bonds	5,020.6	5,024.0	5,027.0	810.2
3-year 4% fixed rate RMB bonds	2,000.0	1,989.2	1,996.9	321.8
90-day 6% fixed rate commercial papers	—	715.0	—	—
3-year 5.2% fixed rate financial bonds	—	—	10,268.4	1,655.0
5-year 5.35% fixed rate financial bonds	—	—	10,273.7	1,655.8
5-year 4% fixed rate financial bonds	—	—	6,079.0	979.8
10-year 5.625% fixed rate financial bonds	—	—	3,051.2	491.8
15-year 5.2% fixed rate financial bonds	—	—	1,402.9	226.1
5-year 4% fixed rate HKD bonds	—	27.0	60.6	9.8
Total	**12,534.6**	**13,285.0**	**43,694.9**	**7,042.3**

Bonds issued consist of (i) financial bonds issued by the Company in October 2012; (ii) bonds issued by Cinda Hong Kong in December 2012 and September, October and December 2013; (iii) subordinated bonds issued by Happy Life in September 2011; (iv) short-term financing bills with a term of three months issued by Cinda Securities in November 2013; (v) financial bonds of RMB20.0 billion issued by the Company in May 2014; and (vi) 5-year and 10-year fixed rate US$ Guaranteed Senior Notes with principal of US$1,000 million and US$500 million issued by a wholly-owned subsidiary of Cinda HK in May 2014. As of December 31, 2012, 2013 and 2014, the outstanding balance of our bonds issued was RMB12,534.6 million, RMB13,285.0 million and RMB43,694.9 million (US$7,042.3 million), respectively.

As of December 31, 2014, we had the following bonds issued, all of which were unsecured:

- fixed rate subordinated bonds issued in September 2011 with a principal of RMB495 million by a subsidiary of the Company have a tenure of 10 years, with a fixed coupon rate of 7.2% per annum, payable annually. The subsidiary has an option to redeem all of the bonds at face value in September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards;

- fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 3 years, with a fixed coupon rate of 4.35% per annum, payable annually;

- fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 5 years, with a fixed coupon rate of 4.65% per annum, payable annually;

- fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 3 years, with a fixed coupon rate of 5.2% per annum, payable annually;

- fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 5 years, with a fixed coupon rate of 5.35% per annum, payable annually;

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

- fixed rate commercial papers issued in November 2013 with a principal of RMB1,000 million by a subsidiary of the Company have a tenure of 90 days, with a fixed coupon rate of 6% per annum, payable at maturity of the commercial papers together with the principal. The Company purchased RMB290 million of the commercial papers in November 2013. The commercial papers were fully redeemed by the subsidiary of the Company in February 2014;

- 5-year and 10-year fixed rate US$ Guaranteed Senior Notes with principal of US$1,000 million and US$500 million issued in May 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of Cinda HK, have tenures of 5 years and 10 years and with a fixed coupon rate of 4% per annum and 5.625% per annum, payable semi-annually, respectively;

- 15-year fixed rate US$ Guaranteed Senior Notes with a principal of US$230 million issued in December 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of Cinda HK, have a tenure of 15 years and with a fixed coupon rate of 5.2% per annum, payable semi-annually;

- two series of fixed rate HKD bonds issued in September 2013 in Hong Kong with the principal of HK$10 million each by a subsidiary of the Company both have a tenure of 5 years, with a fixed coupon rate of 4% per annum , payable semi-annually;

- fixed rate HKD bonds issued in October 2013 in Hong Kong with a principal of HK$4 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum, payable semi-annually;

- fixed rate HKD bonds issued in December 2013 in Hong Kong with a principal of HK$10 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum , payable semi-annually;

- two series of fixed rate HKD bonds issued in July 2014 in Hong Kong with the principal of HK$10 million each by a subsidiary of the Company both have a tenure of 5 years, with a fixed coupon rate of 4% per annum , payable semi-annually;

- two series of fixed rate HKD bonds issued in September 2014 in Hong Kong with the principal of HK$2 million and HK$10 million respectively by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum , payable semi-annually; and

- fixed rate HKD bonds issued in October 2014 in Hong Kong with a principal of HK$10 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% perannum , payable semi-annually.

On August 9, 2013, Cinda Real Estate announced a proposed issuance of corporate bond up to RMB2.8 billion in inter-bank bond market in the PRC. Now Cinda Real Estate has withdrawn the application for the bond issuance.

Other than disclosed above and apart from intra-group liabilities, we did not have, as of December 31, 2014, any material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any material guarantees or other material contingent liabilities.

COMMITMENTS OTHER THAN OPERATING LEASE COMMITMENTS

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Contracted but not provided for				
Commitments for the acquisition of property and equipment	417.1	107.2	18.2	2.9
Commitments for the acquisition of investment	1,103.0	828.0	1,200.0	193.4
Total	**1,520.1**	**935.2**	**1,218.2**	**196.3**

We funded a substantial portion of our capital commitments with cash flows from our operating activities and financing activities. Our capital commitments were made primarily to purchase property and equipment as well as subscription of private equity funds. We expect to continue to incur additional capital commitments to support our business expansion in line with our growth.

OPERATING LEASE COMMITMENTS

We lease certain of our office premises from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under irrecoverable operating leases as of the dates indicated:

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Within 1 year	200.7	238.5	289.3	46.6
1-2 years	136.3	133.1	183.0	29.5
2-3 years	78.0	69.4	83.3	13.4
Above 3 years	79.4	100.7	99.7	11.5
Total	**494.4**	**541.7**	**655.3**	**105.6**

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2014, we did not have any material off-balance sheet arrangements as defined under IFRS.

CONTINGENT LIABILITIES

Due to the nature of our business, our Company and subsidiaries are involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. We make 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 results of operations.

As of December 31, 2012, 2013 and 2014, we made provisions of RMB143.4 million, RMB128.0 million and RMB122.4 million (US$19.7 million), respectively, based on court judgments or legal counsels' advice. Our management believes that the final results of these lawsuits will not have a material impact on our financial condition or business operations.

In 2013, our Company set up Ningbo Chunhong Investment Management Partnership (Limited Partnership) ("Chunhong") together with a number of individuals. Cinda Securities, a subsidiary of our Company, which is one of the limited partners of Chunhong, set up Bank No.2 Directional Asset Management Plan with funds raised from Chunhong. Cinda Securities provided unconditional repurchase commitment to those unit holders of the plan at an aggregate amount of their contribution plus any shortfall from the guaranteed returns of 8.2% that might rise. The size of the plan is RMB4,500.00 million. As of December 31, 2014, the subscription amount of the plan is RMB4,027 million.

In 2013, our Company and our two subsidiaries set up Shanghai Dongmian Investment Management Partnership (Limited Partnership) together with Shanghai International Trust Co., Ltd. Our Company provided unconditional repurchase commitment to Shanghai International Trust Co., Ltd. at an aggregate amount of its investment of RMB9,500.00 million plus any shortfall from the guaranteed returns of 7.3% that might arise. As of December 31, 2014, Shanghai International Trust Co., Ltd. has not made any contribution yet.

In 2013, our Company and one of our subsidiaries set up Cinda-Taikang Alternative Asset Investment Partnership (Limited Partnership) together with Taikang Asset Management Co., Ltd. The Company provided unconditional repurchase commitment to Taikang Asset Management Co., Ltd. at an aggregate amount of its investment of RMB12,000.00 million plus any shortfall from the guaranteed returns ranging from 6.6% to 7.0% that might arise. As of December 31, 2014, Taikang Asset Management Co., Ltd. has made contribution of RMB10,362 million.

As of December 31, 2012, 2013 and 2014, we did not have any material contingent liabilities other than those disclosed in our consolidated financial statements included elsewhere in this offering memorandum, and our provision for probable losses as a result of legal proceedings or other disputes and claims are based on the best estimates of our management.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of expenditures for the purchase of property and equipment, intangible assets (including software and land use rights), investment properties and projects under construction. Our capital expenditures amounted to RMB609.7 million, RMB425.0 million and RMB549.1 million (US$88.5 million) in 2012, 2013 and 2014, respectively, in line with our business growth.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

We have designed a series of risk management policies in response to financial risks in the ordinary course of our businesses with measures to identify, monitor, report and supervise risks. See “Description of the Group — Risk Management” in this offering memorandum and our consolidated financial statements included elsewhere in this offering memorandum for an overview of our risk management process.

The main financial risks we face in the ordinary course of business are credit risk, liquidity risk and market risk. We are exposed to credit risk primarily through the guarantees and commitments for financial assets classified as receivables and loans and advances to clients on our balance sheet and off-balance sheet. For more information about our liquidity risk, see “— Liquidity and Capital Resources — Liquidity” above and for more information about our credit risk, see “Selected Financial Positions of the Consolidated Group — Assets — Credit Risk” above.

Market risk is the risk of losses with respect to the financial instruments’ fair value or cash flows arising from adverse changes or movements in market prices (such as stock prices and commodity prices), interest rates and currency exchange rates.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates. Our interest rate risk exposure is primarily related to our fixed and floating interest rate financial instruments. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk.

Repricing Gap Analysis

The following table sets forth, as of December 31, 2014, the carrying amount based on the earlier of (i) the contractual repricing dates and (ii) the maturity dates for our financial assets and liabilities:

	As of December 31, 2014													
	Less than 1 month		1 to 3 months		3 to 12 months		1 to 5 rears		Over 5 rears		Non-interest bearing		Total	
	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	(in millions)													
Cash and bank balances	37,379.1	6,024.4	1,331.7	214.6	2,395.1	386.0	2,782.0	448.4	—	—	3.3	0.5	43,891.2	7,074.0
Clearing settlement funds	5,145.2	829.3	—	—	—	—	—	—	—	—	—	—	5,145.2	829.3
Deposits with exchanges and a financial institution	337.3	54.4	—	—	—	—	—	—	—	—	581.0	93.6	918.2	148.0
Placement with banks and a financial institution	3,000.0	483.5	—	—	—	—	—	—	—	—	—	—	3,000.0	483.5
Financial assets at fair value through profit or loss	994.0	160.2	437.9	70.6	1,108.7	178.7	2,378.5	383.3	4,814.1	775.9	47,487.3	7,653.6	57,220.5	9,222.3
Financial assets held under resale agreements	10,590.6	1,706,9	284.3	45.8	422.4	68.1	157.0	25.3	—	—	—	—	11,454.2	1,846.1
Available-for-sale financial assets	229.2	36.9	13,703.6	2,208.6	2,052.2	330.8	9,886.8	1,593.5	4,713.2	759.6	55,209.6	8,898.2	85,794.6	13,827.6
Financial assets classified as receivables	10,450.5	1,684.3	11,972.7	1,929.6	65,349.8	10,532.5	92,390.1	14,890.6	750.0	120.9	—	—	180,913.1	29,157.9
Loans and advances to customers	37,218.4	5,998.5	1,496.8	241.2	12,613.8	2,033.0	28,895.8	4,657.2	—	—	—	—	80,244.7	12,933.1
Accounts receivable	1,024.9	165.2	—	—	2,543.1	409.9	1,407.4	226.8	—	—	2,046.6	329.9	7,022.1	1,131.8
Held-to-maturity investments	30.0	4.8	—	—	236.4	38.1	1,790.7	288.6	4,985.5	803.5	—	—	7,042.5	1,135.0
Other financial assets	269.5	43.4	33.1	5.3	56.9	9.2	1,279.4	206.2	—	—	1,979.9	319.1	3,618.8	583.2
Total financial assets	**106,668.5**	**17,191.8**	**29,259.9**	**4,715.8**	**86,778.6**	**13,986.2**	**140,967.6**	**22,719.9**	**15,262.8**	**2,459.9**	**107,307.7**	**17,294.9**	**486,245.2**	**78,368.5**
Borrowings from central bank	—	—	—	—	—	—	—	—	—	—	(986.1)	(158.9)	(986.1)	(158.9)
Accounts payable to brokerage clients	(10,075.5)	(1,623.9)	—	—	—	—	—	—	—	—	(1,587.9)	(255.9)	(11,663.3)	(1,879.8)
Financial liabilities at fair value through profit or loss	(0.3)	(0)	—	—	(33.1)	(5.3)	(3.6)	(0.6)	—	—	—	—	(37.0)	(6.0)
Financial assets sold under repurchase agreements	(4,252.3)	(685.3)	(965.0)	(155.5)	(3,012.3)	(485.5)	(1,710.0)	(275.6)	—	—	—	—	(9,939.6)	(1,602.0)
Placements from banks and a financial institution	—	—	(11,077.0)	(1,785.3)	(750.0)	(120.9)	—	—	—	—	—	—	(11,827.0)	(1,906.2)
Borrowings	(2,537.4)	(409.0)	(44,703.5)	(7,204.9)	(130,839.8)	(21,087.5)	(85,001.5)	(13,699.8)	(370.2)	(59.7)	—	—	(263,452.4)	42,460.8
Accounts payable	—	—	—	—	(9,710.7)	(1,565.1)	—	—	—	—	(4,180.5)	(673.8)	(13,891.2)	(2,238.9)
Investment contract liabilities for policyholders	(6,251.2)	(1,007.5)	—	—	—	—	—	—	—	—	—	—	(6,251.2)	(1,007.5)
Bonds issued	—	—	—	—	(11,967.4)	(1,928.8)	(26,530.7)	(4,276.0)	(4,426.7)	(713.5)	(770.1)	(124.1)	(43,694.9)	(7,042.3)
Other financial liabilities	—	—	—	—	—	—	—	—	—	—	(33,346.3)	(5,374.4)	(33,346.3)	(5,374.4)
Total financial liabilities	**(23,116.8)**	**(3,725.8)**	**(56,745.5)**	**(9,145.7)**	**(156,313.3)**	**(25,193.1)**	**(113,245.8)**	**(18,251.9)**	**(4,796.8)**	**(773.1)**	**(40,870.8)**	**(6,587.2)**	**(395,089.1)**	**(63,676.8)**
Interest rate gap	**83,551.7**	**13,466.1**	**(27,485.6)**	**(4,429.9)**	**(69,534.7)**	**(11,207.0)**	**27,721.8**	**(4,467.9)**	**10,465.9**	**1,686.8**	**66,436.9**	**10,707.7**	**91,156.1**	**14,691.7**

Accounts receivable are mainly related to distressed asset operation of our Company. The major components include:

- Outstanding amount due from China Galaxy Investment Management Co., Ltd. ("Galaxy") that we made full provision prior to January 1, 2012 but was reversed to the amount based on our discounted cash flows with reference to the repayment schedule during the year ended December 31, 2012. In 2012, we entered into a restructuring agreement with Galaxy where the original debt was extinguished and a new repayment plan was agreed. Galaxy repaid RMB200.0 million in 2012 and another RMB320.0 million in 2013 with the remaining RMB320.0 million to be settled over the next one and half year payable semi-annually with equal amount and non-interest bearing.

- Receivables arising from the disposal of DES assets.

The remaining items mainly include receivables for sales of properties held for sale, receivables related to insurance business, and brokerage and securities settlement business and fee income receivable from intermediary business, which are principal businesses of our Group and are therefore included in accounts receivable.

Accounts receivable are assessed for indicators of impairment at the end of each reporting period and are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidences that an account receivable is impaired include, but not limited to, the following:

- significant financial difficulty of the obligor;

- a breach of contract by the obligor, such as a default or delinquency in interest or principal payments;

- the lender, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that the lender would not otherwise consider; or

- it becoming probable that the obligor will enter into bankruptcy or other financial reorganizations.

Accounts receivables aged over three years mainly consisted of the receivables related to our business of distressed debt assets, which mainly included (i) accounts receivables due from Orient and (ii) accounts receivables due from Galaxy.

Sensitivity Analysis

We use sensitivity analysis to assess the potential changes in interest rates on our profit before tax and other comprehensive income. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our interest-earning assets and interest-bearing liabilities at the same date:

	As of December 31,							
	2012		2013		2014			
	Change in profit before tax	Change in other comprehensive income	Change in profit before tax	Change in other comprehensive income	Change in profit before tax		Change in other comprehensive income	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$
	(in millions)							
100 basis-point increase . .	187.1	(442.4)	155.5	(534.5)	310.9	50.1	(564.0)	(90.9)
100 basis-point decrease . .	(187.1)	482.3	(155.5)	578.3	(310.9)	(50.1)	611.2	98.5

Based on our assets and liabilities as of December 31, 2014, if interest rates increase (or decrease) by 100 basis points instantaneously, our profit before tax for the twelve months following December 31, 2014 would increase (or decrease) by RMB310.9 million. If interest rates increase by 100 basis points instantaneously, our other comprehensive income for the twelve months immediately following December 31, 2014 would decrease by RMB564.0 million. If interest rates decrease by 100 basis points instantaneously, our comprehensive income for the twelve months immediately following December 31, 2014 would increase by RMB611.2 million.

This sensitivity analysis, based on a static interest rate risk profile of assets and liabilities, is used for analyzing the impact of changes in the interest rates within a year, which are reflected by the re-pricing of our assets and liabilities within a year, on our profit before tax and other comprehensive income.

Foreign Exchange Risk

Foreign exchange risk is the risk of losses arising from changes in currency exchange rates. We are exposed to the fluctuations in the prevailing foreign exchange rates on our financial condition and results of operations. We operate our businesses primarily in Renminbi and have some transactions dominated in U.S. dollars, Hong Kong dollars and other foreign currencies. The following table sets forth our financial assets and liabilities by currency as of December 31, 2014:

	As of December 31, 2014				
	RMB	US$	HK$	Others	Total
			(in millions)		
Cash and bank balances	37,653.0	5,504.8	733.1	0.3	43,891.2
Clearing settlement funds	5,077.1	33.3	34.8	—	5,145.2
Deposits with exchanges and a financial institution	911.7	1.2	5.4	—	918.2
Placement with banks and a financial institution	3,000.0	—	—	—	3,000.0
Financial assets at fair value through profit or loss	56,167.3	265.0	788.2	—	57,220.5
Financial assets held under resale agreements	11,454.2	—	—	—	11,454.2
Available-for-sale financial assets	83,448.4	1,114.9	1,231.3	—	85,794.6
Financial assets classified as receivables	180,913.1	—	—	—	180,913.1
Loans and advances to customers	75,998.2	1,755.3	2,471.2	—	80,224.7
Accounts receivable	6,818.6	8.1	195.4	—	7,022.1
Held-to-maturity investments	7,042.5	—	—	—	7,042.5
Other financial assets	3,506.3	43.9	68.6	—	3,618.8
Total financial assets	**471,990.4**	**8,726.4**	**5,528.0**	**0.4**	**486,245.2**
Borrowings from central bank	(986.1)	—	—	—	(986.1)
Accounts payable to brokerage clients	(11,553.1)	(71.7)	(38.6)	—	(11,663.3)
Financial liabilities at fair value through profit or loss	(37.0)	—	—	—	(37.0)
Financial assets sold under repurchase agreements	(9,939.6)	—	—	—	(9,939.6)
Placements from banks and a financial institution	(11,827.0)	—	—	—	(11,827.0)
Borrowings	(260,749.8)	(2,044.4)	(658.2)	—	(263,452.4)
Accounts payable	(13,584.8)	—	(306.3)	—	(13,891.2)
Investment contract liabilities for policyholders	(6,251.2)	—	—	—	(6,251.2)
Bonds issued	(33,101.0)	(10,533.2)	(60.6)	—	(43,694.9)
Other financial liabilities	(33,325.8)	(10.6)	(9.8)	(0.2)	(33,346.3)
Total financial liabilities	**(381,355.4)**	**(12,659.8)**	**(1,073.6)**	**(0.2)**	**(395,089.1)**
Net Exposure	**90,635.0**	**(3,933.4)**	**4,454.3**	**0.2**	**91,156.1**

The appreciation of Renminbi to U.S. dollar or any other foreign currency will result in a decrease in the value of assets denominated in foreign currencies. See "Risk Factors — Risks Relating to the PRC — Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations" in this offering memorandum.

The following table sets forth, at the dates indicated, the changes in our profit before tax caused by appreciation or depreciation by 5% of the Renminbi exchange rate to U.S. dollars in which our assets and liabilities are denominated at the same date.

	As of December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Renminbi against U.S. dollar				
5% appreciation	(95.1)	(802.3)	(26.1)	(4.2)
5% depreciation	95.1	802.3	26.1	4.2

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than interest rates or exchange rates, regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. Certain investments on financial assets held for trading and available-for-sale financial assets are both measured at fair value. Therefore, we are exposed to the price risk of equity securities market.

The table below sets forth the potential impact on our profit before tax and equity before tax by a parallel increase or decrease by 1% in the yield curve of our financial assets held for trading and available-for-sale financial assets:

	As of December 31,							
	2012		2013		2014			
	Change in profit before tax	Change in equity	Change in profit before tax	Change in equity	Change in profit before tax		Change in equity	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$
	(in millions)							
1% increase	163.8	408.2	251.8	583.3	572.2	92.2	1,000.5	161.3
1% decrease	(163.8)	(408.2)	(251.8)	(583.3)	(572.2)	(92.2)	(1,000.5)	(161.3)

DIVIDEND POLICY

Our board of directors is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' General Meeting for approval. Whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our board of directors deems relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year, which shall not be less than 10% of the net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis:

- recovery of accumulated losses, if any, for previous years;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required;
- appropriation to required general reserve; and
- appropriation for discretionary reserve upon approval by shareholders' general meeting.

According to the latest requirements of the MOF, we shall maintain a general reserve, which is an integral part of our reserves, through appropriation of net profit after tax, of not less than 1.5% of the balance of our risk assets.

In accordance with our articles of association, we may pay dividends only out of distributable profits as determined under PRC GAAP, IFRS or the accounting rules of the listing venue, whichever is lower.

We will distribute cash dividends to our shareholders whose names appeared on the register of members on the record date for a special dividend distribution as approved in an extraordinary shareholders meeting held on August 5, 2013, to distribute net profit (after the required appropriations for a statutory surplus reserve and general reserve) for the special dividend period commencing from July 1, 2013, which is the calendar day immediately following the benchmark date of the financial statements in our IPO prospectus, to November 30, 2013, which is the last calendar date of the month immediately before the date of our IPO prospectus. The total amount of such special dividend distribution is RMB1,202.8 million, accounting for 13.3% of the net profit attributable to equity holders of the Company for 2013. Our shareholders had approved a special dividend distribution of RMB2,733.6 million for 2014.

We paid dividends of RMB1,613.1 million, RMB1,202.8 million and RMB nil to our shareholders for the years ended December 31, 2012, 2013 and 2014, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE HK GUARANTOR

The following discussion and analysis should be read in conjunction with the HK Guarantor's audited consolidated financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014 and the accompanying notes thereto, included elsewhere in this offering memorandum. The HK Guarantor's consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors including, but not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "Risk Factors" and "Forward-Looking Statements."

OVERVIEW

The HK Guarantor, China Cinda (HK) Holdings Company Limited, or Cinda HK, was incorporated in Hong Kong in December 1998. As of December 31, 2014, Cinda HK had an issued share capital of HK$1.4 billion and was wholly owned by our Company.

Cinda HK serves as a key platform for us to conduct offshore asset management business and provides offshore financial services. We conduct equity investment, securities investment and asset management business globally through Cinda HK and its subsidiaries. Cinda HK also engages in overseas investment banking business through Cinda International (Hong Kong Stock Exchange stock code: 00111). As of December 31, 2014, Cinda International was held by Sinoday as to 63%. Cinda International, which mainly engages in corporate financing, securities, futures, asset management and wealth management, is an important platform for us to develop overseas business.

Cinda HK serves as a bridge between our domestic and overseas businesses and functions as a primary platform for overseas investment and financing and asset management for the Group. In addition, Cinda HK generates synergies within our Group by collaborating with the Company and other subsidiaries in cross-border investment, financing and M&A activities. For example, Cinda HK participates in the due diligence process and co-invests with other Group entities. In addition, Cinda HK also plans to provide financing to our quality DES Companies in the latter's internationalization process.

For the years ended December 31, 2012, 2013 and 2014, its total comprehensive income was HK$413.3 million, HK$582.8 million and HK$570.0 million (US$73.5 million), respectively, and the profit attributable to its equity holders was HK$393.7 million, HK$473.9 million and HK$418.3 million (US$54.0 million), respectively. As of December 31, 2012, 2013 and 2014, its total assets were HK$11,782.0 million, HK$13,230.3 million and HK$28,200.2 million (US$3,637.2 million), respectively, and the equity attributable to its equity holders was HK$ 4,597.6 million, HK$5,125.1 million and HK$5,643.5 million (US$727.9 million), respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS

Macroeconomic Conditions in China

Most of the revenue of Cinda HK is generated from the PRC. Our business, financial condition, results of operations and prospects are significantly affected by the macroeconomic conditions in the PRC and indirectly by the economic and market conditions of other regions in the world.

The continuous fast growth of the PRC economy, the improved performance of the PRC enterprises and the industry integration result in the increase in the value of the distressed assets Cinda HK holds. The overall performance of the PRC economy, the industry cycle and the performance of the relevant enterprises affect the performance of Cinda HK's investment portfolio. The increase in disposal income and wealth of the PRC residents resulted from the growth of the PRC economy, and the increase in investment demand of enterprises and residents in turn positively affect Cinda HK's wealth management business.

Capital Markets Environment

Cinda HK's equity assets include the equity interests it holds in listed and unlisted enterprises. For equity interests in unlisted enterprises, Cinda HK usually exits from such investment through swaps for equity interests in listed companies, repurchases of equity interests by such unlisted companies themselves or sales of equity interests to existing controlling shareholders or other investors. As such, Cinda HK's investment return is affected by changes in capital market conditions.

Investment and Financing Capabilities

The investment selection, investment management during the holding period, exit timeline, and investment returns of the investment portfolio are important factors affecting Cinda HK's results of operations. The offshore funds available to Cinda HK enable it to explore diversified financing channels for its business operations.

Capabilities of Synergistic Operations

Cinda HK seeks to achieve synergistic operations with the Company and its other subsidiaries and branches in and outside of the PRC with respect to, among others, client relationships and business cooperation to effectively control cost and improve the efficiency of resource utilization. The ability to do so would affect Cinda HK's results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of Cinda HK's consolidated financial statements requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial statements. The determination of these accounting policies is fundamental to its results of operations and financial condition and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Critical Accounting Estimations and Judgments

The significant accounting policies, which are important to the understanding of Cinda HK's financial condition and results of operations, are set forth in detail in Note 3 to the consolidated financial statements of Cinda HK for the years ended December 31, 2013 and 2014 included elsewhere in this offering memorandum. These accounting policies usually involve subjective assumptions and estimates, and complex judgments relating to accounting items such as asset values and impairment losses. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. Set out below are the accounting policies used in the preparation of Cinda HK's financial information that Cinda HK believes involve the most significant estimates and judgments.

Control over Jianxin Jinyuan (Xiamen) Equity Investment Partnership Enterprise Limited ("Jianxin Jinyuan Partnership") and Ningbo Jianda Yunong Equity Investment Partnership Enterprise Limited ("Ningbo Jianda Partnership")

As of December 31, 2014, Cinda HK held a 11.19% and 16.67% equity interest, respectively, in Jianxin Jinyuan Partnership and Ningbo Jianda Partnership, which are unlisted entities in the PRC engaged in asset management business. The remaining 88.81% equity interest of Jianxin Jinyuan Partnership and 83.33% equity interest of Ningbo Jianda Partnership are owned by thirty other shareholders, which are independent third parties of the Group, respectively. The directors of Cinda HK assessed whether or not it has control over Jianxin Jinyuan Partnership and Ningbo Jianda Partnership based on whether it has the practical ability to direct the relevant activities of them unilaterally.

In making their judgment, the directors considered the terms set out in the investment agreements entered into between Cinda HK and the other shareholders, which provided that Cinda HK is a general partner in Jianxin Jinyuan Partnership and Ningbo Jianda Partnership and has the right to direct the relevant activities at its sole discretion. On this basis, the directors concluded that Cinda HK has control over Jianxin Jinyuan Partnership and Ningbo Jianda Partnership. Accordingly, Jianxin Jinyuan Partnership and Ningbo Jianda Partnership are classified as subsidiaries of Cinda HK.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires Cinda HK to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2014, the carrying amount of goodwill was HK$147.0 million (US$19.0 million).

Fair value measurements and valuation processes

Some of Cinda HK's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, Cinda HK uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Cinda HK may engage third party qualified valuers to perform the valuation. Cinda HK works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Cinda HK uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

RESULTS OF OPERATIONS

Overview

The following table sets forth Cinda HK's consolidated results of operations for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Revenue	410.4	283.3	266.1	34.3
Interest income from third parties	161.1	536.7	588.2	75.9
Cost of sales and services	(22.9)	(27.9)	(36.5)	(4.7)
	548.6	792.1	817.8	105.5
Other income, gains and losses	190.5	193.9	503.6	64.9
Deemed gain (loss) on partial disposal of an associate	(0.3)	—	—	—
Loss on deregistration of an associate	—	—	—	—
Loss on disposal of a subsidiary	—	—	—	—
Gain on disposal of an associate	—	1.7	—	—
Impairment loss on interest in an associate and amount due from an associate	—	(28.0)	—	—
Administrative expenses	(231.9)	(232.5)	(299.0)	(38.6)
Finance costs	(100.0)	(230.6)	(608.3)	(78.4)
Share of results of associates	104.7	94.2	99.5	12.8
Profit before taxation	511.6	590.8	513.6	66.2
Taxation	(96.4)	(73.9)	(74.8)	(9.6)
Profit for the year	415.2	516.9	438.8	56.6
Other comprehensive (expense) income for the year, net of tax	(1.9)	65.9	131.2	16.9
Total comprehensive income for the year	413.3	582.8	570.0	73.5

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Revenue

Revenue consists of fees and commission for broking services provided, interest income related to broking services, underwriting commission, financial advisory service income, rental and property management fee income, and consultancy and agency fee income. Revenue decreased by 6.1% to HK$266.1 million (US$34.3 million) in 2014 as compared to HK$283.3 million in 2013, primarily because the underwriting commission as a result of Cinda International's underwriting of the Group's IPO in December 2013 did not recur in 2014. This was partially offset by (i) the increase in fees and commission for broking services provided, which is in line with the growth in Cinda International's securities business and enlarged market share; and (ii) the increase in consultancy and agent fee income, which was primarily attributable to the continued synergy between Cinda HK's consultancy and advisory services and its investment business.

Interest income from loans to third parties

Interest income from loans to third parties significant increased by 9.6% to HK$588.2 million (US$75.9 million) in 2014 as compared to HK$536.7 million in 2013 as a result of the increased efforts in investing fixed-income debt securities and financial assets rendering returns.

Cost of sales and services

Cost of sales and services consists of the cost of sales relating to Cinda International's brokerage business and the cost of services relating to Cinda International's financial advisory business, consultancy and agency business and underwriting business. Cost of sales and services increased by 30.8% to HK$36.5 million (US$4.7 million) in 2014 as compared to HK$27.9 million in 2013, which is in line with the growth of Cinda International's underwriting business.

Other income, gains and losses

Other income primarily consists of interest income from loans to associates, interest income from available-for-sale investments, income derived from distressed assets, bank interest income, and dividend income. Other income increased by 139.2% to HK$384.2 million (US$49.5 million) in 2014 as compared to HK$160.6 million in 2013, primarily due to (i) the significant increase in bank interest income by 362.8% to HK$220.3 million (US$28.4 million) in 2014 from HK$47.6 million in 2013 as a result of increased efforts in cash management of the net proceeds from the US$234 million Guaranteed Senior Notes offered in 2014, and (ii) increase in dividend income by 294.0% to HK$52.8 million (US$6.8 million) in 2014 as compared to HK$13.4 million in 2013.

Other gains and losses consist of gain on disposal of available-for-sale investments, gain and loss on disposal of property, plant and equipment, net change in fair value of financial assets and liabilities at fair value through profit or loss — held for trading, and net foreign exchange gain. Net other gains was HK$119.4 million (US$15.4 million) in 2014 as compared to HK$33.3 million in 2013, primarily due to (i) the increase in gain on disposal of unlisted available-for-sale investments by 173.3% to HK$4.1 million (US$0.5 million) in 2014 as compared to HK$1.5 million in 2013 as a result of increasing proportion of Cinda HK's investment in SSI and fixed-income securities, and (ii) the decrease in impairment loss on listed available-for-sale investments, which amounted to HK$11.1 million in 2013 and did not incur in 2014. This was partially offset by the impairment loss on loan and other receivables with the amount of HK$91.8 million (US$11.8 million) in 2014, which did not incur in 2013.

Administrative expenses

Administrative expenses consist of staff costs, business expenses and management expenses. Administrative expenses increased to the amount of HK$299.0 million (US$38.6 million) in 2014 as compared to HK$232.5 million in 2013.

Finance costs

Finance costs consist of interest on bank loans and interest on amount due to ultimate holding company. Finance costs increased by 163.8% to HK$608.3 million (US$78.4 million) in 2014 as compared to HK$230.6 million in 2013, primarily due to the increase in interest on borrowings resulting from the increasing amount of bank loans and bonds issued.

Share of results of associates

Share of results of associates increased by 5.6% to HK$99.5 million (US$12.8 million) in 2014 as compared to HK$94.2 million in 2013, primarily due to the decrease in overall results of operations of Cinda HK's associates, in particular, Cinda Capital and Cinda Plunkett International Asia Absolute Return Fund, which contributed a large portion of results of operations of associates.

Profit before taxation

Primarily as a result of the foregoing, profit before taxation decreased by 13.1% to HK$513.6 million (US$66.2 million) in 2014 as compared to HK$590.8 million in 2013.

Taxation

Taxation increased by 1.2% to HK$74.8 million (US$9.6 million) in 2014 as compared to HK$73.9 million in 2013.

Profit for the year

Primarily as a result of the foregoing, profit for the year decreased by 15.1% to HK$438.8 million (US$56.6 million) in 2014 as compared to HK$516.9 million in 2013.

Other comprehensive (expense) income for the year, net of tax

Other comprehensive (expense) income for the year, net of tax consists of exchange differences on translating foreign operations, net (loss) gain arising on revaluation of available-for-sale investments, reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments, share of other comprehensive income of associates, reclassification adjustment — transfer to profit or loss on partial disposal of associates, and income tax relating to components of other comprehensive income. Other comprehensive income for the year, net of tax was HK$131.2 million (US$16.9 million) in 2014, as compared to other comprehensive income for the year, net of tax of HK$65.9 million in 2013, primarily due to (i) the decrease in exchange differences on translating foreign operations to negative HK$40.2 million (US$5.2 million) in 2014 as compared to HK$46.8 million in 2013 as a result of the depreciation of RMB which is the denomination currency of a large portion of Cinda HK's assets; (ii) the net gain arising on revaluation of available-for-sale investments with the amount of HK$153.5 million (US$19.8 million) in 2014 as compared to the net gain arising with the amount of HK$38.6 million in 2013 as Cinda HK performed "mark to market" revaluation of such investments monthly; (iii) the share of other comprehensive expense of associates with the amount of negative HK$0.1 million (US$0 million) in 2014 as compared to the share of other comprehensive income of associates with the amount of HK$33.6 million in 2013; (iv) the decrease in income tax relating to items that may be reclassified subsequently to negative HK$29.8 million (US$3.8 million) in 2014 as compared to HK$21.1 million in 2013; (v) the decrease in negative amounts of reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments by 35.6% to HK$55.0 million (US$7.1 million) in 2014 as compared to HK$85.4 million in 2013; (vi) the decrease in impairment loss on available-for-sale investments recycled to profit for the year to nil in 2014 as compared to HK$11.1 million in 2013; (vii) the revaluation gain of property, plant and equipment of HK$64.0 million (US$8.3 million) in 2014; (viii) the revaluation gain of property, plant and equipment upon transfer to investment properties of HK$63.2 million (US$8.2 million) in 2014 and (ix) deferred tax arising from revaluation of property, plant and equipment of HK$24.4 million (US$3.1 million) in 2014.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Revenue

Revenue consists of fees and commission for broking services provided, interest income related to broking services, underwriting commission, financial advisory service income, rental and property management fee income, and consultancy and agency fee income. Revenue decreased by 31.0% to HK$283.3 million in 2013 as compared to HK$410.4 million in 2012, primarily due to (i) the significant decrease in consultancy and agency fee income by 76.2% to HK$71.1 million in 2013 as compared to HK$298.6 million in 2012 as a result of the large amount of consultancy fees received for certain consultancy services provided by Cinda International in 2012, which did not recur in 2013, and (ii) the decrease in financial advisory service income by 19.8% to HK$51.4 million in 2013 as compared to HK$64.1 million as Cinda International participated in fewer IPOs in 2013 as compared to 2012, in line with the general downturn in capital markets in 2013. This was partially offset by (i) the increase in fees and commission for broking services provided by 140.3% to HK$73.3 million in 2013 as compared to HK$30.5 million in 2012, which is in line with the growth in Cinda International's brokerage business, and (ii) the increase in underwriting commission by 692.8% to HK$76.9 million in 2013 as compared to HK$9.7 million in 2012 as a result of Cinda International's underwriting of the Group's IPO in December 2013.

Interest income from loans to third parties

Interest income from loans to third parties significant increased by 233.1% to HK$536.7 million in 2013 as compared to HK$161.1 million in 2012 due to the increase in loans to unaffiliated third parties.

Cost of sales and services

Cost of sales and services consists of the cost of sales relating to Cinda International's brokerage business and the cost of services relating to Cinda International's financial advisory business, consultancy and agency business and underwriting business. Cost of sales and services increased by 21.8% to HK$27.9 million in 2013 as compared to HK$22.9 million in 2012, which is in line with the growth of Cinda International's brokerage business.

Other income, gains and losses

Other income primarily consists of interest income from loans to associates, interest income from available-for-sale investments, income derived from distressed assets, bank interest income, and dividend income. Other income decreased by 21.3% to HK$160.6 million in 2013 as compared to HK$204.0 million in 2012, primarily due to the significant decrease in income derived from distressed assets portfolio by 70.7% to HK$37.4 million in 2013 as compared to HK$127.9 million in 2012 as certain distressed assets which generated a large amount of income were disposed of in 2013, partially offset by (i) the significant increase in bank interest income by 176.7% to HK$47.6 million in 2013 from HK$17.2 million in 2012 as a result of the increasing amount of bank deposits and (ii) the government grants of HK$25.1 million provided by the PRC government and fully recognized in 2013.

Other gains and losses consist of gain on disposal of available-for-sale investments, gain and loss on disposal of property, plant and equipment, net change in fair value of financial assets and liabilities at fair value through profit or loss — held for trading, and net foreign exchange gain. Net other gains was HK$33.3 million in 2013 as compared to net other losses of HK$13.5 million in 2012, primarily due to (i) the increase in gain on disposal of listed available-for-sale investments by 251.0% to HK$85.3 million in 2013 as compared to HK$24.3 million in 2012, and (ii) the decrease in impairment loss on listed available-for-sale investments by 77.6% to HK$11.1

million in 2013 as compared to HK$49.5 million in 2012. This was partially offset by the loss on disposal of property, plant and equipment with the amount of HK$1,361 in 2013 as compared to the gain on disposal of property, plant and equipment with the amount of HK$18.2 million in 2012.

Administrative expenses

Administrative expenses consist of staff costs, business expenses and management expenses. Administrative expenses remained stable with the amount of HK$232.5 million in 2013 as compared to HK$231.9 million in 2012.

Finance costs

Finance costs consist of interest on bank loans and interest on amount due to ultimate holding company. Finance costs increased by 130.6% to HK$230.6 million in 2013 as compared to HK$100.0 million in 2012, primarily due to the increase in interest on bank loans resulting from the increasing amount of bank loans.

Share of results of associates

Share of results of associates decreased by 10.0% to HK$94.2 million in 2013 as compared to HK$104.7 million in 2012, primarily due to the decrease in overall results of operations of Cinda HK's associates, in particular, Silver Grant International Industries Limited which contributed a large portion of results of operations of associates.

Profit before taxation

Primarily as a result of the foregoing, profit before taxation increased by 15.5% to HK$590.8 million in 2013 as compared to HK$511.6 million in 2012.

Taxation

Taxation decreased by 23.3% to HK$73.9 million in 2013 as compared to HK$96.4 million in 2012, primarily due to (i) the decrease in the revenue from 2012 to 2013, (ii) changes in Cinda HK's tax structure as more of its revenue is derived from outside the PRC where the applicable tax rates are lower than the PRC, and (iii) proactive tax planning to reduce Cinda HK's tax burden.

Profit for the year

Primarily as a result of the foregoing, profit for the year increased by 24.5% to HK$516.9 million in 2013 as compared to HK$415.2 million in 2012.

Other comprehensive (expense) income for the year, net of tax

Other comprehensive (expense) income for the year, net of tax consists of exchange differences on translating foreign operations, net (loss) gain arising on revaluation of available-for-sale investments, reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments, share of other comprehensive income of associates, reclassification adjustment — transfer to profit or loss on partial disposal of associates, and income tax relating to components of other comprehensive income. Other comprehensive income for the year, net of tax was HK$65.9 million in 2013, as compared to other comprehensive expense for the year, net of tax of HK$1.9 million in 2012, primarily due to (i) the increase in exchange differences on translating foreign operations by 3020% to HK$46.8 million in 2013 as compared to HK$1.5 million in 2012 as a result of the appreciation of RMB which is the denomination currency of a large portion of Cinda HK's assets, (ii) the net gain arising on revaluation of available-for-sale investments with the amount of HK$38.6 million in 2013 as compared to the net loss arising with the amount of HK$30.9 million in 2012 as Cinda HK performed “mark to market” revaluation of such investments annually, (iii) the share of other comprehensive income of associates with the amount of HK$33.6 million in 2013 as compared to the share of other comprehensive expense of associates with the amount of HK$12.9 million in 2012, and (iv) the increase in income tax relating to items that may be reclassified subsequently by 189.0% to HK$21.1 million in 2013 as compared to HK$7.3 million in 2012. This was partially offset by (i) the increase in negative amounts of reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments by 251.4% to HK$85.4 million in 2013 as compared to HK$24.3 million in 2012, and (ii) the decrease in impairment loss on available-for-sale investments recycled to profit for the year by 77.6% to HK$11.1 million in 2013 as compared to HK$49.5 million in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cinda HK funds its working capital and other capital requirements primarily from cash generated from its operations, bank borrowings and bond offerings. As of December 31, 2012, 2013 and 2014, Cinda HK had aggregate cash and cash equivalents of HK$3,105.7 million, HK$3,389.9 million and HK$7,614.5 million, respectively. As of December 31, 2012, 2013 and 2014, Cinda HK had net current assets of HK$3,133.0 million, HK$4,154.2 million and HK$9,938.9 million, respectively.

The following table sets forth a selected summary of Cinda HK’s consolidated statements of cash flows for the years indicated:

	For the year ended December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Net cash (used in)/from operating activities	(887.9)	(416.8)	(5,801.9)	(748.2)
Net cash (used in)/from investing activities	(2,072.6)	101.3	(2,833.5)	(365.4)
Net cash from financing activities	5,169.2	539.9	12,902.7	1,664.0
Net increase in cash and cash equivalents	2,208.7	224.4	4,267.3	550.4
Cash and cash equivalents at the beginning of the year	897.4	3,105.7	3,389.9	437.2
Effect of foreign exchange rate changes	(0.4)	59.8	(42.7)	(5.5)
Cash and cash equivalents at the end of the year	3,105.7	3,389.9	7,614.5	982.1

INDEBTEDNESS

Borrowings

Cinda HK has borrowings primarily from banks. As of December 31, 2012, 2013 and 2014, its borrowings amounted to HK$ 3,880.5 million, HK$4,408.6 million and HK$4,451.5 million (US$574.2 million), respectively.

The following table sets forth the breakdown of Cinda HK's borrowings by maturity:

	As of December 31, 2014	
	HK$	US$
	(in millions)	
Within one year	3,441.4	443.9
More than one year but not exceeding two years	975.0	125.8
More than two years but not exceeding five years	9.8	1.3
More than five years	25.3	3.3

The following table sets forth the breakdown of Cinda HK's borrowings by security interest:

	As of December 31, 2014	
	HK$	US$
	(in millions)	
Secured	1,150.0	148.3
Unsecured	3,301.5	425.8

The following table sets forth the breakdown of Cinda HK's borrowings by currency:

	As of December 31, 2014	
	HK$	US$
	(in millions)	
HK$	939.6	121.2
US$	2,591.6	334.3
RMB	920.3	118.6

The following table sets forth the effective interest rate ranges of Cinda HK's borrowings:

	As of December 31, 2014
Fixed-rate borrowings	920.3
Variable-rate borrowings	3,531.2

Bond Payables

In 2013, Cinda International issued five-year fixed-rate bonds at a coupon of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK$34,000,000. The bonds are non-secured and non-guaranteed without any early redemption options. As of December 31, 2014, a principal amount of HK$76,000,000 of the bonds was outstanding.

In 2012, Cinda HK's indirectly wholly owned subsidiary, Bitronic Limited, issued a RMB denominated bond with a principal amount of RMB2,000,000,000, for which Cinda China provided a keepwell deed. The bonds bear interest at 4% per annum and will mature on December 12, 2015. Interest is payable semi-annually in arrears. As of December 31, 2014, a principal amount of RMB2,000,000,000 of the bonds was outstanding.

In 2014, Cinda International issued fixed rate 5-year coupon bonds at a rate of 4% per annum, interest is payable semi-annually, and with an aggregated principle amount of HK$42,000,000, which will be matured in Year 2019. The bonds are non-secured, non-guaranteed and issued to independent third parties without any early redemption options. As of December 31, 2014, a principal amount of HK$42,000,000 of the bonds was outstanding.

In 2014, Cinda HK's wholly owned subsidiary, China Cinda Finance (2014) Limited issued 5-year and 10-year fixed rate US$ Guaranteed Senior Notes with principle of US$1,000,000,000 and US$500,000,000, have tenures of 5 years and 10 years and with a fixed coupon rate of 4.00% per annum and 5.625% per annum, payable semi-annually, respectively. As of December 31, 2014, a principal amount of US$1,500,000,000 of the bonds was outstanding.

In 2014, Cinda HK's wholly owned subsidiary, China Cinda Finance (2014) II Limited issued a fixed rate US$ Guaranteed Senior Notes with a principle of US$230,000,000, which have a tenure of 15 years and with a fixed coupon rate of 5.20% per annum, payable semi-annually. There is no early redemption option in accordance with terms and conditions of the bonds. As of December 31, 2014, a principal amount of US$230,000,000 of the bonds was outstanding.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Cinda HK had entered into contracts to acquire property, plant and equipment. As of December 31, 2012, 2013 and 2014, the capital commitments contracted but not provided for amounted to HK$11.0 million, HK$0.5 million and HK$0.2 million, respectively.

Operating lease commitments

Cinda HK leases certain of its offices under operating lease arrangements with leases negotiated for terms ranging from two to five years. The following table sets forth its commitment for future minimum lease payments under non-cancellable operating leases falling due as of the years indicated:

	As of December 31,			
	2012	2013	2014	
	HK$	HK$	HK$	US$
	(in millions)			
Within one year	7.9	17.5	37.2	4.8
In the second to fifth years, inclusive	0.1	21.1	35.6	4.6
	8.0	38.6	72.8	9.4

Contingent liabilities

As of the date of this offering memorandum, Cinda HK did not have material contingent liabilities that will have an adverse effect on its liquidity, results of operation, or financial positions.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this offering memorandum, Cinda HK had no off-balance sheet arrangements in accordance with HKFRS. For discussion of certain differences between U.S. GAAP and HKFRS, see "Description of Certain Differences between U.S. GAAP and HKFRS."

MARKET RISK

Interest rate risk

Cinda HK was exposed to fair value interest rate risk in relation to fixed-rate bank deposits, fixed-rate loan receivables, fixed-rate debt securities classified as available-for-sale financial assets, fixed-rate borrowings and fixed-rate bond payables as of December 31, 2012, 2013 and 2014. It was also exposed to fair value interest rate risk in relation to fixed-rate bond payable as of December 31, 2014.

Cinda HK is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, variable-rate margin loans (included in trade receivables), variable-rate loans receivable, restricted bank deposits and bank balances as of December 31, 2012, 2013 and 2014.

Cinda HK has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. In addition, Cinda HK has concentration of risk on its variable-rate borrowings which expose it significantly towards the changes in Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") and the PBOC's best lending rate.

Foreign currency risk

Cinda HK has transactional currency exposure. Its major financial assets and liabilities are denominated in foreign currencies.

Other price risk

Cinda HK was exposed to equity price risk through its available-for-sale equity investments and financial assets at fair value through profit or loss, and debt securities price risk through its investments in listed debentures as of December 31, 2012, 2013 and 2014. The management manages this exposure by maintaining a portfolio of investments with different risks. Cinda HK's equity and debt securities price risks are mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange.

Credit risk

Cinda HK has concentration of credit risk toward its loans receivable from third parties, associates and a shareholder of an associate, and amounts due from ultimate holding company and associates. It has set up monitoring procedures to ensure that follow-up action is taken to recover overdue debts and also reviews the recoverable amount of each individual debt at the end of each year to ensure that adequate impairment losses are made for irrecoverable amounts.

The information presented in this section is derived from various official or publicly available sources, unless indicated otherwise. The information has not been independently verified by us, the Arrangers, the Dealers, our or their affiliates or advisers, and no representation is given as to its accuracy. In addition, certain financial data contained in this section, including data relating to us, may be compiled in accordance with standards different from our IFRS financial data presented elsewhere in this offering memorandum.

Unless indicated otherwise, all data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Four AMCs, come from the CBRC. Such data and information may be compiled following standards different from the requirements of IFRS and therefore may not be comparable to our IFRS financial data presented elsewhere in this offering memorandum.

Given the Four AMCs are the key participants in the distressed asset management industry in China, we will focus on them in this overview of China's distressed asset management industry. In recent years, the business scope of the Four AMCs has gradually become diversified, and they are now competing with each other on a differentiated basis. As a result, in this section we will also provide an overview of the other financial service industries related to our operations in addition to the distressed asset management industry.

DISTRESSED ASSET MANAGEMENT INDUSTRY

The Background, Development History and Impact of China's Distressed Asset Management Industry

The Background of China's Distressed Asset Management Industry

The disposal of commercial banks' distressed assets to prevent financial risks has developed into a global focus alongside the continued globalization of international financial markets. Despite the continued economic growth of China in the 1990s, most of its banks and SOEs did not establish modern corporate systems and thus had weak risk management capabilities and internal controls. In addition, limited progress was made on carving out NPLs. As a result, those banks accumulated significant amounts of NPLs. Many SOEs were under significant financial or operational pressures after the Asian financial crisis in 1997, which led to a significant increase in the amount of distressed assets at China's state-owned commercial banks. In order to address potential risks involved in such distressed assets, China's distressed asset management industry emerged. We and the other three AMCs were given an historic mission to "resolve financial risks, maintain the stability of financial system and promote the reform and development of China's state-owned banks and enterprises."

The Development History of China's Distressed Asset Management Industry

China's distressed asset management industry has gradually become more market-driven as the industry developed over the past 15 years. On one hand, the industry has become more sophisticated so that distressed asset management and value enhancement capabilities have become the key strengths necessary to maintain a leading position in the industry. On the other hand, the industry coverage has also expanded with more business opportunities coming from non-bank financial institutions and non-financial enterprises. At the same time, the Four AMCs are exploring different approaches to comprehensive financial service businesses and have started to establish differentiated diversified business platforms. The development of China's distressed asset management industry can be divided into three phases characterized by its responses to the market requirements at different stages in China's economic and social development in the past years: the Policy Phase, the Transition Phase and the Commercial Phase.

Policy Phase

In 1999, the PRC government decided to establish AMCs to receive, manage and dispose of NPLs from state-owned commercial banks in order to deal with the impact of the Asian financial crisis, mitigate financial risks and accelerate the reform and development of SOEs. The PRC government made this decision based on a careful analysis of issues in the domestic financial sectors and referring to international experience in handling distressed assets such as the "good bank/bad bank" model and the RTC approach adopted in the U.S. In March 1999, the PRC government made it clear in its Government Work Report presented to the second session of the 9th National People's Congress that it would "progressively establish AMCs to dispose of the existing NPLs from banks." In accordance with the decision made by the State Council, the Four AMCs, namely Cinda, Great Wall, Orient and Huarong, were established to receive, manage and dispose of NPLs from CCB, China Development Bank ("CDB"), the ABC, BOC and ICBC, respectively. The establishment of the Four AMCs marked the inception of China's distressed asset management industry. In 2000, the State Council promulgated the Rules on the Administration of AMCs (State Council Order No. [2000] 297) (金融資產管理公司條例(國務院令[2000]第297號)), which set forth the business nature, responsibilities, business scope, operational purpose, funding sources, the applicable tax policies and compensation arrangements for business losses of the Four AMCs. In the same year, the Four AMCs Substantively completed their acquisition of distressed assets in the Policy Phase.

The salient features of the Policy Phase were: (i) the Four AMCs raised funds through the issuance of financial bonds and the loans from the PBOC, (ii) the Four AMCs acquired NPLs at their Original Value, and (iii) the Four AMCs managed, operated and disposed of such distressed assets with their performance evaluated by the MOF in accordance with pre-determined Cash Recovery Ratio and Expense Ratio. During this phase, the Four AMCs swapped their distressed assets to equity at certain large and medium SOEs with sound development and profitability outlook but in temporary financial or operational issues in order to support the reform and development of these enterprises, as well as to prevent and mitigate systemic financial risks. This initiative taken by the Four AMCs significantly relieved the debt burden of SOEs and protected the interests of state-owned assets.

In 2004, the MOP started evaluating the performance of the Four AMCs in disposing of Policy Distressed Assets in terms of Cash Recovery Ratio and Expense Ratio. Cinda Corporation was the first to meet the MOF's performance evaluation benchmarks among the Four AMCs in 2005: it finished ahead of schedule and surpassed the MOF's performance benchmarks and achieved the highest Cash Recovery Ratio and lowest Expense Ratio. The other three AMCs completed their performance evaluation by the MOF in 2006, which signaled the Policy Phase had entered into its concluding period.

Transition Phase

In 2004, the MOF promulgated the Administrative Measures on Risk Management for Certain Businesses of AMCs (金融資產管理公司有關業務風險管理辦法), which allowed the Four AMCs to make follow-on investments in the assets obtained in satisfaction of debts, conduct the commercial acquisition of distressed assets and develop distressed assets custody business. Consequently, the Four AMCs began progressively exploring commercial businesses, which promoted the development of China's distressed asset management industry.

From 2004 to 2005, the PRC government initiated a further round of carving out distressed assets from large state-owned commercial banks including BoCOM, BOC, CCB and ICBC in order to further decrease their NPL ratios and facilitate their restructuring and public listings. At this stage, Cinda Corporation became the first among the Four AMCs to acquire distressed asset packages from state-owned commercial banks through competitive bidding, including the distressed asset packages from BOC and CCB. Cinda Corporation also acquired parts of the distressed asset packages from ICBC in the same manner. Cinda Corporation was also the first among the Four AMCs to acquire the distressed asset package from BoCOM through structural transactions in a commercial manner.

After 2005, the transition to fully commercial operation by China's distressed asset management industry accelerated. The banks began carving-out and disposing of their distressed assets in line with market practices. The distressed asset management companies bid for these distressed assets on a commercial basis and assumed profits and losses arising from the assets they acquired. In this period, the supply of distressed assets primarily came from those generated by the restructuring of Joint-stock Commercial Banks and city commercial banks. The sales of these distressed assets were conducted in a fully commercial manner. From 2007 to 2008, the Four AMCs started to record their Policy business and Commercial business on separate accounts as required by the MOF. As a result of such accounting treatment, the Four AMCs assumed the losses incurred in their commercial acquisition and disposal of distressed assets independently, with their performance reviewed and evaluated in accordance with return on invested capital.

During this phase, the Four AMCs started to actively explore the diversification of their distressed asset management business. In light of the significant asset scale of non-bank financial institutions and enterprises and the significant amount of distressed assets coming from such institutions and enterprises, the management of non-bank distressed assets had significant business prospects. As a result, the Four AMCs actively explored the expansion of their distressed asset management business from NPLs to distressed assets from non-bank financial institutions and started the disposal of these assets in their custody businesses.

In addition, the Four AMCs were appointed by the PBOC, the CSRC, the CBRC and other regulatory authorities to liquidate and restructure certain financial institutions, including securities and trust companies with financial or operational issues. Leveraging this business opportunity, the Four AMCs started to establish their diversified business platforms through establishing or acquiring the relevant subsidiaries. In this phase, the Four AMCs developed their diversified financial service platforms, including subsidiaries that provide securities, futures, trust, financial leasing, fund management, banking and insurance services, and were committed to providing clients with comprehensive financial products and services.

Commercial Phase

- In June 2010, as a pilot entity for the conversion of the AMCs into joint stock companies, China Cinda Asset Management Corporation was approved by the State Council to convert into China Cinda Asset Management Co., Ltd. Cinda became the first AMC to complete the conversion into a joint stock company. This marked the entry into the Commercial Phase by China's distressed asset management industry. In October 2012, China Huarong Asset Management Co., Ltd. was also established.

- In 2010, Cinda received approval from the CBRC to acquire NFE Distressed Assets.

- In April 2012, Cinda received investments from four strategic investors, namely NSSF, UBS, CITIC Capital and Standard Chartered.

- In December 2013, Cinda completed its IPO, listed its shares on the Hong Kong Stock Exchange and accomplished its joint stock reform blueprint approved by the State Council.

The milestones above represented a new era of fully commercial operation by China's distressed asset management industry and led to the further development of the industry.

The Impact of China's Distressed Asset Management Industry on China's Economy and Society

China's distressed asset management industry has had a profound impact on China's economy and society:

- As of December 31, 2012, the Four AMCs had cumulatively acquired distressed assets with an Original Value of more than RMB3.1 trillion and have recovered cash in hundreds of billions RMB, which has considerably reduced the losses that may have arisen from distressed assets. The Four AMCs have also played an indispensable role in (i) preventing and mitigating potential systemic risks in China's banking system, (ii) the successful completion of conversion into joint stock companies and listings of large state-owned commercial banks, and (iii) promoting the reform and development of China's financial system;

- the Four AMCs protected the interests of state-owned assets and relieved the indebtedness burden of relevant SOEs by swapping distressed assets to equity at certain large and medium SOEs. They have also assisted certain state-owned enterprises in improving their corporate governance and provided critical support for their recovery from financial difficulties, conversion into joint stock companies and development;

- the Four AMCs have contributed to the more efficient allocation of market resources and played an important role in maintaining the stability of the economy and society through the custody, restructuring and liquidation of financial and non-financial enterprises with financial or operational issues;

- the Four AMCs have also strengthened the external supervision of enterprises, assisted enterprises to enhance their credit profile and promoted the development of credit systems in China through their acquisitions of distressed assets and their custody, liquidation and restructuring of Distressed Entities with financial and operational issues.

Major Participants in China's Distressed Asset Management Industry

China's distressed asset management industry can be divided into two segmented markets characterized by the nature of their supply-demand relationship: the distressed asset acquisition market and the distressed asset disposal market. The Four AMC's connect both markets, facilitate the flow and effective allocation of resources and contribute to the healthy development of financial systems by working as acquirers in the acquisition market and as sellers in the disposal market.

- *Sellers in the distressed asset acquisition market*. Sellers in the distressed asset acquisition market are also referred to as the suppliers or providers of distressed assets. They primarily include banks, non-bank financial institutions and non-financial enterprises, such as industrial enterprises. The distressed assets from financial institutions are primarily NPLs from banks and other types of distressed assets from non-bank financial institutions, while the distressed assets from industrial enterprises are primarily accounts receivable. The distressed assets acquired by the Four AMCs at the Policy Phase and the Transition Phase were primarily from banking financial institutions. In recent years and particularly since Cinda was approved to conduct the acquisition of distressed assets from non-financial enterprises, the amounts and percentage of the distressed assets acquired from non-bank financial institutions and non-financial enterprises by the Four AMCs have continued to increase, and these distressed assets have become an important driving force for the industry's development.

- *Acquirers (recipients) in the distressed asset acquisition market/ sellers (parties making disposals) in the distressed asset disposal market.* The Four AMCs are not only the major acquirers in China's distressed asset acquisition market but also the major sellers in China's distressed asset disposal market. In addition to the Four AMCs, the acquirers and sellers in China's distressed asset management industry also include local asset management companies, private asset management companies and foreign investors. In recent years, in addition to conventional disposal approaches, the Four AMCs have capitalized on their accumulated business experience and improved capabilities in utilizing diversified financial service platforms to increasingly focus on leveraging the capital markets and comprehensive financial services, and increase their disposal returns by enhancing the value of distressed assets.

- *Acquirers in the distressed asset disposal market.* Debt restructuring is the primary disposal method adopted by the AMCs. The AMCs also dispose of distressed assets through transfers to third parties. The primary acquirers in the distressed assets disposal market are the enterprises who are the debtors, as well as the related parties of these enterprises, such as their shareholders and controlling parties. There are other acquirers such as financial investors.

- *Other participants.* In addition, there are third-party professional service providers in the distressed asset management market. They include the professional distressed asset valuation specialists, rating agencies, auction agencies, law firms, distressed asset exchange platforms and other service providers. These institutions play an important role in the value chain of the industry by providing professional intermediary services based on their professional knowledge and skills.

The various participants in China's distressed asset management market transfer, invest in and capital, management experience and technologies related to distressed assets and contribute to the restructuring of the relevant industries. The activities of these participants have enhanced the value of distressed assets and promoted the development of the distressed asset market; they have also facilitated the economic structural transformation and the effective allocation of resources and have contributed to the stability of the financial system.

Characteristics of China's Distressed Asset Management Industry

China's distressed asset management industry has the following three characteristics:

The size of the distressed asset management industry is correlated with the macro-economy and may be volatile: The size of China's distressed asset management industry closely relates to the total amount of distressed assets available for acquisition in the market which in turn is correlated to the development of China's macro-economy. As a result, the industry may be volatile. When the macro-economy is in the development stage, economic activity increases, and the distressed assets as a percentage of the total assets in the overall market would typically decrease. Therefore, the supply of distressed assets would be relatively limited. When the macro-economy enters into an adjustment phase, market activity slows, and the distressed assets as a percentage of the total assets in the overall market would typically increase. Therefore, the supply of distressed assets would be relatively abundant. In addition, there would typically be more needs to carve out distressed assets when the business model of China's banking sector adjusts and changes.

High market-entry barrier and market concentration: As the first financial asset management companies in China, the Four AMCs have significant first-mover advantage in terms of experience, professional talent, distribution and service network and capital strength. As a result, the Four AMCs are and will be the major participants in China's distressed asset management industry for the foreseeable future.

- In terms of market experience, the Four AMCs have accumulated experience in the acquisition and disposal of distressed assets that other market participants cannot easily accumulate because the Four AMCs were the only participants in the large-scale acquisition and disposal of distressed assets from 1999 to 2000 and from 2004 to 2005 and have dominated the acquisition and disposal of distressed assets from China's banking sector.

- In terms of professional talent, the Four AMCs have recruited and developed professional teams based on their dominant market positions and brands in the past years and as a result have formed a competitive advantage in professional talent. Other market participants cannot easily develop such professional teams within a short period, which further solidifies the dominant market positions of the Four AMCs.

- In terms of distribution and service networks, the Four AMCs have developed their business networks substantially based on provincial administrative divisions, which provide a foundation for their business development on a nationwide basis. As the development of relevant business networks requires substantial investments in capital and talent and is also subject to regulatory approval, it would be difficult for other market participants to compete with the Four AMCs on the basis of business networks in the near term.

- In terms of capital strength, the Four AMCs, to different degrees, possess superior capital strength that cannot be easily matched in the near term by other market participants based on the capital accumulated in their development over the years as well as competitive funding approaches and channels.

Gradual improvement in the regulatory environment enhances the level of commercial practices: China's distressed asset management industry originated from the special historical context after the Asian financial crisis in 1997 and developed through the two rounds of large-scale carve-outs of NPLs from relevant banks. The market and regulatory environment of the industry has continued to develop throughout the years. In 2000, the State Council promulgated the Rules on the Administration of AMCs (State Council Order No. [2000] 297) (金融資產管理公司條例(國務院令[2000]第297號)) (the "2000 Regulation"), setting forth the registered capital, business scope, funding sources, corporate governance and applicable tax policies of the Four AMCs. Following the promulgation of this regulation, the MOF, the CBRC and other regulatory authorities, as agreed by the State Council, have promulgated a series of policies and regulations to supplement and develop relevant provisions in the 2000 Regulation and provided further supervisory requirements and guidance with respect to the business scope, business activities and corporate governance of the AMCs in order to respond to the business and industry developments. These policies and regulations have facilitated the development of the entire industry. We believe that the level of market-oriented operations of the industry will develop continuously alongside further improvements in the regulatory environment.

Competitive Landscape of China's Distressed Asset Management Industry

The Four AMCs are the major participants in China's distressed asset management industry

As of December 31, 2012, the Four AMCs had acquired distressed assets with an Original Value of more than RMB3,120.0 billion. As of the same date, Cinda had acquired distressed assets with an Original Value of RMB1,106.1 billion, representing a market share of 35.5% among the Four AMCs.

As of December 31, 2012, the details of distressed asset acquisition by the Four AMCs were as follows:

	Original Value of distressed assets acquired by the Four AMCs	Original Value of distressed assets acquired by Cinda	Assets acquired by Cinda as a percentage of total assets acquired by the Four AMCs
	(in millions of RMB, except for percentages)		
Policy Distressed Assets	1,432,257	396,267[1]	27.7%
Commercial Distressed Assets	1,687,797	709,859	42.1%
Total	**3,120,054**	**1,106,126**	**35.5%**

(1) We ceased to have Policy Distressed Assets on our balance sheet after our conversion into a joint-stock company in 2010. This data reflected the amounts of Policy Distressed Assets we cumulatively acquired starting from our establishment in 1999 until we completed the joint-stock company conversion in 2010.

The profitability and core competitiveness of the Four AMCs have improved significantly along with the transition into fully commercial operation of the distressed asset management industry. As of December 31, 2010, 2011, 2012 and 2013, the total consolidated assets of the Four AMCs were RMB445.6 billion, RMB583.4 billion, RMB902.2 billion and RMB1,184.4 billion, respectively. In 2010, 2011, 2012 and 2013, the total consolidated net profit of the Four AMCs was RMB11.3 billion, RMB16.6 billion, RMB22.4 billion and RMB29.0 billion, respectively.

In recent years, certain local governments have established or designated relevant entities to function as local asset management companies and to handle local distressed assets. As a result of the strengths of the Four AMCs in experience, professional talent, distribution and service networks and capital strength, we believe the Four AMCs will continue to dominate China's distressed asset management industry in the foreseeable future. In the long term, more market participants such as private and foreign-invested entities may enter into the distressed asset management market, and the competition in the market may gradually intensify, which may impose a higher requirement on the Four AMCs in pricing and management capabilities.

In addition to enhancing the competitiveness of their distressed asset management business, the Four AMCs have established their presence in the financial service industry according to their respective strategies and positioning. Cinda engages in other major financial service businesses including securities, futures, trust, financial leasing, fund management, P&C insurance and life insurance. The other three AMCs have also gradually entered into other financial service businesses, including securities, insurance, trust, financial leasing and banking. The Four AMCs are subject to the regulation of regulatory authorities with respect to those relevant financial services businesses and compete with other market participants in those industries.

Driving Forces for the Development of China's Distressed Asset Management Industry

We believe the driving forces for the development of China's distressed asset management business are:

Continuous growth of distressed assets supply and business opportunities from Distressed Entities

The structural transformation and development of China's economy will provide significant opportunities for the distressed asset management industry, including an increasing supply of distressed assets and more Distressed Entities-focused M&A and restructuring business opportunities involving relevant industries.

Amounts of distressed assets: Distressed assets can be categorized into three types according to their source: (i) NPLs from the banking sector; (ii) distressed assets from non-bank financial institutions; and (iii) distressed assets from non-financial enterprises. The amounts of distressed assets are primarily determined by two factors, namely the overall amount of each type of assets in the market and the percentage of distressed assets in each type of asset. The overall amount of assets typically grows with the general expansion of the macro-economy, while the percentage of distressed assets typically increases with structural adjustments and a slowing economy. As a result, we believe the size of China's distressed asset management industry will continue to grow when China's overall economy is developing at a stable pace but with an increasing emphasis on the quality of its growth.

(i) *NPLs from the banking sector*

According to the CBRC, the details of the total amounts as well as the NPL ratio of China's commercial banks[7] are as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(in 100 million of RMB, except for percentages)			
2014 . . .	Amount of NPLs	6,461	6,944	7.669	8,426
	NPL Ratio	1.04%	1.08%	1.16%	1.25%
2013 . . .	Amount of NPLs	5,265	5,395	5,636	5,921
	NPL Ratio	0.96%	0.96%	0.97%	1.00%
2012 . . .	Amount of NPLs	4,382	4,564	4,788	4,929
	NPL Ratio	0.94%	0.94%	0.95%	0.95%
2011 . . .	Amount of NPLs	4,333	4.229	4,078	4,279
	NPL Ratio	1.10%	1.00%	0.90%	1.00%
2010 . . .	Amount of NPLs	4,701	4,549	4,354	4,293
	NPL Ratio	1.40%	1.30%	1.20%	1.14%

As indicated above, the amount of NPLs from China's banking sector has increased for thirteen successive quarters since the third quarter of 2011. The balance of NPLs of commercial banks in China as of the fourth quarter of 2014 increased by 106.6% as compared with that at the third quarter of 2011. We believe that the supply of distressed assets from the banking sector will continue to grow as a result of the commercial banks' continued demand to carve out distressed assets from their balance sheets and the conversion into joint stock companies and restructuring of city commercial banks, rural commercial banks and credit cooperatives.

In addition, as China's economic structure continues to transform, certain enterprises, especially SMEs in sectors vulnerable to economic cycles, may face more financial and operational pressure. Consequently, the loan default rate may further increase and produce a rebound of NPLs from the banking sector. As a result, we believe that the balance of NPLs from the banking industry will maintain moderate growth and generate more business opportunities for the asset management industry as China's economy continues with its structural readjustments.

(ii) *Distressed assets from non-bank financial institutions*

In addition to traditional NPLs, the sources of distressed assets for AMCs have become increasingly diverse as non-bank financial institutions have played a greater role in financing activities.

According to the China Trustee Association, as of December 31, 2010, the total assets of the PRC trust industry were less than RMB3.1 trillion. However, as of December 31, 2014, the total assets of the PRC trust industry amounted to approximately RMB13.98 trillion. At the same time, the securities and financial leasing industries have also expanded rapidly. The rapid growth of total assets of the non-bank financial institutions will drive the growth of distressed assets in the financial system.

Moreover, as an important investment and financing instrument for the real economy, non-bank financial institutions are closely related to the expansion and contraction of the real economy. Some industries may confront increasing financial and operational issues in the context of the stabilized growth of China's economy and deepening economic transformation, leading to an increase in the supply of distressed assets from non-bank financial institutions.

(iii) *Distressed assets from non-financial enterprises*

In addition to distressed assets from financial institutions, distressed assets from non-financial enterprises or entities are becoming an important source of business for the AMCs. Due to structural adjustments taking place in China's economy, the accounts receivable of some enterprises have continuously increased and their repayment periods have been extended. As a result, non-financial enterprises' demand for restructuring of assets and debt has substantially increased. According to NBSC statistics, the accounts receivable of Domestic Sized Enterprises, namely industrial enterprises with annual operating incomes of RMB20 million or more, from December 2010 to December 2014 were as follows:

	December 31, 2010	**December 31, 2011**	**December 31, 2012**	**December 31, 2013**	**December 31, 2014**
	(In billions of RMB, except for percentages)				
Accounts Receivable	6,461	6,987	8,219	9,569.3	10,516.8
Growth rate	22.4%	19.6%	16.9%	16.4%	9.9%

We estimate that the distressed assets contained in these accounts receivable will provide a promising prospect for the NFE Distressed Assets business.

Business opportunities related to Distressed Entities. The custody liquidation and restructuring of Distressed Entities are important businesses for the AMCs. The Four AMCs have accumulated extensive experience in relevant industries through working as the custodians and liquidators of Distressed Entities, which provides a solid foundation for their business expansion into and M&A related activities in these industries. It was set out in the *12th Five-Year Plan for National Economic and Social Development of the People's Republic of China* (中華人民共和國國民經濟和社會發展第十二個五年規劃綱要) that China will devote effort on changing economic growth models and will make strategic adjustments to the economic structure as a major approach to complete such a change. The measures to adjust the economic structure include, among other things, industry upgrades and transformation, eliminating outdated production capacity and cultivating and developing strategic new businesses. We believe that in the context of China's economic transformation and adjustment, numerous opportunities for M&A, restructuring and industrial integration involving Distressed Entities will emerge. We believe that the AMCs may capture such important opportunities and advance the continuous growth of the industry by providing customized financial solutions and leveraging their strengths such as professional experience in relevant industries and their diversified business platforms.

Business innovation drives industry expansion

Business innovation has driven the continuous growth of the distressed asset management industry over the past 16 years and will continue to be the driving force of the industry's development:

- *Business scope*—the Four AMCs have expanded their business scope to include the management of NFE Distressed Assets based on active business explorations and trials. As distressed asset management companies have accumulated increasingly extensive experience with respect to the management of NFE Distressed Assets. this business will become a major driver for the future growth of the industry.

- *Product diversity*—the Four AMCs will continue to develop and diversify their financial products through product innovation based on its experience in distressed asset management in order to meet the diversified needs of clients.

- *Funding sources*—the Four AMCs will spend more efforts on issuing bonds and attracting third-party funds to develop their asset management businesses and continue to diversify their funding channels.

We believe that as the distressed asset management industry becomes increasingly market-oriented, the Four AMCs will leverage their diversified business platforms and funding sources to devote more efforts to satisfying the specific and diverse demands of clients, broaden their revenue sources, improve their profitability and facilitate industry expansion.

More standardized and developed industry regulation enhances the level of market-driven practices and enhances operational efficiency

The regulation of China's distressed asset management industry has become increasingly standardized and sophisticated as the industry developed. For example, the CBRC laid a solid foundation for the future development of the industry when it issued the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)). These guidelines enable the AMCs to comprehensively and continuously monitor, identify, measure and assess the capital status and group-wide risk exposure of AMCs and provide guidance for the improvement of their risk management. In addition, the MOF and the CBRC issued the *Administrative Measures on Transfers of Distressed Assets by Financial Institutions in a Wholesale Manner* (金融企業不良資產批量轉讓管理辦法), which simplified the procedures for the commercial disposal of distressed assets by commercial banks.

In addition, the CBRC recently encouraged the AMCs to develop their businesses by following the principles of "developing a clear core business, complying with laws and regulations, promoting fair and honest operations, managing business prudently and developing in a sustainable manner," thus providing a clear guidance for the innovation and development of the industry.

The promulgation and implementation of the above regulations and guidelines has significantly increased the standardization and sophistication level of China's distressed asset management industry, encouraged AMCs to operate and compete in a more commercial manner and further enhanced the industry's overall operational efficiency. Based on the experience of China's banking, insurance and securities industries in which standardized and sophisticated regulations have promoted continuous growth, we believe that more standardized and sophisticated industry regulation will contribute the same to China's distressed asset management industry.

Development Trends of China's Distressed Asset Management Industry

Business diversification of the AMCs

In terms of distressed asset management business, we believe the AMCs will more focus on capturing the significant business opportunities from NFE Distressed Assets whilst continuing to conduct the acquisition and disposal of NPLs from the banking sector.

Concurrent with their operation of distressed asset management businesses, the AMCs will leverage their respective diversified business platforms and commit themselves to providing their clients with more extensive financial services and solutions and thus diversify their revenue sources and enhance their respective advantages in differentiated competition.

Increasingly differentiated competition among the AMCs

The Four AMCs have established their respective differentiated business platforms and formulated each of their unique strategies based on their business operation status and features.

We believe that, in addition to the distressed asset management business, the Four AMCs will continue to develop other businesses based on their existing diversified business platforms in accordance with their respective strategies. As a result, the trend of differentiated competition will prevail and become more solidified in the future.

Emphasis on developing third-party asset management business and diversifying funding sources

Currently, the assets managed by the AMCs mainly come from proprietary investments. Assets from third-parties account for a relatively minor portion of the assets managed by the AMCs. Going forward, the AMCs will spend more efforts on developing third-party asset management businesses by referencing the experience and market practice of leading international asset management companies in order to further optimize their revenue and profit structures and facilitate the sustainable growth of their businesses and profits. During this process, the AMCs may leverage their advantages in possessing diversified business licenses to create product combinations corresponding to different risk appetites and satisfying the investment management needs of institutional investors and high net-worth individuals. Also, the AMCs will focus more on establishing effective connections between the third-party assets they manage and their distressed asset management business in accordance with relevant laws and regulations in order to achieve their own development when delivering appropriate returns to third-party investors.

In addition to the third-party asset management business, the AMCs will also endeavor to explore the expansion of funding sources such as bank loans, inter-bank borrowings, bond offerings, introduction of strategic investors and public listings in combination to support their business development with stable and efficient funding sources.

OTHER FINANCIAL SERVICE INDUSTRIES RELATED TO OUR BUSINESS

In response to the market demands for comprehensive financial solutions, the Four AMCs have all started establishing diversified business platforms. In addition to distressed asset management, Cinda has engaged in other businesses such as securities, trust, financial leasing, private equity and insurance through subsidiaries including Cinda Securities, Jingu Trust Cinda Leasing, Cinda Investment, Cinda Capital, Cinda P&C and Happy Life.

Current situation and outlook of China's securities industry

China's stock market has grown significantly in terms of both the number and total market value of listed companies. According to statistics from the CSRC, the number of listed companies in China increased from 1,434 as of December 31, 2006 to 2,613 as of December 31, 2014, representing a CAGR of 7.8%. According to the statistics from the SSE and SZSE, the total market value of listed companies in China increased from RMB8.9 trillion as of December 31, 2006 to RMB37.3 trillion as of December 31, 2014, representing a CAGR of 19.62%. As of June 30, 2013, the total market value and the total trading volume in the first six months of 2013 of listed companies in China ranked fifth and fourth globally, respectively.

Due to the rapid development of China's capital markets, China's securities industry has maintained a steady growth. According to the Securities Association of China (the "SAC"), the total assets of China's securities industry increased from RMB611.4 billion as of December 31, 2006 to RMB4.09 trillion as of December 31, 2014, while the net assets of the industry increased from RMB105.0 billion as of December 31,2006 to RMB920.5 billion as of December 31, 2014, representing a CAGR of 26.82% and 31.18%, respectively.

Despite over 21 years of growth, the scale of China's securities industry remains under-developed as compared with that of China's overall economy and financial industry, and that of the securities industries in the developed markets overseas. According to the SAC and the Securities Industry and Financial Markets Association in the United States, the total assets of the securities industries in China and the U.S. were RMB1.7 trillion and US$4.6 trillion, respectively, as of December 31, 2012. In 2012, the total revenue of the securities industries in China and the U.S. were RMB129.5 billion and US$254.7 billion, respectively. Furthermore, enterprises in China mainly raise funds indirectly from bank loans, and direct financing channels such as equity and bond offerings are far less popular than those in more developed economies such as the U.S. Direct financings, namely equity and bond securities offerings, accounted for only 33.7% of aggregate financings in China in 2012, compared to 87.6% in the U.S. in the same year. It is anticipated that the scale and business and profit models of China's securities industry will be considerably improved with the improvement of capabilities of securities companies and the diversification of client demands.

Current situation and outlook of China's trust industry

China's trust industry has grown rapidly in recent years. According to China Trustee Association, the trust assets of China's trust industry increased from RMB0.95 trillion as of December 31, 2007 to RMB10.91 trillion as of December 31, 2013, representing a CAGR of 50.2%.

According to statistics from the China Trustee Association, the trust assets and total income of China's trust industry from December 31, 2010 to December 31, 2013 were as follows:

	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
	(in millions of RMB, except for percentages)				
Trust assets . .	3,040,455	4,811,438	7,470,555	10,907,111	13,976.23
Growth rate . .	49.0%	58.2%	55.3%	46.0%	28.1%

	2010	2011	2012	2013	2014
	(in millions of RMB, except for percentages)				
Total income	28,395	43,929	63,842	83,260	95,495
Growth rate	—	54.7%	45.3%	54.4%	14.7%

Along with the rapid growth of the trust industry, the regulatory authorities have focused more on the development of the trust industry within proper regulatory boundaries, especially by imposing stringent regulations on real estate investment trust products and bank-trust cooperation products, which may result in a slowdown in the growth of certain trust products. In terms of competition from other financial industries, with the relaxation of regulatory requirements of other industries, direct financing will develop more rapidly and other financial institutions, such as securities companies and mutual funds, will also compete with trust companies in the financing market. Notwithstanding these developments, we believe that the trust industry will continue to play an important role in supporting the real economy of China based on its business scale, clients and professional advantages.

Current situation and outlook of China's Financial Leasing Industry

The *Administrative Measures on Financial Leasing Companies* (金融租賃公司管理辦法) (as amended) came into effect in March 2007, which allows qualified financial institutions to hold equity interest in or incorporate a Financial Leasing Company. Subsequently, major domestic commercial banks such as ICBC and CCB successively incorporated their Financial Leasing Companies. The number of Financial Leasing Companies under the regulation of the CBRC had increased from 11 in 2007 to 30 companies as of December 31, 2014.

As a result of the adjustment of China's monetary policy and the scale control imposed by the regulatory authorities, the development of the Financial Leasing Industry stabilized in recent years. According to the statistics from the China Leasing Union (中國租賃聯盟), the total balance of leasing receivables of the Financial Leasing Industry reached RMB740 billion as of June 30, 2013, representing an increase of 12.1% compared to the end of 2012 and representing 38.9% of the total leasing receivables generated by financial leasing companies regulated by the CBRC and MOFCOM. According to the same source, China's Financial Leasing Industry recorded a net profit of approximately RMB8 billion in the first six months of 2013, representing approximately 80% of the industry's net profit in 2012. As of June 30, 2013, the total assets of China's Financial Leasing Companies amounted to approximately RMB902 billion, representing an increase of 13% compared to December 31, 2012.

The financing sources of Financial Leasing Companies are still limited with bank loans as the primary funding source. As a result, it becomes increasingly important for the Financial Leasing Companies to expand financing sources and obtain funds at reasonable cost. Some of the Financial Leasing Companies are carrying out research on obtaining financing from securities and insurance companies.

Current situation and outlook of China's private equity industry

With the increasing popularity of the concept of private equity in China, private equity investment, as an emerging investment instrument, has been increasingly used by investors, leading to a record number of new funds in 2014. According to PEdaily.cn, approximately 405 private equity funds completed fund raising in the first 11 months of 2014, representing an increase of 16.05% from 349 funds in full-year 2013. The funds raised by the newly established private equity funds had reached a record high of US$56.2 billion, representing a significant increase of 62.9% from US$34.5 billion of 381 funds in 2013.

Since the end of 2012, the confidence of private equity investors has been adversely affected by reduced returns resulting from fluctuations in the overseas markets and difficulties in exiting through IPOs, which in turn has affected the total amount of funds raised. In order to address the funding difficulties, the positioning of newly established private equity funds is becoming more segmented and themed funds specializing in particular markets are emerging. At the same time, the newly established funds have reduced size, more diversified investment strategies and more frequently use of novel financing approaches such as bridge financing, M&A and mezzanine funds.

Although there are numerous funds in the private equity market of China, we believe there are only a limited number of funds specializing in distressed asset investments, which creates significant business opportunities for the AMCs.

Current situation and outlook of China's insurance industry

China's insurance industry has developed rapidly over recent years. According to the most recent Sigma report by Swiss Re Group, from 2006 to 2012, the total premiums of non-life insurance and life insurance in China increased at CAGRs of 27.7% and 25.7%, respectively. As of the end of 2012, the total non-life and life insurance premiums of China amounted to approximately US$104.3 billion and US$141.2 billion, respectively, both ranking second in Asia and fifth in the world.

According to the Sigma report, the total premiums of insurance companies in China from 2006 to 2012 are as follows:

	2006	2007	2008	2009	2010	2011	2012
	(In billions of US$, except for percentages)						
Non-life insurance	25.7	33.8	45.0	53.9	71.6	87.3	104.3
Growth rate	25.2%	31.5%	33.1%	19.8%	33.0%	21.9%	19.4%
Life insurance	45.0	58.7	95.8	109.2	143.0	134.5	141.2
Growth rate	13.7%	30.3%	63.8%	13.9%	31.0%	(5.9)%	5.0%

Although PRC insurance industry has developed rapidly, its insurance penetration and density remain at comparatively low levels. According to the latest Sigma report, the market penetration of non-life insurance and life insurance in China in 2012 was 1.3% and 1.7%, respectively, considerably lower than 2.3% and 9.2% in Japan, and 4.5% and 3.7% in the U.S. In addition, in 2013, the insurance density of non-life insurance and life insurance in China were US$76 billion and US$103 billion, respectively, significantly lower than US$1,025 billion and US$4,143 billion in Japan, and US$2,239 billion and US$1,808 billion in the U.S. As a result, the PRC insurance industry still has significant growth potential.

We expect the PRC insurance industry to continue to develop due to the progress of urbanization, the enhancement of property protection awareness among residents, the aging population and the increasing demand for insurance from residents. According to the forecast of the *Outline of the 12th Five-year Development Plan for the PRC Insurance Industry* (中國保險業「十二五」發展規劃綱要) issued by the CIRC, the PRC insurance industry will maintain rapid development with a growth rate significantly higher than that of China's nominal GDP through 2015 or longer.

Our History

With the approval of the State Council, Cinda Corporation, the predecessor of our Company, was established in Beijing on April 19, 1999 with a registered capital of RMB10 billion contributed solely by the MOF. Cinda Corporation was established as a wholly state-owned non-bank financial institution with the aim of effectively mitigating financial risk, maintaining stability of the financial system and accelerating the reform and development of state-owned banks and enterprises. It was the first AMC to acquire, manage and dispose NPLs of state-owned banks.

Since 1999, Cinda Corporation, in the course of carrying out the Policy Business, purchased NPLs of RMB396.3 billion divested from, among others, CCB and CDB at the Original Value financed by issuance of financial bonds to CCB and CDB and borrowings from the PBOC. In addition, in order to support the reform and development of medium and large SOEs and assist in optimizing their asset and liability structures, Cinda Corporation, as an investment entity, selectively converted distressed debt assets into equity in such medium and large SOEs pursuant to the Opinions on Certain Issues Regarding Converting Debt into Equity (關於實施債權轉股權若干問題的意見) issued by State Economic and Trade Commission and the PBOC. We completed DES for approximately 400 SOEs in the PRC since our inception. Our distressed debt asset and DES Assets acquired during the Policy Phase were collectively referred to as "Policy Business," while other businesses are referred to as "Commercial Business." Specifically, the features of Policy Business are: (i) the price for and financing of these distressed asset acquisitions were determined or arranged by the PRC government; (ii) we managed and disposed of these distressed assets in accordance with performance evaluation benchmarks determined by the MOF; and (iii) our losses incurred from the acquisition and disposal of Policy Business were handled in a manner as proposed by the MOF and approved by the State Council. As we have not acquired any Policy Distressed Assets after the year of 2000, all distressed assets we acquired for the three years ended December 31, 2013 were Commercial Distressed Assets. The MOF implemented performance evaluation benchmarks for the four AMCs, which took Cash Recovery Ratio and Expense Ratio of Policy Businesses as the evaluation criteria. In 2005, Cinda Corporation was the first, among the Four AMCs, to exceed the targets for Policy Business ahead of schedule with the highest Cash Recovery Ratio.

In 2004, Cinda Corporation acquired NPLs divested from BoCOM prior to its listing at the Original Value of RMB64 billion through innovative transaction structure, and acquired all NPLs divested from BOC and CCB with the Original Value of RMB278.7 billion prior to their listings through competitive bidding process, making us the largest primary wholesaler in the distressed asset management market at that time. In 2005, Cinda Corporation further acquired NPL packages divested from ICBC with the Original Value of RMB58.1 billion prior to its listing through competitive bidding process. During 2004 and 2005, the acquisitions of NPLs divested from state-owned commercial banks by Cinda Corporation through competitive bidding process were at market prices and funded by borrowings from PBOC. This series of transactions demonstrated the commercialization of our business models.

In 2005, Cinda Corporation acquired NPLs with the Original Value of RMB3 billion from Bank of Shanghai backed by commercial financing, which was the first distressed asset acquisition sourced and financed on commercial basis by an AMC. Since then, we have actively captured the opportunities arising from the disposal of distressed assets by Joint-stock Commercial Banks and city commercial banks, and successfully acquired distressed asset packages of China Everbright Bank, Hua Xia Bank, Shenzhen City Commercial Bank and Bank of Xi'an, etc., and further solidified our leading industry position. In addition, we have conducted custody, liquidation and restructuring of financial institutions with financial and operational issues, and established an integrated platform of financial services covering securities, futures, trust company, leasing, fund management and insurance with a focus on our distressed asset management business in order to provide customized financial solutions to our clients.

In 2008, in accordance with the applicable regulations, Cinda Corporation established separate accounts for its Policy Business and Commercial Business as of the end of 2006 to manage the two businesses independently of each other. In 2008, Cinda Corporation commenced its joint-stock reform process, and conducted an independent appraisal of its Policy Business and Commercial Business as of June 30, 2009. This appraised value was used to determine the value of the capital contribution by MOF for the establishment of Cinda and the valuation for the acquisition by Cinda of all of the remaining assets of the Policy Business.

With the approval of the State Council, Cinda Corporation was renamed "China Cinda Asset Management Co., Ltd." on June 29, 2010. Cinda was established as a joint stock company with the MOF as its sole promoter, and assumed all of the assets, subsidiaries, branches, businesses, personnel and relevant policies of Cinda Corporation. The MOF subscribed for 25,155,096,932 shares at par value of RMB1.00 per share, corresponding to the appraised net asset value of the Commercial Business of Cinda Corporation of RMB25,155,096,932. As one part of our financial restructuring, we acquired the remaining assets comprising the Policy Business of Cinda Corporation from the MOF at a consideration of approximately RMB48,568 million to form part of our Commercial Business. The consideration was settled by installments payable on a yearly basis and reflected as accounts payable in our consolidated financial statements. After this acquisition, we managed and assumed losses arising from these assets on our own account. Therefore, this acquisition represents the termination of our Policy Business and no asset is considered to be Policy Distressed Assets on our balance sheet thereafter.

At the same time, as the other part of our financial restructuring, the obligation to repay all principal and interest on debts related to the Policy Business of Cinda Corporation was waived or satisfied through the establishment of a jointly-managed fund to repay the principal of the existing bond, as described further below.

In 1999, Cinda Corporation acquired distressed assets from CCB with an aggregate book value of RMB250 billion for consideration of RMB3.0 billion cash and the issuance of financial bond, referred to as the existing bond, of principal RMB247 billion, with an initial term of 10 years and carrying an interest rate of 2.25% per annum. In September 2004, the MOF issued a notice which provided that: (i) beginning from January 1, 2005, in the event that Cinda Corporation is unable to pay interest payments on the existing bond in full, the MOF will provide financial support, and (ii) if necessary, the MOF will also provide financial support with respect to Cinda Corporation's repayment of the principal of the existing bond. In September 2009, the MOF issued a further notice which provided that: (i) the term of the existing bond was to be extended to 20 years, and (ii) the MOF will continue to provide support with respect to the repayment of the principal and interest on the existing bond.

In 2010, pursuant to the overall restructuring plan approved by the State Council, the MOF established a jointly-managed fund to manage the repayment of the principal of the existing bond which is removed from our balance sheet. Pursuant to the arrangements in connection with the jointly-managed fund, the sources of the fund are enterprise income taxes payable by CCB and Cinda during the life of the jointly-managed fund and other capital allocated by the MOF. The funds contained in the jointly-managed fund will then be utilized to make principal payments on the existing bond. The interest on the existing bond is paid by the general budget of the MOF.

The jointly-managed fund will operate for a term from July 1, 2009 to September 21, 2019. In the event that the principal of the existing bond is fully repaid before September 21, 2019, the jointly-managed fund may be terminated. In the event that the jointly-managed fund is insufficient to repay the principal of the existing bond as of September 21, 2019, the MOF may settle the outstanding principal of existing bonds by further extending the term of the existing bond and the jointly-managed fund, or by providing additional financial support with the approval of the State Council.

After the completion of our joint-stock reform, we became the only AMC permitted to acquire distressed assets from non-financial enterprises. Since then, we actively expanded the management of distressed assets from non-financial enterprises and provided debt restructuring support to companies with temporary financial and operational issues. By efficiently coordinating our businesses, we also participated in M&A and restructuring businesses in key industries with focus on Distressed Entities. In addition, we expanded into new businesses including third party asset management business with reference to the experience of leading international asset management companies and the common practice of the industry.

In April 2012, we completed the introduction of strategic investment by NSSF, UBS, CITIC Capital (through its wholly-owned subsidiary CITIC Capital Financial Holding Limited) and Standard Chartered (through its wholly-owned subsidiary Standard Chartered Financial Holdings). After the completion of the transactions, our registered capital increased to RMB30,140,024,035. The four strategic investors held an aggregate of 13.6% of our issued share capital subject to lock-up conditions as of December 31, 2014. In addition, we also entered into master strategic cooperation agreements with our strategic investors. For more details relating to the rights of our strategic investors and strategic cooperation with them, please refer to the section headed "Strategic Investors."

As of December 31, 2014, the MOF held 67.84% of our issued share capital. The MOF is a ministry under the State Council and holds equity interests in various state-owned banks, insurance companies and asset management companies in China. The MOF, despite being the controlling shareholder of the Company, performs supervisory function over state-owned equity interests on behalf of the State Council. For details on the supervisory function of the MOF, see "Regulatory Overview — The PRC Regulatory Environment—Major Regulators—MOF." The MOF is therefore not involved in the daily management of the Company. The Company is not aware of any policy or action of the MOF that will specifically prejudice or favor a particular AMC.

Key Milestones

Important milestone events in our history are set out below:

Year	Milestone Events
Policy Phase	
1999	Cinda Corporation was incorporated in Beijing as the first AMC established by the PRC government Acquired NPLs of RMB250.0 billion from CCB and commenced the specialized disposal of distressed assets of state-owned banks Entered into DES agreement with Beijing Cement Plant and completed the first DES transaction of SOE in the PRC Acquired NPLs of RMB100.0 billion from CDB
2000	Acquired three batches of doubtful debts with a total amount of RMB23.0 billion from CCB Became the first AMC to engage in securities underwriting business by participating in the IPO of Gansu Jiu Steel Group Hongxing Iron & Steel Co., Ltd. on Shanghai Stock Exchange Restructured one of our debtors Bengbu Heat & Power by introducing foreign strategic investors, and became the first AMC to adopt such method
2001	Acquired NPLs of RMB14.0 billion from CDB

Year	Milestone Events
2002	Started selling distressed assets to overseas investors through structured transactions with a total amount of RMB12.3 billion in three batches as of 2003 Entrusted by the MOF to liquidate China Trust and Investment Corporation for Economic Development
2003	Entrusted to dispose of distressed assets of 12 subsidiaries of one of the largest telecom operators in China, becoming what we believe as the first AMC engaging in entrusted disposal of distressed assets of non-financial enterprises Completed restructuring and relisting of Zhengzhou Baiwen Co., Ltd as the principal creditor, marking the first restructuring of listed company led by a creditor
Transition Phase	
2004	Acquired NPLs of RMB64.0 billion divested from BoCOM before its listing through structured transaction Acquired NPLs of RMB278.7 billion of CCB and BOC through competitive bidding process, and became the largest primary wholesaler of distressed assets in the PRC at that time Commenced the development of new businesses including commercial acquisition of distressed assets, entrusted disposal of distressed assets and additional investment in assets for debt repayment, as approved by the CBRC Entrusted by the CSRC to take over the management of Hantang Securities and Liaoning Securities Entrusted by the MOF to dispose of NPLs amounting to RMB56.9 billion written-off during the joint-stock reform of CCB
2005	Acquired distressed assets of RMB3 billion from the Bank of Shanghai on commercial basis Became the first of the Four AMCs to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets, finishing ahead of schedule and surpassing the MOF's performance benchmarks and achieving the highest Cash Recovery Ratio and lowest Expense Ratio amongst the Four AMCs Acted as the chairman of creditors' committee to lead the restructuring of a listed company (Xin Jiang Hops Co., Ltd) on a commercial basis Acquired five NPL packages of ICBC in Beijing and Guangdong with a total amount of RMB58.1 billion through competitive bidding
2006	Expanded into fund management business by establishing First State Cinda Fund, a joint venture with Colonial First State Group Ltd., an affiliate of Commonwealth Bank of Australia Issued "Xinyuan 2006-1 Restructuring ABS," a listed senior asset-backed security, of RMB3 billion with the approval of PBOC and CBRC, the first batch of distressed assets securitization product in the PRC
2007	Expanded into securities business by establishing Cinda Securities Expanded into life insurance business by establishing Happy Life Acquired distressed assets package of Shenzhen City Commercial Bank on commercial basis

Year	Milestone Events
2008	Expanded into futures business by acquiring Zhejiang Jindi Futures Brokerage Co., Ltd., (浙江金迪期貨經紀有限公司) and renamed it as Cinda Futures Co., Ltd. Led the liquidation team which acted as the bankruptcy manager of Huaxia Securities Expanded into offshore securities businesses by acquiring Hantec Investment Holdings Limited which was renamed as Cinda International Cinda Capital Management Co., Ltd. was incorporated to carry out private equity business Re-issued asset pool securitization product "Xinyuan 2008-1" with distressed assets as underlying securities, the offer size of listed senior asset-backed security is RMB 2 billion Cinda acted as the advisor on assets for the credit asset securitization transactions of CCB and held subordinated asset-backed securities, being the first AMC to participate in the disposal of distressed assets of banks through asset securitization Completed the reverse takeover of Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Ltd., a company listed on the SSE, and renamed it in 2009 as Cinda Real Estate, hence achieving the listing of our real estate business Acquired distressed assets package of China Everbright Bank on commercial basis
2009	Became a shareholder of Bank of Xi'an through financial restructuring transactions such as acquisition of distressed assets package Expanded into P&C insurance business by establishing Cinda P&C Expanded into the trust business through restructuring and re-registration of Jingu Trust
Commercial Phase	
2010	Cinda Corporation was converted into Cinda with the approval of the State Council, and became the first AMC to complete joint-stock reform Expanded into financial leasing business by establishing Cinda Leasing upon the restructuring of West Financial Leasing Co., Ltd. ("West Financial Leasing") Started acquisition of distressed assets from non-financial enterprises with the approval of CBRC
2011	Participated in the nationwide interbank borrowing market with the approval of PBOC Acquired distressed assets of Beijing Rural Commercial Bank on commercial basis, marking a breakthrough in acquisition method of distressed assets from banks
2012	Completed the introduction of strategic investments by NSSF, UBS, CITIC Capital and Standard Chartered with the approval of the State Council and CBRC, and became the first AMC to introduce strategic investors Issued financial bonds of RMB10 billion in the interbank bond market, and became the first AMC to issue domestic financial bonds Entered into a new stage of third party asset management business by jointly promoting and establishing Ningbo Qiushi Investment Management Partnership (Limited Partnership) with Kunlun Trust Co., Ltd., a subsidiary of CNPC

Year	Milestone Events
	Issued offshore Renminbi denominated bonds of RMB2 billion in Hong Kong through Cinda HK, and became the first AMC to issue offshore Renminbi bonds
	Participated in the establishment of China Agriculture Industry Development Fund by way of promotion, and our subsidiary Cinda Capital obtained the qualification of fund manager through competitive bidding process
2013	Completed the initial public offering of our shares and have since become the first AMC successfully listed on the Hong Kong Stock Exchange
2014	Sale of shares in Bank of Xi'an
	Capital Injection Agreement between Cinda Sino-Rock Energy and Sinopec Marketing
	First AMC that successfully completed US$ notes offering under Rule 144A and Regulation S

Our Major Operating Subsidiaries

We have 31 Company Branches across 30 provinces in the PRC, mainly engaged in distressed asset management, financial investment and asset management, and financial service businesses. In addition, we have nine principal subsidiaries, of which six are engaged in financial service sectors, namely: securities and futures, trust, financial leasing, fund management, P&C insurance and life insurance, while the other three are engaged in financial investment and asset management business. Descriptions of our major operating subsidiaries of the Group are set forth below.

Cinda Securities

We co-founded Cinda Securities with Zhonghai Trust and Investment Co., Ltd. (currently known as Zhonghai Trust Co., Ltd.) and China National Materials Industry Corporation (currently known as China National Materials Group Corporation Ltd.) by way of promotion in September 2007 with a registered capital of RMB1,511 million. Our Company, Zhonghai Trust and Investment Co., Ltd. and China National Materials Industry Corporation held 99.27%, 0.60% and 0.13% interest in Cinda Securities, respectively. As of December 31, 2014, Cinda Securities had a registered capital of RMB2,569 million and was held by as to 99.33%, 0.60% and 0.08% by our Company, Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd., respectively.

The businesses of Cinda Securities include securities brokerage; securities investment consulting; financial advisory in securities trading and investment; securities underwriting and promotion; proprietary securities trading; securities asset management; securities margin trading; sales of securities investment fund products; intermediary services for futures firms and financial brokerage business. Cinda Securities also holds 100% equity interests in Cinda Futures. Cinda Futures has a registered capital of RMB 300 million and its major businesses include futures and commodities brokerage, financial futures brokerage and futures investment advisory.

Jingu Trust

China Jingu International Trust Investment Co., Ltd., the predecessor of Jingu Trust, was jointly established by eight institutions with a registered capital of RMB250 million. We purchased 63% equity interest in China Jingu International Trust Investment Co., Ltd. from its then controlling shareholder, China National Bluestar (Group) Co, Ltd. in 2008 with China Women Activity Center and China Overseas Engineering Group Co., Ltd. held the remaining 30% and 7% equity interest in China Jingu International Trust Investment Co., Ltd., respectively. In September 2009, as approved by the CBRC, Jingu Trust was re-registered and commenced operation as China

Jingu International Trust Co., Ltd. We increased our shareholding in Jingu Trust to 92.29% by subscribing for new shares. The registered capital of Jingu Trust increased to RMB1,200 million. As of December 31, 2014, the registered capital of Jingu Trust increased to RMB2,200 million. Our Company, China Women Activity Center and China Overseas Engineering Group Co., Ltd. held 92.29%, 6.25% and 1.46% of its equity interest, respectively.

The businesses of Jingu Trust include capital trust; property trust; real estate trust; marketable securities trust; other property or property right trust; engagement in investment fund business as a promoter of investment funds or fund management companies; conducting restructuring of company assets, M&A and project financing, corporate wealth management and financial advisory; custody operation of securities underwriting business as approved by the relevant authorities of the State Council; brokerage, consultancy, and credit investigation; custody and safe deposit box service; application of inherent properties due from banks, placement with banks, loans, leasing and investment; provision of guarantee with inherent properties; inter-bank lending and borrowing.

Cinda Leasing

Gansu Province Leasing Company, the predecessor of Cinda Leasing, was jointly established by Gansu branch of CCB, Complete Machinery & Equipment Company of Gansu Province, Gansu Machinery Industry Corporation, Gansu Machinery Engineering Company and Second Engineering Company of Northwest Power Construction Bureau in July 1988 with an initial registered capital of RMB24 million. It was subsequently re-registered as a limited company in December 1996 and was renamed as West Financial Leasing Co., Ltd. in January 2002. In 2005, we acquired 0.30% of equity interest in West Financial Leasing in satisfaction of debt. In May 2010, as a part of the reorganization of West Financial Leasing, we obtained 98.7% of its equity interest through acquisition and subscription of its new shares. West Financial Leasing was then renamed as Cinda Financial Leasing Co., Ltd. As of December 31, 2014, the registered capital of Cinda Leasing increased to RMB3,505 million. Our Company, Zhongrun Development (our subsidiary) and seven other independent third party corporate shareholders held 99.635%, 0.278% and 0.087% of its equity interest, respectively.

The businesses of Cinda Leasing include financial leasing business; time deposits with maturity of three months or more of non-bank institutions; accepting premium for lease; transfer and purchase of financial leasing assets; fixed-income securities investment business; inter-bank lending and borrowing; borrowing from financial institutions; offshore foreign exchange borrowings; sale and disposal of lease residuals; economic consulting; and other businesses approved by the CBRC.

First State Cinda Fund

First State Cinda Fund is a Sino-foreign asset management joint venture established by our Company and Colonial First State Group Ltd. in June 2006 with a registered capital of RMB100 million. Our Company and Colonial First State Group Ltd. held 54% and 46% of equity interest in First State Cinda Fund, respectively. As of December 31, 2014, the registered capital of First State Cinda Fund was RMB100 million. Our Company continued to hold 54% of equity interest in First State Cinda Fund while Colonial First State Group Ltd. held the remaining 46%.

The businesses of First State Cinda Fund include fund raising, fund sales, asset management and other businesses permitted by the CSRC.

Cinda P&C

Cinda P&C was established in August 2009 with a registered capital of RMB1,000 million. Our Company, Cinda Investment and China Economic Trust Investment Co., Ltd. held 20%, 20%, 11% of equity interest in Cinda P&C, respectively, and ten other corporate shareholders held the remaining 49%. As of December 31, 2014, the registered capital of Cinda P&C was RMB3,000 million. Our Company and 16 corporate shareholders held 51% and 49% of its equity interest, respectively.

The businesses of Cinda P&C include property insurance; liability insurance; credit insurance and guarantee insurance; short-term health insurance and accident insurance; reinsurance business of the above-mentioned insurances; insurance fund utilization permitted by PRC laws and regulations; and other businesses approved by the CIRC.

Happy Life

Happy Life was established in November 2007 with a registered capital of RMB1,159 million. Cinda Investment, a subsidiary of our Company, Hainan Wanquan Tropical Agricultural Investment Co., Ltd. and China Economic Trust Investment Co., Ltd. each held 17.26% of equity interest (51.78% in total) in Happy Life and other 12 corporate shareholders jointly held the remaining 48.22%. As of December 31, 2014, the registered share capital of Happy Life was RMB5,341 million. Our Company directly and indirectly held 50.995% of its equity interest.

The businesses of Happy Life include personal insurance business, such as life insurance, health insurance and personal accident insurance; reinsurance business of the above-mentioned insurance; insurance fund utilization allowed by PRC laws and regulations; and other businesses approved by the CIRC.

Cinda Investment

Cinda Investment was established in August 2000 with a registered capital of RMB300 million and with our Company, Hainan Jianxin Investment Management Co., Ltd., Shanghai Liren Investment Management Co., Ltd., Shenzhen Jianxin Investment Development Co., Ltd. and Beijing Jianxin Industry Co., Ltd. as the promoters, which held 95.00%, 1.67%, 1.67%, 1.00% and 0.67% of equity interest in Cinda Investment, respectively. As of December 31, 2014, the registered share capital of Cinda Investment was increased to RMB2.0 billion and was wholly-owned by our Company.

The businesses of Cinda Investment include outbound investment and asset management. As of December 31, 2014, Cinda Investment held interest in Cinda Real Estate (a company listed on the SSE (stock code: 600657)) as to 54.75% directly, and 0.99% and 71.38% indirectly through Hainan Jianxin Investment Management Co., Ltd., which is held as to 94.2% and 5.8% by Cinda Investment and Shenzhen Jianxin Investment Development Co., Ltd, respectively, and Shenzhen Jianxin Investment Development Co., Ltd., a wholly-owned subsidiary of Cinda Investment, respectively. Cinda Real Estate, which mainly engages in property development, is our operation platform for property development business. In addition, Cinda Investment holds interest in Shanghai Tongda Venture Capital Co., Ltd. ("Tongda Venture," a company listed on the SSE (stock code: 600647)) as to 40.68% directly and 0.34% indirectly through Hainan Jianxin Investment Management Co., Ltd., which is held as to 94.2% and 5.8% by Cinda Investment and Shenzhen Jianxin Investment Development Co., Ltd, respectively. Tongda Venture mainly engages in high-tech industry investment, industrial investment and asset management, agricultural development, operation and domestic trade (subject to special regulations).

Cinda HK

Cinda HK was incorporated in Hong Kong in December 1998. As of December 31, 2014, Cinda HK had an issued share capital of HK$1.7 billion and was wholly-owned by our Company.

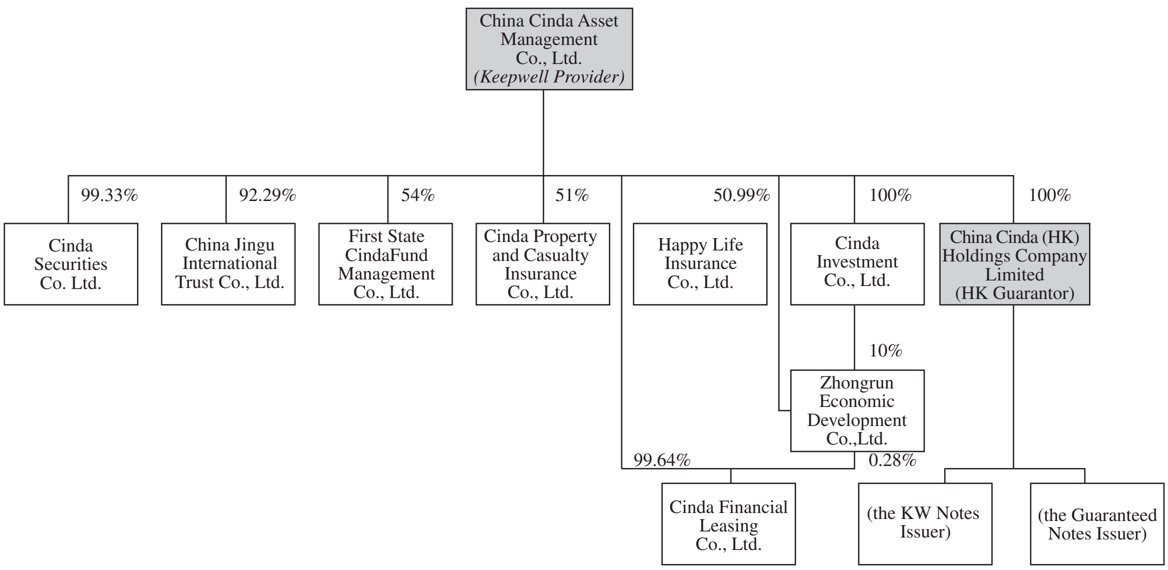
Cinda HK serves as a key platform for us to conduct offshore asset management business and provides offshore financial services. We conduct equity investment, securities investment and asset management business globally through Cinda HK and its subsidiaries. Cinda HK also engages in overseas investment banking business through Cinda International (Hong Kong Stock Exchange stock code: 00111). As of December 31, 2013, Cinda International was held by Sinoday as to 63% and by Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 00171) as to 7.87%. Silver Grant International Industries Limited is held indirectly by Cinda HK as to 19.54%. Cinda International, which mainly engages in corporate financing, securities, futures, asset management and wealth management, is an important platform for us to develop overseas business.

Zhongrun Development

Zhongrun Development was established in April 1996 with a registered capital of RMB30 million, which is held as to 90% and 10% by China Trust and Investment Corporation for Economic Development and Beijing Yihong Economic Development Company, respectively. In May 2000, the 10% interest held by Beijing Yihong Economic Development Company was transferred to Beijing Lingchuang Technology Development Company Limited, a subsidiary of China Trust and Investment Corporation for Economic Development. In July 2003, MOF allocated the 90% interest held by China Economic Development Trust Investment Co., Ltd. in Zhongrun Development to our Company. We further acquired the remaining 10% interest of Zhongrun Development through Cinda Investment in December 2012. As of December 31, 2014, Zhongrun Development had a registered capital of RMB30 million and was held as to 90% and 10% by our Company and Cinda Investment, respectively. The businesses of Zhongrun Development include distressed asset management, assets under trust and management, corporate restructuring and financial consulting.

Our Corporate Structure

The following chart sets forth our corporate structure showing our key subsidiaries as of the date of this offering memorandum.



DESCRIPTION OF THE KW NOTES ISSUER

Overview

The KW Notes Issuer was incorporated as a BVI business company with limited liability on March 4, 2015 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended). Its registered office is located at Pasea Estate, P.O. Box 958, Road Town, Tortola VG1110, British Virgin Islands. The KW Notes Issuer is wholly owned by the HK Guarantor.

Business Activity

Under the KW Notes Issuer's memorandum of association, the KW Notes Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes are outstanding, the KW Notes Issuer will limit its permitted activities as described under "Description of the Notes and the Guarantees — 6. Covenants — 6D. Limitation on the Issuers' Activities." The KW Notes Issuer's primary purpose is to act as one of our financing subsidiaries to issue and hold the Notes. The KW Notes Issuer has no material business nor assets and does not have any employees. In the future, the KW Notes Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

The KW Note Issuer has elected or will elect to be treated as a disregarded entity solely for U.S. federal income tax purposes, effective on or before the issue date of the KW Notes.

Directors and Officers

The directors of the KW Notes Issuer are Mr. Tang Bao Qi and Mr. Wang Zheng Min. The directors of the KW Notes Issuer do not hold any shares or options to acquire shares of the KW Notes Issuer.

There are no potential conflicts of interest between any duties of any of the management of the KW Notes Issuer or the HK Guarantor to the KW Notes Issuer or the HK Guarantor, respectively, and their private interests and/or other duties.

Share Capital

The KW Notes Issuer is authorized to issue up to a maximum of 10,000 ordinary shares of a single class of US$1.00 each, one of which have been issued and is fully paid. No part of the equity securities of the KW Notes Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Information

The KW Notes Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorization, execution and issue of the Notes, and the documents and matters referred to or contemplated in this offering memorandum to which the KW Notes Issuer is or will be a party and matters which are incidental or ancillary to the foregoing.

As of the date of this offering memorandum, the KW Notes Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the KW Notes Issuer.

The financial year of the KW Notes Issuer runs from January 1 to December 31. There has been no material change in the activities of the KW Notes Issuer since its incorporation.

The KW Notes Issuer has not prepared any financial statements since its incorporation.

DESCRIPTION OF THE GUARANTEED NOTES ISSUER

Overview

The Guaranteed Notes Issuer was incorporated as a BVI business company with limited liability on March 4, 2015 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended). Its registered office is Pasea Estate, P.O. Box 958, Road Town, Tortola VG1110, British Virgin Islands. The Guaranteed Notes Issuer is wholly owned by the HK Guarantor.

Business Activity

Under the Guaranteed Notes Issuer's memorandum of association, the Guaranteed Notes Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes are outstanding, the Guaranteed Notes Issuer will limit its permitted activities as described under "Description of the Notes and the Guarantees — 6. Covenants — 6D. Limitation on the Issuers' Activities." The Guaranteed Notes Issuer's primary purpose is to act as one of our financing subsidiaries to issue and hold the Notes. The Guaranteed Notes Issuer has no material business nor assets and does not have any employees. In the future, the Guaranteed Notes Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

The Guaranteed Note Issuer has elected or will elect to be treated as a disregarded entity solely for U.S. federal income tax purposes, effective on or before the issue date of the Guaranteed Notes.

Directors and Officers

The directors of the Guaranteed Notes Issuer are Mr. Tang Bao Qi and Mr. Wang Zheng Min. The directors of the Guaranteed Notes Issuer do not hold any shares or options to acquire shares of the Guaranteed Notes Issuer.

There are no potential conflicts of interest between any duties of any of the management of the Guaranteed Notes Issuer or the HK Guarantor to the Guaranteed Notes Issuer or the HK Guarantor, respectively, and their private interests and/or other duties.

Share Capital

The Guaranteed Notes Issuer is authorized to issue up to a maximum of 10,000 ordinary shares of a single class of US$1.00 each, one of which have been issued and is fully paid. No part of the equity securities of the Guaranteed Notes Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Information

The Guaranteed Notes Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorization, execution and issue of the Notes, and the documents and matters referred to or contemplated in this offering memorandum to which the Guaranteed Notes Issuer is or will be a party and matters which are incidental or ancillary to the foregoing.

As of the date of this offering memorandum, the Guaranteed Notes Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the Guaranteed Notes Issuer.

The financial year of the Guaranteed Notes Issuer runs from January 1 to December 31. There has been no material change in the activities of the Guaranteed Notes Issuer since its incorporation.

The Guaranteed Notes Issuer has not prepared any financial statements since its incorporation.

DESCRIPTION OF THE HK GUARANTOR

Overview

The HK Guarantor, Cinda HK, is a wholly-owned subsidiary of the Company. Cinda HK was incorporated in Hong Kong in December 1998 under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (company number: 662508). As of December 31, 2014, Cinda HK had 1.7 billion ordinary shares in issue. Cinda HK's registered office is 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong.

Cinda HK serves as the key platform for us to conduct offshore asset management business and overseas financing and provides offshore financial services and serves as a bridge between our domestic and overseas businesses. Cinda HK is also dedicated to establish and enhance its position as the Group's overseas platform through its equity interest and investment in Cinda International, Sino Rock Investment Company Limited, China Fortune Group Ltd., Silver Grant International Industries Limited and other financial enterprises with multiple licenses for financial businesses

Business Activities

The key businesses of Cinda HK are investment management business, investment banking business and asset management business. Cinda HK generates synergies within the Group by collaborating with the Company and other subsidiaries in cross-border investment, financing and M&A activities.

Investment Management Business

Cinda HK's investment management businesses primarily include

- distressed asset management;
- direct equity investment including private equity investment, convertible debt investment, private investment in public entities and fixed income received;
- real estate finance; and
- the investment in stocks, options, bonds and funds in primary and secondary markets.

Investment Banking Business

Cinda HK, through its subsidiary, Cinda International and its associate Sino Rock Investment Company Limited, advises on fund raising, corporate restructuring, mergers, acquisitions and takeovers of both private and public companies. It also engages in broking services, such as securities broking, commodities and futures broking and financial planning and insurance broking.

Asset Management Business

Cinda HK, through its subsidiary, Cinda International, and its associate, Sino Rock Investment Company Limited, manages funds and assets of third parties and receives management fees and performance fees.

Directors

All of the directors of Cinda HK are appointed by the Company. At the date of this offering memorandum, the directors of Cinda HK are:

- ZHONG Jin
- MA Yilin
- TANG Baoyi
- ZHANG Changyi
- SUN Jiandong
- SHEN Jiamu

Financial Information

For details of Cinda HK's financial information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the HK Guarantor" and its financial statements included elsewhere in this offering memorandum.

Unless indicated otherwise, all data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Four AMCs, come from the CBRC. Such data and information may be compiled according to standards different from the requirements of IFRS and therefore may not be comparable to numbers in our consolidated financial information included elsewhere in this offering memorandum.

OVERVIEW

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms. As of December 31, 2012, 2013 and 2014, our total assets were RMB254,614.4 million, RMB383,785.4 million and RMB544,427.4 million (US$87,745.8 million), respectively, and our net assets were RMB60,884.8 million, RMB82,762.1 million and RMB101,863.3 million (US$16,471.4 million), respectively.

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have achieved many industry milestones. Among the Four AMCs:

- We were the first to convert into a joint stock company as approved by the State Council, which effectively drove the market-oriented transformation of the entire industry.
- We are the first and only AMC to complete its initial public offering, which has diversified our equity capital sources and enhanced our corporate governance.
- We are the first and only AMC approved by the CBRC to acquire NFE Distressed Assets on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.

We are the leader of China's distressed asset management industry in terms of income, profit, business scale and cash recovered:

- We had the highest income and profit among the Four AMCs from 2010 to 2012.
- We were rated "Outstanding" ("AA" level of A-grade) for three consecutive years from 2009 to 2011 in the MOF's Performance Evaluation of State-owned Financial Enterprises.
- Our net assets were RMB101.9 billion as of December 31, 2014.
- We had acquired distressed assets with an aggregate Original Value of RMB1,288.6 billion as of December 31, 2014.

Our principal business segments include (i) distressed asset management, (ii) financial investment and asset management and (iii) financial services. The table below sets forth a breakdown of the major business lines of each principal business segment.

Distressed Asset Management	Financial Investment and Asset Management	Financial Services
• Distressed debt asset management	• Principal investment	• Securities and futures
• Management of DES Assets	• Asset management (Private equity fund)	• Trust
• Custody, liquidation and restructuring services for Distressed Entities	• Others[(1)]	• Financial leasing
		• Fund management
		• Insurance

(1) Mainly includes consultancy and financial advisory services by the Company, Cinda Investment and Cinda HK.

For the year ended December 31, 2014, our income from business segments of distressed asset management, financial investment and asset management and financial services represented 52.7%, 20.3% and 29.3% of our total income, respectively, and these segments' profit before tax represented 70.5%, 21.6% and 11.4% of our total profit before tax, respectively.

Distressed asset management is our core business. We have leading capabilities in sourcing, managing and disposing distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 31.4%, 26.0% and 25.3% in 2012, 2013 and 2014, respectively.

We have developed diversified business platforms covering securities, futures, trust, financial leasing, fund management, insurance, investment and real estate businesses based on our distressed asset management business. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. As of December 31, 2014, we have established 31 Company Branches in 30 provinces and formed a nationwide business network. As of the same date, we have entered into strategic cooperation agreements with 547 local governments, financial institutions, enterprises and other entities. Under the unified management of the Group, our diversified business platforms share the business network and these strategic clients, providing a solid base for both the independent business development of each subsidiary and joint business development across subsidiaries. We leverage our diversified business platforms to provide customized financial solutions and differentiated asset management services to meet the demand for diversified services from clients of our distressed asset management business. At the same time, our subsidiaries compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in the distressed asset management business to develop their business.

We believe the development and structural transformation of China's economy provides significant opportunities for our distressed asset management business, including a steadily increasing supply of distressed assets, more active corporate and industry-related restructurings and industry consolidation, as well as more segmented financial markets and services. Our strategy is to continue to develop and refine our differentiated business model and to deliver sustainable and competitive returns to our shareholders through further consolidating and extending our leadership in the distressed asset management sector, actively developing our asset management business and operating our diversified business platforms synergistically.

OUR STRENGTHS

As the pioneer and the leader of China's distressed asset management industry, we play a unique role in China's economy and are well positioned to continue to capture the significant opportunities arising from China's economic transformation and development

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have advanced the development of China's distressed asset management industry and achieved many industry milestones. Among the Four AMCs:

- We were the first to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets, finishing ahead of schedule and surpassing the MOF's performance benchmarks and achieving the highest Cash Recovery Ratio and lowest Expense Ratio. This performance helped establish our position as the industry leader.

- We were the first to acquire distressed asset packages from Large Commercial Banks through competitive bidding and innovative transaction structures and the first to commercially acquire distressed assets from Joint-stock Commercial Banks, ushering in the era of commercial acquisition of distressed assets.

- We were the first to receive approval from the State Council to convert into a joint stock company, which effectively drove the market-oriented transformation of the entire industry.

- We are the first and only AMC to complete its initial public offering, which has diversified our equity capital sources and enhanced our corporate governance.

- We are the first and only AMC approved by the CBRC to acquire NFE Distressed Assets based on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.

- We were the first to commercially raise funds from other financial institutions, to obtain the interbank borrowing qualification and to issue bonds both in China and overseas, all of which significantly diversified our fund-raising channels.

We are the leader of China's distressed asset management industry in terms of income, profit, business scale and cash recovered:

- We had the highest income and profit among the Four AMCs from 2010 to 2012.

- We were rated "Outstanding" ("AA" level of A-grade) for three consecutive years from 2009 to 2011 in the MOF's Performance Evaluation of State-owned Financial Enterprises.

- Our net assets were RMB101.9 billion as of December 31, 2014.

- We had acquired distressed assets with an aggregate Original Value of RMB1,288.6 billion as of December 31, 2014.

As the pioneer and the leader of China's distressed asset management industry, we play an important role in risk mitigation, value creation and industry consolidation in China's economy:

- We have reduced systemic risk in the financial system and identified and significantly enhanced the value of distressed assets through our acquisition and market-oriented disposal of distressed assets and through our role as a professional service provider engaging in the custody, liquidation and restructuring of entities with financial or operational issues. As a result, we have (i) developed vast experience in managing distressed assets and strong capabilities in the custody, liquidation and restructuring of Distressed Entities, and (ii) developed and solidified our unique position in China's financial services sector and our differentiated business model.

- Our client base covers enterprises at all stages of their development. We focus on clients facing financial or operational issues and lacking ready access to conventional financing channels. By providing these clients with customized financial solutions and appropriate financial resources, we help them improve their financial condition and enterprise value as well as share in their future value appreciation.

- Our investment and financing product offerings cover the full spectrum of the capital structure from debt through equity and are tailored to the individual business needs of our clients through the synergistic operation of our diversified business platforms.

The development and structural transformation of China's economy provides significant opportunities for our distressed asset management business, including a steadily increasing supply of distressed assets, more active corporate and industry-related restructuring and industry consolidation, as well as more segmented financial markets and services:

- *An increasing supply of distressed assets from financial institutions*. According to the CBRC, the amount of NPLs held by China's commercial banks increased for thirteen consecutive quarters to RMB842.6 billion at the end of the fourth quarter of 2014 from RMB407.8 billion at the end of the third quarter of 2011, an increase of 106.6%. We believe the total amount of NPLs in China's banking sector will continue to rise due to significant increases in total loans. The supply of distressed assets from financial institutions will further increase due to (i) the continuous need of commercial banks to remove NPLs from their balance sheets and to deleverage, (ii) the financial restructuring of city commercial banks, rural commercial banks and credit cooperatives and (iii) the structural adjustments of non-bank financial enterprises such as trust companies.

- *An increasing supply of distressed assets from non-financial enterprises*. According to the NBSC, the accounts receivable of Domestic Sized Enterprises increased from RMB6.99 trillion at the end of 2011 and RMB9.59 trillion at December 31, 2013, representing a CAGR of 17.1% from 2011 to 2013. We believe that the distressed assets contained in these accounts receivable will provide a promising prospect for our NFE Distressed Assets business.

- *More active corporate and industry-related M&A and restructuring opportunities*. We believe the structural adjustments to the economy and industry consolidation will become more common and will generate significant business opportunities such as M&A, restructuring, custody and liquidation.

- *More segmented financial markets and services*. Compared with more developed economies, China's financial market is still developing and there exists significant potential to develop more diversified market segments and a broader client base. Our unique business model meets market needs that cannot be effectively addressed by conventional financial institutions such as banks and is driving the development of a segmented financial service market in China by expanding the depth and breadth of financial products in the market. This enables us to capture significant business opportunities through differentiated competition against conventional financial institutions.

We have achieved sustainable business growth based on our leading distressed asset management capabilities and through continued business innovation

We possess leading capabilities in sourcing, managing and disposing of distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 31.4%, 26.0% and 25.3% in 2012, 2013 and 2014, respectively:

- *Leading capabilities in sourcing distressed assets.*

  — *Capabilities in due diligence, evaluation and pricing*. With over 16 years' of managing distressed assets, we have compiled extensive case studies on the disposal of distressed assets and also developed an industry-leading distressed asset evaluation model by cooperating with leading academic institutions in China. We have effectively utilized our due diligence and evaluation systems incorporating the information from more than 60,000 distressed debt assets to acquire and manage distressed assets. We have also established long-term cooperative relationships with over 600 professional asset appraisal firms and property exchanges in China. Such relationships enable us to fully utilize both internal and external professionals and market trading systems to evaluate and price the assets we acquire and manage.

  — *Capabilities in devising and innovating deal structures*. We are capable of utilizing varied and flexible deal structures such as structured transactions involving both equity and debt, securitization, public sales on exchanges and acquisition of subordinated interests to meet the individual needs of clients and aim to improve our distressed asset acquisition capabilities through precise design and continuous innovation of deal structures.

  — In addition, our brand, track record in distressed asset disposal, extensive business and client service networks and our deep cooperative relationships with local governments, many large financial institutions and other strategic clients all constitute an important basis for developing our leading capabilities in sourcing distressed assets and have enabled us to maintain and further develop the most extensive deal sourcing channels for distressed assets among the Four AMCs.

- *Leading capabilities in managing distressed assets.*

  — *Differentiated capabilities in managing distressed assets*. We provide our clients with diversified yet customized services such as debt restructuring, liquidity support and industry consolidation on the basis of analyzing features of different obligors and by collaborating across our diversified business platforms. These services help improve the value of the debt assets we manage. In addition, we also swapped distressed assets to equity in enterprises that we believe have significant value appreciation potential so as to benefit from such appreciation.

  — *Capabilities in assessing macro-economic and industry trends*. We established the first financial-risk research center among the Four AMCs and attach great importance to enhancing the value of the assets we manage through developing insights into macro—economic developments and industry trends.

- *Leading and diversified capabilities in disposing of distressed assets*. We have consistently adhered to the management principle of identifying and enhancing the value of distressed assets, and specialize in utilizing diversified asset disposal plans and tailoring these disposal plans according to the features of different distressed assets. In order to achieve maximum recovery value, we consistently innovate asset disposal plans based on our in-depth knowledge of the local judicial and social environment and capital market operations. We completed the first DES transaction involving large-scale SOEs in China, completed the first batch of distressed asset securitization in China and the first securitization of distressed assets from China in the overseas market and assisted one of our DES Companies with the introduction of foreign strategic investors, the first such initiative for all DES companies. In addition, we were the first in the industry to proactively restructure the obligor through the establishment of a creditors' committee as the leading creditor, which contributed to the development of relevant legal regimes.

- *In-depth understanding of Distressed Entities' industries and industry-leading capabilities in custody, liquidation and restructuring.* Based on the experience accumulated from our custody, liquidation and restructuring of eight non-bank financial enterprises, including securities, trust and leasing companies, as well as our custody, reorganization and disposal of approximately 2,400 enterprises and nearly 1,000 investment projects entrusted by a large bank, we have developed industry-leading capabilities in the custody, liquidation and restructuring of distressed assets and relevant entities. Our vast experience gained in the course of liquidating numerous enterprises in the financial services and real estate sectors provides us with a strong competitive advantage in those industries. In addition, we have developed a professional team familiar with the custody, liquidation and restructuring businesses through our custody, liquidation and restructuring of numerous Distressed Entities and have accumulated vast experience in managing Distressed Entities and improving their value. This professional team and its experience provide a solid foundation for developing our debt and equity investment, M&A and restructuring businesses in relevant industries.

While we focus on distressed asset management as our core business, we have also successively innovated our business model, actively expanded our business scope and broadened our fund-raising channels, thus enabling us to achieve sustainable business growth:

- When the disposal of Policy Distressed Assets entered its later stage, we acquired distressed asset packages from BoCOM, BOC, CCB and ICBC through innovative means such as structured transactions and competitive bidding, making us the largest primary wholesaler of distressed assets in the market at that time. We also acquired distressed asset packages from Bank of Shanghai on a commercial basis, which introduced the concept of the commercial acquisition of distressed assets to the industry.

- Through the custody, liquidation and restructuring of distressed financial institutions, we strategically selected and restructured certain distressed companies in the securities, trust and financial leasing industries, and integrated them into our diversified financial service platforms. Under the unified management of the Group, these financial subsidiaries serve to enhance the value of our distressed assets and provide customized financial solutions to our clients, constituting additional driving forces for the continuing development of our business.

- Leveraging our extensive experience in distressed asset management, strong risk management capabilities and in-depth knowledge of industries such as real estate, we identified and captured significant business opportunities in the NFE Distressed Assets market and further expanded the scope of our business when we became the first company approved by the CBRC to conduct NFE Distressed Asset management business in June 2010. We developed this business rapidly and the book value of our NFE Distressed Assets increased significantly as of December 31, 2014 from December 31, 2011.

- Based on our vast experience in distressed asset management, in-depth knowledge of enterprises along the industry chain of distressed assets and first-mover advantage in the NFE Distressed Assets business, we have developed a differentiated third-party asset management business which includes (i) the establishment of high-yield investment funds and buyout funds focusing on distressed assets and (ii) participating in the establishment and managing the first national-level agriculture investment fund. These initiatives have expanded the funding channels available to our business, increased our fee and commission income and optimized our business and profit-generating models.

- We have actively and successfully broadened our fund-raising channels from the PBOC loans on which we primarily relied at our establishment to the market-oriented fund-raising on which we primarily rely now. We have established diversified fund-raising channels in the capital markets, expanding to include bank loans, inter-bank market borrowing and bond issuance. As of December 31, 2014, we had strategic cooperative relationships with 134 bank headquarters, bank branches and non-bank financial enterprises. We were the first among the Four AMCs to enter the inter-bank market, which provides us with relatively low-cost funds. In 2012, we received equity investments from four strategic investors and successfully issued financial bonds in China and RMB-denominated bonds in Hong Kong. In 2013, we successfully completed the initial public offering of our Shares and got listed on the Hong Kong Stock Exchange. In addition, we have further expanded our funding sources by actively developing third-party asset management businesses including private equity, trust and fund management.

Our large DES Asset portfolio provides us with significant value appreciation potential, extensive equity investment management experience and strong support for our business development

We have a large DES Assets portfolio which has a book value of RMB41.6 billion as of December 31, 2014.

We have achieved significant economic returns through the professional management and disposal of DES Assets. For the three years ended December 31, 2014, we disposed of DES Assets with a total cost of RMB3,589 million (US$578.4 million) and realized a net disposal gain of RMB4,052 million (US$653.1 million). Proceeds from disposals of DES Assets were 2.1 times their costs.

Our DES Assets cover key resource industries such as coal, chemicals and metals. As of December 31, 2013, the DES Companies in our DES Assets portfolio included seven of the top 50 coal companies in China in terms of output in 2012 and 24 subsidiaries of these top 50 coal companies.

Based on our management of DES Assets in approximately 400 SOE DES Companies through December 31, 2014, we have developed a professional team familiar with investee company operations, industry restructuring and capital markets. This has effectively supported the development of our equity investment and M&A businesses. We have assisted some of the DES Companies with debt restructuring, introduction of strategic investors, IPOs and industry consolidation, which enhanced the value of our equity stakes by improving the overall enterprise value of these companies. As a result, many DES Companies have become our loyal clients and have established close cooperative relationships with us in many areas. They provide us with business opportunities such as cross-selling and follow-on equity investments and have provided a broader base for our business development.

Our diversified business platforms operate synergistically and share our extensive business network, broad client base and strong government relationships, achieving synergy in our operations and improving overall operating efficiency

Based on our distressed asset management business, we have developed diversified business platforms covering businesses such as securities, futures, trust, financial leasing, fund management, insurance, investment and real estate. We provide our clients with customized financial solutions through the integrated design and development of multiple products, at the same time enhancing the value of our asset portfolios. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. The synergies of our group operations can be primarily seen in our sharing of business and organizational networks, sharing of client resources and business development.

- *Business network synergy*. We have established 31 Company Branches in 30 provinces, forming a nationwide business network. Our Company Branches are capable of adapting our Group strategies to local market conditions, and have robust project development and execution capabilities. Our Company Branches play an important role in establishing close relationships with our clients and in building and improving our relationships with local governments. They also provide professional assistance to our subsidiaries in project procurement, due diligence, sales, rent collection and post-investment management, effectively facilitating their business development. Our subsidiaries, particularly our insurance and securities subsidiaries, have also developed their own extensive business networks. For example, as of December 31, 2014, Happy Life and Cinda P&C had established over 360 local branches and outlets nationwide, and Cinda Securities had established more than 80 securities brokerage branches in places such as Beijing, Shanghai and Guangdong Province. Under the unified management of the Group, these branches and outlets provide important support for the development of our businesses such as asset management.

- *Client synergy*. Through our long-term engagement in the distressed asset management business and custody, liquidation and restructuring of Distressed Entities, we have established relationships with local governments, major domestic financial institutions and numerous enterprises. Under the unified management of the Group, our diversified business platforms share these strategic clients, providing a broad client base for the independent business development of each subsidiary and joint business development across subsidiaries. In addition, our subsidiaries have also cultivated important client bases in the development of their respective businesses. We have developed a large retail client base through our financial service subsidiaries that engage in the securities, trust, financial leasing, fund management and insurance businesses. With the economic development of China, these clients will have an increasing demand for diversified financial services and constitute a valuable source of referrals for cross-selling among our financial services subsidiaries.

- *Business development synergy*. Based on the demand for diversified services from clients of our distressed asset management business, we are able to leverage our diversified business platforms to provide our clients with customized financial solutions and differentiated asset management services, including acquisition and disposal of distressed assets, financing (such as financial leasing, trust and debt investment fund), equity investment (such as equity investment funds), asset management (such as securities, trust and fund management), financial and financing consulting services (through our securities subsidiary), insurance (P&C insurance and life insurance) and overseas financial services. At the same time, our subsidiaries can compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in distressed asset management business to grow their business.

We have industry-leading risk management capabilities and a comprehensive and prudent risk management system

An integral part of our distressed asset management business involves handling distressed assets and Distressed Entities. We have developed our unique capabilities and experience in preventing, identifying, managing and addressing various risks through (i) our acquisition of distressed assets with an Original Value of more than RMB1,288.6 billion and other distressed asset management businesses, (ii) our custody, liquidation, closure and restructuring of eight non-bank financial institutions including securities, trusts and leasing companies and (iii) our custody, reorganization and disposal of approximately 2,400 enterprises and almost 1,000 investment projects entrusted by a large bank. We have also developed deep insights into the causes of and management approaches for various categories of risk based on our extensive analysis and research of distressed asset cases. Based on this vast experience, we have developed systematic risk management protocols and procedures and industry-leading risk management capabilities.

We have developed a comprehensive and prudent risk management system and centrally manage major risks involved in various business lines at the Group level:

- Our corporate governance structure is the foundation of our risk management system. We have established a Risk Management Committee under our board of directors and have appointed a Chief Risk Officer to lead the formulation and execution of our overall risk management strategies. We have also established departments responsible for risk management at our subsidiaries and dedicated positions for risk management at our Company Branches.

- The departments responsible for risk management at our subsidiaries and dedicated positions for risk management at our Company Branches regularly report both to the senior management of their respective subsidiaries and Company Branches and to the risk management department of the Group, so that both the senior management of subsidiaries and Company Branches and the Group can monitor risk profiles of the subsidiaries and Company Branches on a timely basis.

- We manage risks quantitatively by using Capital Adequacy Ratio and other key regulatory benchmarks as required in the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)) promulgated by the CBRC. As of December 31, 2014, the Company's Capital Adequacy Ratio was 18.08%, exceeding the regulatory requirement of 12.5%.

We have formulated standardized business management guidelines and approval procedures tailored to the features of our distressed asset management business:

- We apply the principles of "differentiated authorization and professional decision-making" to the approval of distressed assets projects and have established an "approval specialist" scheme comprising experienced business managers in order to effectively manage project approval risks through professional decision-making and professional advice. We have also established a consultation process for significant projects to ensure sufficient discussion and review of significant projects occurs before they are approved.

- We have established an SO-accredited IT system, which provides IT support to risk management and enables us to standardize our risk management and internal control processes.

- We attach great importance to risk mitigation measures, and particularly emphasize securing debts with collateral that can be readily evaluated and realized. Based on our business experience, we have formulated general guidelines for the ratio of the value of accounts receivable to collateral value.

- We are committed to developing innovative approaches to protect our rights as creditors and have utilized innovative means such as third-party benefits trusts, the establishment of escrow accounts and the introduction of third-party joint obligors to provide enhanced protection to the realization of our rights.

- We have established an internal five-tier classification system for debt assets based on our business characteristics and experiences. We review and adjust this classification system from time to time based on our business development and make impairment and risk provisions by referring to this system, enabling us to manage risks on a quantitative basis by classification.

We have a strong shareholder base and an entrepreneurial and visionary management team

The unique background of our shareholders provides important support for our business development. In 1999, we were incorporated with the MOF as the sole shareholder. In 2012, NSSF, UBS, CITIC Capital and Standard Chartered made a strategic investment of RMB10,368.6 million, representing 16.54% of our total share capital after the investment. These four strategic investors are market leaders in their respective industries which include asset management, investment banking, private banking and commercial banking. They provide us with mutually beneficial opportunities in joint market development and business cooperation in China and abroad, as well as the sharing of business management experience and systems. We believe our strong shareholder base will enhance our clients' confidence in Cinda, broaden our client base, strengthen our working relationships with the government and provide us with more business opportunities.

Under the strong leadership of our senior management team over the past 16 years, we have become the pioneer and the leader of the distressed asset management industry in China and have developed into a group focusing on distressed asset management with synergistic operations of diversified business platforms providing clients with customized financial solutions and differentiated asset management services. Our senior management has, on average, over 20 years of management experience in the financial services industry and has working experience at the PBOC, the Big Four Banks, important regulatory authorities and ministries, national-level economic development and reform research centers and large enterprises in different industries. Based on their vast experience in relevant industries, close working relationships with the government and management skills, our senior management is capable of identifying the development trends of the distressed asset management industry, leading us to achieve visionary business model innovation and capturing business opportunities. Our management team has also led us to achieve robust business development for the three years ended December 31, 2014. Most of our senior management joined us at or shortly after our establishment and have developed their careers along with our development. This stability in our management team provides a strong reserve of talent to support our sustainable growth.

- Our chairman, Mr. Jianhang Hou, has 36 years of working and management experience in the financial industry. Prior to joining Cinda, Mr. Hou accumulated vast financial services industry management experience by working at both the head office and a local branch of CCB, in positions including director of the planning department, general manager of the credit management department and general manager of the credit risk management department, respectively, at CCB's head office, and as the deputy branch general manager of the Shandong Branch of CCB. Mr. Hou has served as the director of our creditors' rights management department, our vice president, president and chairman of the board of directors.

- Our president, Mr. Jingfan Zang, has 40 years of working and regulatory experience in the financial services industry. Prior to joining Cinda, Mr. Zang worked at various important posts at the Jilin Branch of the PBOC, Jilin Branch of SAFE, Shenyang Branch of the PBOC, Heilongjiang Branch of the CBRC and the Cooperative Finance Supervision Department of the CBRC.

OUR STRATEGIES

Our strategy is to continue to develop and refine our differentiated business model and to deliver sustainable and competitive returns to our shareholders through further consolidating and extending our leadership in the distressed asset management sector, actively developing our asset management business and operating our diversified business platforms synergistically.

Continue to capture the significant opportunities arising from China's economic development and transformation in order to consolidate and extend our leadership in the distressed asset management sector

- We will closely monitor and effectively capture opportunities to acquire distressed assets from commercial banks and non-bank financial enterprises by deepening our strategic cooperative relationships with various financial institutions.

- We will continue to capture the business opportunities arising from the market of NFE Distressed Assets, including those from the large corporate accounts receivable market and enhance the acquisition scale of NFE Distressed Assets subject to strict risk management. We will also continue to enhance our professional capabilities in managing distressed assets according to their industry features and strengthen our risk identification and pricing capabilities across different industries.

- We plan to increase our assets under management and fee income from intermediary business by focusing on developing our entrusted asset management business from banks and other institutions.

Actively develop SSI business

We believe the structural realignment and transformation of China's economy and the resulting industry consolidation will provide us with significant opportunities for SSI. We intend to develop our SSI business through leveraging our leading capabilities in distressed asset management and by implementing effective initiatives. Specifically:

- We intend to capture significant potential investment opportunities arising from industry consolidation and restructuring by providing customized financial solutions to our clients through focusing initially on industries in which we have the most extensive experience and fully utilizing our expertise, client base and professional personnel in these industries as well as the products and services offered by our diversified business platforms.

- We plan to establish our track-record and reputation in the SSl business and provide a solid foundation for us to capture future business opportunities through completing a number of landmark SSI deals by focusing on Distressed Entities with growth potential or high-value assets but facing financial and operational issues and by collaborating across our diversified business platforms.

- We will develop our SSI business by expanding and deepening our cooperative relationships with industry leaders and DES Companies as well as leveraging our Group-wide service capabilities and industry experience to participate alongside these business partners in industry M&A and restructuring and overseas expansions.

- We plan to continue to fully leverage the synergies from our diversified business platforms and innovate products and services during the course of expanding our SSI business in order to enhance our differentiated competitive strengths.

Further enhance and realize the value of our DES Assets

- We intend to better capture disposal opportunities for our DES Assets and optimize and realize the value of our DES Assets by strengthening our research capabilities in areas including macroeconomic developments, industry trends and regional markets and continuing to enhance our cooperative relationships with local governments and DES Companies.

- We will enhance our DES Assets' contribution to revenue by strengthening client development of DES Companies and providing customized financial solutions to DES Companies. We also intend to identify and capture M&A, restructuring and SSI opportunities in relevant industries by establishing comprehensive cooperative relationships with, and providing services to, the DES Companies' suppliers and clients.

- We plan to develop a team of professional investment personnel who focus on industry research, corporate governance, equity valuation, capital market operation and other related aspects of the DES Asset management business in order to support the development of our asset management business.

Actively expand our third-party asset management business

- We will prioritize the development of specialized distressed asset investment funds by leveraging our expertise and experience in distressed asset management and continue to increase the scale of and return from the distressed assets under our management.

- We will focus on developing investment funds specialized in SSI in order to establish our brand-name in this business and increase our scale and profitability.

- We will further develop our private equity business and enhance our recognition among fund investors and their confidence in our professionalism and investment capabilities by continuing to improve the performance of the China Agriculture Industry Development Fund and other private equity funds we currently manage by fully leveraging our experience and capabilities in equity investments.

- We will support the development of our asset management business through our asset management business platforms, including our securities, trust and fund management subsidiaries and enhance the scale of the Group's AUM and diversify our product offerings. In addition, we intend to develop our differentiated asset management business by supporting the relevant subsidiaries to develop their distressed assets-related asset management businesses.

Further diversify our funding sources

- We intend to better meet the funding needs of the Group by identifying the appropriate timing and utilizing cost-effective vehicles to issue bonds and other capital instruments in both domestic and foreign capital markets.

- We intend to fully capture the potential of bank financing by continuing to develop strategic relationships with Large Commercial Banks and Joint Stock Commercial Banks at the Group level and enhancing the cooperation of the Company Branches and subsidiaries with regional branches of Large Commercial Banks and Joint Stock Commercial Banks and with regional banks such as city commercial banks and rural commercial banks.

- We also intend to further enhance our capabilities in utilizing off-balance sheet financing through the active development of our third-party asset management business.

Continue to enhance the synergies across our diversified business platforms

- We will further enhance synergies across our various business platforms by more actively providing our clients with customized financial solutions and differentiated asset management services. In particular, we will pay special attention to improving the efficiency of our synergistic operations by utilizing the SSI business as a driving force and by providing customized financial solutions to Distressed Entities with financial and operational issues.

- We plan to further improve our client information development and sharing system across all business platforms. We also plan to deepen our cooperative relationships with existing clients by providing more diversified services, and establish cooperative relationships with additional clients through executing strategic cooperation agreements.

- We plan to further enhance the capability of the Company Branches in covering and developing the regional markets in order to provide a solid foundation for further business development across our business platforms in these markets. We also plan to leverage the business network and marketing capabilities of the subsidiaries in regional markets to expand distribution channels for the products and services of the entire Group.

- We intend to integrate the Group's middle and back office resources by establishing a centralized corporate center consisting of finance, IT, human resources, administration, legal and other support functions of the Group in order to support the business development of Company Branches and subsidiaries and reduce costs and the duplication of resources.

- We will deepen cooperation with strategic investors at the Group level and enable all business platforms to share the benefits from this cooperation in areas such as professional expertise, risk management, information systems and personnel training in order to enhance the profitability and brand value of the Group and each of its business platforms.

Continue to enhance the centralized management of all business platforms by the Group

- *With respect to strategic planning and capital management*: We intend to further enhance strategic control and capital management at the Group level, timely adjust the capital allocation for our various businesses, in particular for our subsidiaries, according to the Group's overall strategy, and develop practical measures to achieve more efficient use of the Group's capital.

- *With respect to financial management*: We intend to develop a Group-wide financial information management system that covers all of our businesses and strengthen the Group's budget management and supervision of all subsidiaries and Company Branches.

- *With respect to risk management*: We intend to build a more sophisticated IT system to strengthen the Group's management of risks related to our subsidiaries and Company Branches. We also intend to further refine the Group's integrated risk management system and strengthen the Group's capabilities in managing different types of risks through introducing international best practices and advanced risk management technology.

- *With respect to information technology*: We intend to provide solid IT support for the business development of the Group by enhancing the Group's overall IT and information risk management capabilities through consolidating Group-wide IT systems and information resources and establishing an integrated IT platform that covers areas such as asset management, capital and financial accounting, information management and client relationship management.

- *With respect to human resources*: We intend to further enhance the Group's human resources management mechanisms, including adopting market-based performance review and incentive mechanisms, strengthening the Group's management with respect to recruiting, appointment, training and retention of talent, and providing our employees with diversified career development paths in order to better attract and retain all talent.

OUR PRINCIPAL BUSINESSES

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business. The table below sets forth a breakdown of the major business lines, sources of income and operating entities of each principal business segment.

	Distressed Asset Management	Financial Investment and Asset Management	Financial Services
Business Lines	• Distressed debt asset management • Management of DES Assets • Custody, liquidation and restructuring services for Distressed Entities	• Principal investment • Asset management (Private equity fund) • Others[1]	• Securities and futures • Trust • Financial leasing • Fund management Insurance
Sources of Income	• Income from distressed debt assets • Investment income • Fee and commission income from (i) management and disposal of entrusted distressed assets and (ii) custody, liquidation and restructuring services for Distressed Entities	• Investment income • Income from sales of real properties • Fund management fee income	• Fee and commission income • Interest income from financial leasing • Investment income • Fund management fee income • Insurance premium income
Operating Entities	• Company	• Company • Cinda Investment (Cinda Capital) • Cinda HK[2] • Zhongrun Development	• Cinda Securities • Cinda International • Jingu Trust • Cinda Leasing • First State Cinda Fund • Cinda P&C • Happy Life

(1) Mainly includes the consulting and financial advisory services of the Company, Cinda Investment and Cinda HK.

(2) Excludes the financial results of Cinda International, in which Cinda HK held a 63% equity interest as of December 31, 2014. The financial results of Cinda International are included in our financial services segment.

For the year ended December 31, 2014, income from our distressed asset management business, financial investment and asset management business and financial services business accounted for 52.7%, 20.3% and 29.3%, respectively, of our total income. Profit before tax from the aforementioned three business segments accounted for 70.5%, 21.6% and 11.4%, respectively, of our total profit before tax for the year ended December 31, 2014.

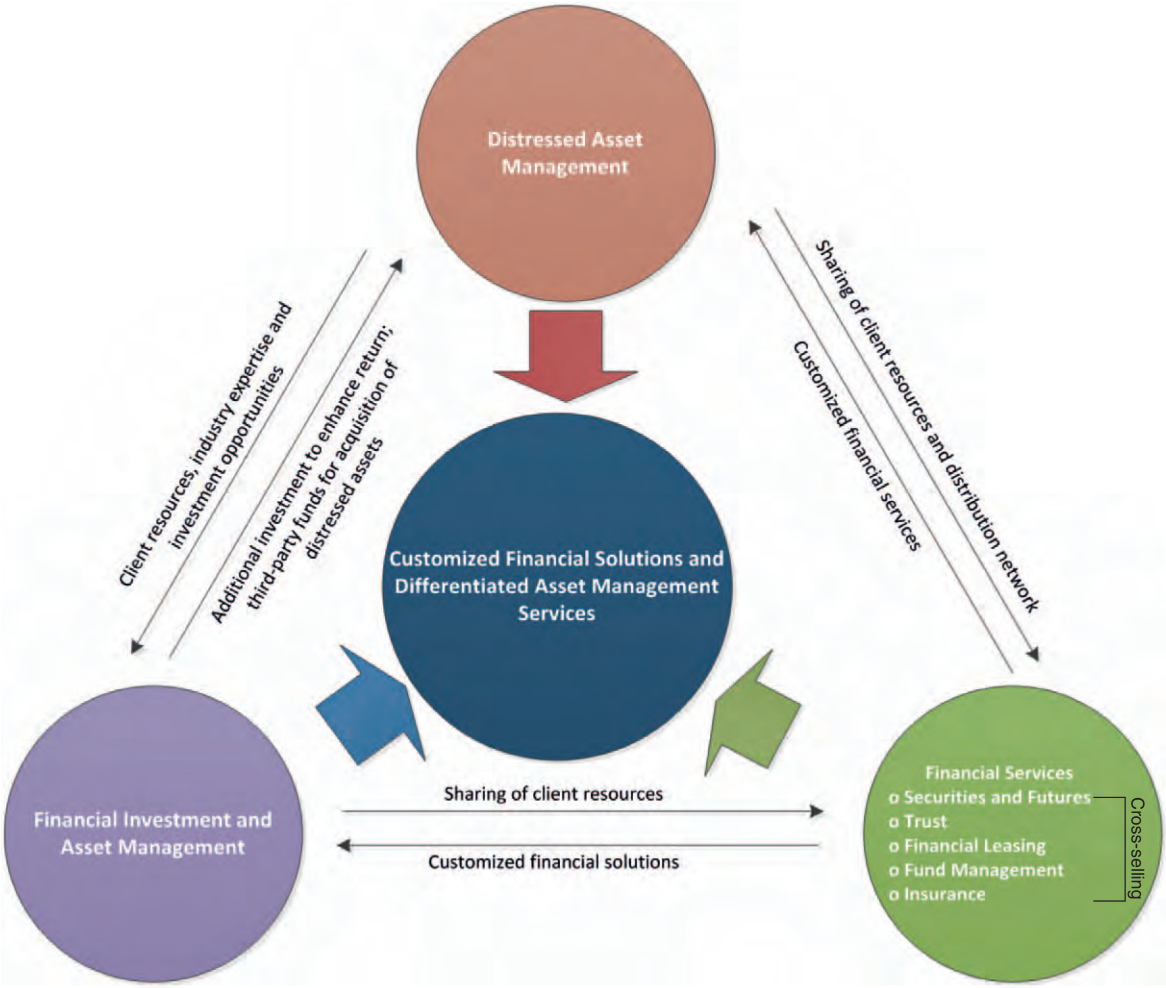
The tables below set forth, for the years indicated, our total income and profit before tax by business segment.

	For the year ended December 31,						
	2012		2013		2014		
	Total income	% of total	Total income	% of total	Total income		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Distressed Asset Management	14,392.0	44.5	21,849.8	51.5	31,495.1	5,111.2	52.7
Financial Investment and Asset Management	7,911.3	24.5	8,976.8	21.2	12,166.9	1,974.5	20.3
Financial Services	10,552.6	32.6	12,133.9	28.6	17,534.0	2,845.5	29.3
Elimination	(520.7)	(1.6)	(547.3)	(1.3)	(1,406.0)	(228.2)	(2.3)
Total	**32,335.2**	**100.0**	**42,413.2**	**100.0**	**59,790.0**	**9,703.0**	**100.0**

	For the year ended December 31,						
	2012		2013		2014		
	Profit before tax	% of total	Profit before tax	% of total	Profit before tax		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Distressed Asset Management	6,234.0	65.0	8,314.3	70.6	11,496.4	1,865.7	70.5
Financial Investment and Asset Management	3,284.6	34.2	3,011.7	25.6	3,515.2	570.5	21.6
Financial Services	164.3	1.7	514.9	4.4	1,856.6	301.3	11.4
Elimination	(87.0)	(0.9)	(68.8)	(0.6)	(561.5)	(91.1)	(3.5)
Total	**9,595.9**	**100.0**	**11,772.1**	**100.0**	**16,306.7**	**2,646.4**	**100.0**

Our three principal business segments complement one another and generate significant business synergies. Through our distressed asset management business over the years, we have built an extensive client base and close relationships with government bodies, and established a nationwide network of branch offices, which have produced many opportunities for and enhanced the performance of our other businesses. Our financial investment and asset management business enable more flexible and innovative transaction structures for our distressed asset management business. Furthermore, principal investment and investment through managed funds enable us to seize value-appreciation opportunities and enhance total return from disposal of distressed assets. Our financial services business provides clients with a diverse range of products and services. For example, through our securities, trust and financial leasing subsidiaries, we facilitate clients' access to capital markets, provide additional financing to clients with liquidity issues, and present corporate clients with equipment financing solutions.

The synergistic development of our business segments has allowed us to build (i) a comprehensive asset management platform incorporating distressed asset management, private equity, securities, trust and fund management, and (ii) a diversified financial services platform offering customized products and services in securities, futures, trust, financial leasing, fund management and insurance. These platforms reinforce our development of sustainable growth model and increase our asset size and corporate value. The diagram below illustrates the synergies between our three principal business segments.



Through our nationwide distressed asset management operations, we have contributed to local economic development and social stability and established close ties with provincial and municipal governments and many leading enterprises. Such efforts have laid a solid foundation for the continued expansion of our business. We have also developed close and multidimensional relationships with banks and other financial institutions, whose business operations are highly complementary to ours. We acquire distressed assets from financial institutions, thereby helping them optimize their balance sheet structure and reducing their overall financial risk. These financial institutions, mainly consisting of banks, serve as an important channel for us to acquire new clients and to expand into financial services and asset management. As of December 31, 2014, we maintained strategic cooperation relationships with 122 financial institutions, including the headquarters and branches of banks and non-bank financial institutions, in the areas of distressed asset disposal, asset management, credit support and joint financial product development.

Our diverse range of products and services support companies at different stages of their corporate development. The unique combination of products and services we offer provides clients with a broad selection of financing alternatives covering a wide spectrum of capital structure. In particular, we provide clients facing financial or operational issues with financing support and advisory services, with a view of sharing in the future value appreciation of our clients. With our diversified securities, trust, financial leasing, fund management and insurance platforms, as well as our qualification to acquire distressed assets from non-financial enterprises, we are confident that our unique business model provides customized financial solutions to our clients and enables us to serve the market demand that cannot be satisfied by traditional financial institutions.

DISTRESSED ASSET MANAGEMENT

Distressed asset management is the main business of our Company and is our primary source of income and profit. In 2012, 2013, 2014, income from the distressed asset management business of our Company accounted for 44.5%, 51.5% and 52.7%, respectively, of our total income, and profit before tax from the distressed asset management business of our Company accounted for 65.0%, 70.6% and 70.5%, respectively, of our total profit before tax. The Company carries out its distressed asset management business through our Head Office as well our Company Branches. The scope of our Company's distressed asset management business includes (i) the management and disposal of distressed debt assets acquired from or entrusted by financial institutions and non-financial enterprises, (ii) the management and disposal of our DES Assets, and (iii) custody, liquidation and restructuring of distressed financial institutions and non—financial enterprises. The following table sets forth, at the dates and for the years indicated, the key financial indicators of the aforementioned types of distressed asset management business of the Company.

	As of and for the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions)			
Company				
Acquisition and disposal of distressed debt assets				
Net balance distressed debt assets[1]	56,090.4	114,754.7	206,803.9	33,330.7
Acquisition cost of distressed debt assets	52,191.1	88,813.1	149,499.7	24,095.0
Income from distressed debt assets[2]	7,492.2	14,678.5	22,348.3	3,626.8
Management and disposal of entrusted distressed assets				
Entrusted distressed assets	31,280.5	39,747.5	35,192.5	5,672.0
Management and disposal of DES Assets				
Book value of DES Assets	48,238.6	42,274.8	41,563.9	6,698.9
Dividend income from DES Assets	964.8	1,350.8	436.1	70.3
Acquisition cost of DES Assets disposed	2,827.0	4,273.6	3,589.0	578.4
Net gain from the disposal of DES Assets	4,682.9	3,644.6	4,052.2	653.1

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

(2) Equivalent to the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables as appeared in the our consolidated financial statements.

We are the leader of China's distressed asset management industry, ranking first among the Four AMCs in terms of both income and profit from 2010 to 2012. We have developed distinct capabilities in distressed asset management, including industry-leading due diligence, valuation and pricing capabilities and market research capabilities. We have formed differentiated management strategies for distressed assets and employ a broad set of diversified and innovative methods in our disposal of distressed assets. We have developed robust custody, liquidation and restructuring related capabilities and formed a deep understanding of the industries in which our Distressed Entities clients operate. In addition to our focus on distressed asset management, we actively seek to innovate our business model and expand into new business areas in order to deliver sustainable growth.

Our leading capabilities in distressed asset management are reflected in the sustainable growth and profitability of the business. From 2012 through 2014, the balance of our distressed debt assets and income from distressed debt assets achieved a CAGR of 92.0% and 72.7%, respectively. We believe we are well-positioned to seize the vast opportunities presented by the structural transformation of China's economy, including supply of distressed assets, corporate and industry-related restructurings and consolidation.

Management of Acquired or Entrusted Distressed Debt Assets

We acquire distressed debt assets from financial institutions and non-financial enterprises, and conduct management and disposal of such assets through a variety of means. The ultimate goal of our acquisition, management and disposal is to realize value appreciation of the assets and maximize cash recovery. There are two primary ways we conduct our distressed asset management business: (i) acquiring distressed assets at a discount to Original Value and subsequently disposing of the acquired assets to maximize cash recovery, which we refer to as the Traditional Model, and (ii) entering into restructuring agreements at the time of acquiring the distressed assets, which we refer to as the Restructuring Model.

For the distressed debt assets acquired and disposed of under the Traditional Model ("Traditional Distressed Assets"), we analyze and classify the assets based on their characteristics and tailor our management strategies according to the special features of different assets. We utilize various disposal methods to increase asset value and maximize cash recovery.

For the distressed debt assets acquired and disposed of under the Restructuring Model ("Restructured Distressed Assets"), we acquire these debts from the creditors and concurrently enter into restructuring agreements with the debtors. We aim to maximize risk-adjusted return through the implementation of various risk management techniques.

In addition, we are entrusted with distressed assets from financial institutions, non-financial enterprises and local governments. We perform the management and disposal of the entrusted distressed assets and receive fee-and-commission income. We believe that our optimized distressed asset management tools enable us to effectively deal with changes in market demand under different economic conditions, moderate the impact of economic cycles on our business and achieve sustainable profit growth.

Acquisition and Management of Distressed Debt Assets

Distressed Assets by Source[1]	Distressed Assets by Business Model	Corresponding Consolidated Statements of Financial Position Item	Corresponding Consolidated Income Statements Item
FI Distressed Assets.	Traditional Distressed Assets	Distressed debt assets designated as at fair value through profit or loss	Fair value changes on distressed debt assets
	Restructured Distressed Assets	Distressed debt assets classified as receivables	Income from distressed debt assets classified as receivables
NFE Distressed Assets . . .	Traditional Distressed Assets	Distressed debt assets designated as at fair value through profit or loss	Fair value changes on distressed debt assets
	Restructured Distressed Assets	Distressed debt assets classified as receivables	Income from distressed debt assets classified as receivables

We classify our distressed debt assets into two main categories depending on the source of the distressed asset: (i) NPLs and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions ("FI Distressed Assets") and (ii) distressed receivables of non-financial enterprises ("NFE Distressed Assets"). The following table sets forth, at the dates and for the years indicated, some key financial indicators of our Company's FI Distressed Assets and NFE Distressed Assets.

	As of and for the year ended December 31,						
	2012		2013		2014		
	Amount	°% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Company							
Net balance of distressed debt assets[(2)]							
FI Distressed Assets	26,478.3	47.2	52,345.4	45.6	83,708.3	13,491.3	40.5
NFE Distressed Assets	29,612.1	52.8	62,409.3	54.4	123,095.6	19,839.4	59.5
Total	**56,090.4**	**100.0**	**114,754.7**	**100.0**	**206,803.9**	**33,330.7**	**100.0**
Acquisition cost of distressed debt Assets							
FI Distressed Assets	22,521.0	43.2	42,332.0	47.7	55,616.2	8,963.7	37.2
NFE Distressed Assets	29,670.1	56.8	46,481.1	52.3	93,883.5	15,131.3	62.8
Total	**52,191.1**	**100.0**	**88,813.1**	**100.0**	**149,499.7**	**24,095.0**	**100.0**
Income from distressed debt assets[(3)]							
FI Distressed Assets	5,336.8	71.2	8,405.5	57.3	9,697.3	1,573.7	43.4
NFE Distressed Assets	2,155.4	28.8	6,273.0	42.7	12,651.0	2,053.1	56.6
Total	**7,492.2**	**100.0**	**14,678.5**	**100.0**	**22,348.3**	**3,626.8**	**100.0**

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

(2) Equivalent to the Company's (i) distressed debt assets designated as at fair value through profit or loss, and (ii) distressed debt assets classified as receivables, as appeared in our consolidated financial statements.

(3) Equivalent to the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables as appeared in our consolidated financial statements.

FI Distressed Assets

The FI Distressed Assets we acquired during the three years ended December 31, 2014 primarily include NPLs and other distressed debt assets from banks, including Large Commercial Banks, Joint-stock Commercial Banks and city and rural commercial banks. We also acquired distressed debt assets from non-bank financial institutions, such as debt assets from trust companies that are overdue or expected to be overdue. For the three years ended December 31, 2014, we acquired FI Distressed Assets from over 200 counterparties. The table below sets forth, for the years indicated, a breakdown of our FI Distressed Assets in terms of acquisition costs among different types of banks and non-bank financial institutions.

	As of and for the year ended December 31,						
	2012		2013		2014		
	Acquisition costs	% of total	Acquisition costs	% of total	Acquisition costs		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Large Commercial Banks	8,532.8	37.9	16,660.9	39.4	25,419.5	4,096.9	45.7
Joint-stock. Commercial Banks	3,988.5	17.7	8,665.5	20.5	12,546.4	2,022.1	22.6
City and rural commercial banks	1,619.9	7.2	4,870.2	11.5	2,853.0	459.8	5.1
Non-bank financial institutions	8,044.9	35.7	12,135.4	28.6	12,606.5	2,031.8	22.7
Other banks (including policy banks, the Postal Saving Bank of China and foreign banks)	335.0	1.5	—	—	2,190.7	353.1	3.9
Total	**22,521.0**	**100.0**	**42,332.0**	**100.0**	**55,616.2**	**8,963.7**	**100.0**

With the continued economic structural transformation in China and the growth in total loans in China's banking sector, we anticipate that the volume of non-performing loans in China's banking system will rise. Furthermore, we believe that the increasing needs of commercial banks to dispose of distressed assets, the ongoing balance sheet de-leveraging, the financial restructuring undertaken by city and rural commercial banks and credit cooperatives, and the structural adjustment of non-bank financial institutions such as trusts will increase the supply of FI Distressed Assets. Prior to 2012, our Traditional Distressed Assets primarily came from distressed assets divested by large state-owned and Joint-stock Commercial Banks during their preparation for their public listings. In February 2012, the MOF and CBRC approved the packaged sale of distressed assets by PRC financial institutions at a discount to Original Value. We believe that in the future the disposal of distressed assets through third—party professional entities (such as AMCs) will become a common practice for banks in China, presenting us with increased opportunities to acquire distressed assets.

NFE Distressed Assets

We commenced NFE Distressed Asset management business after obtaining the relevant qualification from the CBRC in June 2010. NFE Distressed Assets refer to distressed debt, equity and real assets possessed and controlled by non-financial enterprises and generated in the course of production and operating activities (such as supply of products, services, materials and equipment and construction activities along the industry supply chain), borrowing and lending activities and investment activities.

The NFE Distressed Assets we have acquired primarily include accounts receivable and other receivables of non-financial enterprises. These distressed debt assets include (i) overdue receivables, (ii) receivables expected to be overdue and (iii) receivables from borrowers with liquidity issues. Debtor companies are mainly from real estate, infrastructure, construction and manufacturing sectors. For the three years ended December 31, 2012, 2013 and 2014, we acquired NFE Distressed Assets from approximately 217, 465 and 626 creditors, respectively. We have also acquired equity and real assets divested, exited and transferred by non-financial enterprises due to their strategic realignment, industry consolidation and operational restructurings.

Our NFE Distressed Asset management business is an integral part of our distressed asset management business. It extends our function of mitigating financial risk and improving resource allocation from the financial sector into the real economy. As a pioneer of the NFE Distressed Asset management business, we leverage our strength in real estate finance to engage in projects related to real estate and infrastructure. We seek to expand our footprint in the cyclical industries (such as raw materials, construction machinery, metallurgical and chemical industries), and industries benefiting from China's industrial upgrade (such as manufacturing, service, and environmental protection industries) in order to fully benefit from the opportunities provided by China's economic transformation. Given our years of experience in restructuring and vast industry know-how, we help companies overcome their short-term liquidity challenges due to their structural realignment, optimize their balance sheet structure, and improve their risk tolerance. At the same time, we make full use of the Group's synergistic operations to provide our clients with customized financial solutions.

Business Models for Our Distressed Debt Asset Management

We mainly employ two business models in our distressed debt asset management: (i) the Traditional Model and (ii) the Restructuring Model. These two models differ in primary acquisition sources, arrangements for rights and obligations and income models:

- Primary acquisitions sources. We acquire the Traditional Distressed Assets primarily from banks, while we acquire the Restructured Distressed Assets primarily from non-financial enterprises, in addition to banks and non-bank financial institutions;

- Arrangements for rights and obligations. Under the Traditional Model, we assume the pre-existing rights and obligations between the banks and debtors after we acquire the debts. Under the Restructuring Model, we enter into an agreement with the creditor and debtor to confirm the contractual rights and obligations and then acquire the debts from the creditor; concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment amount, repayment method, repayment schedule, and any collateral and guarantee arrangements; and

- Income models. Under the Traditional Model, our income is primarily dependent on disposal methods and our ability to dispose of the acquired Traditional Distressed Assets in a timely manner. We realize and enhance the value of assets acquired under the Traditional Model primarily through debt restructurings, litigations and sales. As a result, our disposal income under the Traditional Model varies from one deal to another. Under the Restructuring Model, we fix the restructuring returns and payment schedule at the time of executing the restructuring agreements. In addition, the accounting treatments of these two models are different. For further details, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company."

The table below sets forth details on the acquisition and disposal of distressed assets by our Company using the Traditional Model and the Restructuring Model, respectively, for the years indicated:

	As of and for the year ended December 31,						
	2012		2013		2014		
	Acquisition costs	% of total	Acquisition costs	% of total	Acquisition costs		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Net balance of distressed debt assets							
Traditional Distressed Assets[(1)]	8,022.2	14.3	16,784.1	14.6	42,169.4	6,796.5	20.4
Restructured Distressed Assets[(2)]. . . .	48,068.2	85.7	97,970.6	85.4	164,634.5	26,534.3	79.6
Total	**56,090.4**	**100.0**	**114,754.7**	**100.0**	**206,803.9**	**33,330.7**	**100.0**
Acquisition cost of distressed debt assets[(3)]							
Traditional Distressed Assets	2,941.6	5.6	12,278.8	13.8	30,796.3	4,963.5	20.6
Restructured Distressed Assets	49,249.5	94.4	76,534.3	86.2	118,703.4	19,131.5	79.4
Total	**52,191.1**	**100.0**	**88,813.1**	**100.0**	**149,499.7**	**24,095.0**	**100.0**
Income from distressed debt assets							
Traditional Distressed Assets[(4)]	3,973.8	53.0	4,534.3	30.9	4,105.5	666.3	18.4
Restructured Distressed Assets[(5)]	3,518.4	47.0	10,144.2	69.1	18,242.8	2,960.5	81.6
Total	**7,492.2**	**100.0**	**14,678.5**	**100.0**	**22,348.3**	**3,626.8**	**100.0**

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

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

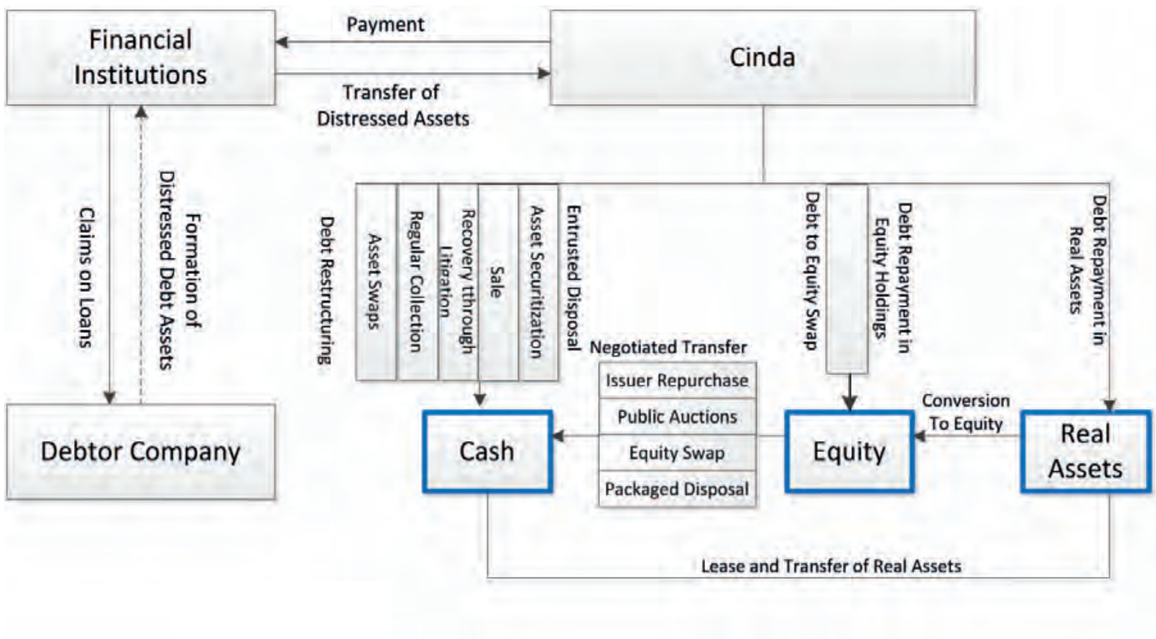
(3) The "acquisition cost of distressed debt assets" indicates the amounts of assets acquired during each period indicated.

(4) Equivalent lo the Company's realized and unrealized fair value charges on distressed debt assets, as appeared in our consolidated financial statements.

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

Traditional Model

We employ the Traditional Model mainly for our acquisition of distressed assets packages from banks. These packages typically include (i) distressed debt assets and (ii) equity and real assets in satisfaction of debt. We usually acquire Traditional Distressed Assets at a discount to Original Value and dispose of them through various means for cash. The chart below sets forth details of our Traditional model.



The table below sets forth certain financial details on our Company's acquisition and disposal of Traditional Distressed Assets for the years indicated:

	As of and for the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions, except percentages)			
Net balance of Traditional Distressed Assets[(1)]	8,022.2	16,784.1	42,196.4	6,800.9
Acquisition cost of Traditional Distressed Assets[(2)]	2,941.6	12,278.8	30,796.3	4,963.5
Carrying amount of Traditional Distressed Assets Disposed[(3)]	3,205.9	3,809.8	5,871.2	946.3
Unrealized fair value change	368.0	293.0	460.1	74.2
Income from Traditional Distressed Assets[(4)]	3,973.8	4,534.3	4,105.5	661.7

(1) Equivalent to the Company's distressed debt assets designated as at fair value through profit or loss as appeared in our consolidated financial statements. The "net balance of Traditional Distressed Assets" indicates the balance of Traditional Distressed Assets at the end of each period. For example, the net balance of our Traditional Distressed Assets as of December 31, 2012 was RMB8,022.2 million. As of January 1, 2012, the net balance of our Traditional Distressed Assets was RMB7,918.5 million.

(2) The "acquisition cost of Traditional Distressed Assets" indicates the amounts of Traditional Distressed Assets acquired during each period Indicated. For example, the amounts of Traditional Distressed Assets we acquired in 2012 were RMB2,941.6 million.

(3) This item indicates the amounts of Traditional Distressed Assets disposed in a given period. For example, we disposed of Traditional Distressed Assets with a book value of RMB3,205.9 million in 2012.

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

Our return on disposal of Traditional Distressed Assets for the years ended December 31, 2012, 2013 and 2014 was 112.5%, 111.3% and 62.1%, respectively. "Return on disposal" is calculated as (Income from Traditional Distressed Assets-unrealized fair value change)/(Carrying amount of Traditional Distressed Assets disposed). Our internal rate of return for the years ended December 31, 2013 and 2014 was 19.3% and 18.6%, respectively. "Internal rate of return" refers to the discount rate which makes the net present value of all cash flows, the cash inflow from disposal of Traditional Distressed Assets for the year and, the cash outflow from the acquisition cost of such assets, equals to zero.

Sources of Information for Acquisition Opportunities

We actively seek opportunities to acquire distressed assets packages from banks. We obtain information on such acquisition opportunities primarily through the following means: (i) establishing regular communication channels with various banks to stay informed of banks' disposal plans, (ii) tracking the asset package sale announcements issued by banks, and (iii) involving ourselves as early as possible in relevant projects through the entrustment management of distressed assets or the execution of strategic cooperation agreements. As of December 31, 2014, we had strategic cooperative relationships with 122 bank headquarters, branches, and non-bank financial institutions, emphasizing bilateral cooperation on distressed assets acquisition. In addition, we provide distressed assets-related training programs and engage in regular dialogues with banks in order to further strengthen our relationships.

Due Diligence and Valuation

We conduct due diligence and valuation prior to our acquisition of distressed assets. Due diligence is conducted either on-site or off-site. On-site due diligence primarily includes (i) visiting the lending bank, debtor, guarantor and related parties, (ii) inspection of the collateral, and (iii) reviewing information available through the PBOC's credit reference center and checking other information on the debtor, guarantor, related parties and relevant assets available at the competent authorities such as the industry and commerce administration, tax, customs, real estate administration, and land administration authorities and the court. Off-site due diligence primarily includes written materials related to the assets. We review the information we collect through the due diligence process and analyze pertinent information to form the basis for our asset valuation.

When conducting asset valuation, we pay close attention to the asset's ownership, the debtor company's operating conditions and business prospects, past valuation information and precedent transactions, among other factors. We also consider external factors such as relevant government policies, market factors and environmental factors. We employ different valuation methods for debt, equity and real assets. The valuation methods we employ for debt assets include the hypothetical liquidation method, the cash flow method and the comparable transaction method, among other methods. The valuation methods we employ for equity assets include the market method, the income method and the cost method. The valuation methods we employ for real assets include the market comparison method, the income method, the cost method and hypothetical development method. Our valuation methods for land rights include the market comparison method, the income capitalization method, the residual method, the cost approach method, and the land base price correction factor method.

We have developed a Debt Assets Due Diligence and Valuation System and an Equity Assets Due Diligence and Valuation System. The Debt Assets Due Diligence and Valuation System went online in 2007 and has been upgraded several times, equipping us with a comprehensive due diligence database with more than 60,000 distressed debt assets and many case studies on the disposal of distressed assets. The Debt Assets Due Diligence and Valuation System is composed of a due diligence module and a valuation module. The due diligence module covers information for over 200 indicators, including information on the debt contracts, finances and assets of the debtor and guarantor and collateral. The valuation module is comprised of all categories of valuation models used to value individual debt assets and collateral assets. The Debt Assets Due Diligence and Valuation System integrates and streamlines our due diligence and valuation processes for the acquisition, routine management and disposal of distressed debt assets. The system ensures that the data we collect through the due diligence process is comprehensive and that our valuation process is standardized. It allows us to maintain a continuously updated due diligence and valuation database. We implemented our Equity Assets Due Diligence and Valuation System in June 2013. Its primary functions include due diligence, industry analysis and valuation. The Equity Assets Due Diligence and Valuation System provides solid technical support for our due diligence and valuation process of equity assets.

When conducting due diligence and valuation during our routine management and disposal of distressed assets, we take into account the competitive dynamics and bids we receive in addition to the above factors.

Acquisition Process

We acquire Traditional Distressed Assets primarily through competitive bidding and auctions, purchase of delisted shares and negotiated purchases. The discount rate between our acquisition price and the Original Value of the assets depends primarily on the quality of the assets. In addition to the valuation results and information we collect during our due diligence process, we consider the following factors when determining whether to acquire certain Traditional Distressed Assets and setting our offering prices for these assets: (i) projected cash recovery; (ii) the cost of capital and return on investment; (iii) projected disposal period; (iv) our competitors and the competitive landscape; and (v) our competitive advantage in the relevant geographic location and industry of the assets. We believe our extensive experience in the disposal of distressed assets prepares us well in estimating the recovery amount in distressed asset disposals. We believe that we have accumulated substantial experience in pricing and competitive bidding, and have demonstrated our bidding capability in practice.

Routine Management and Disposal: Classification of Assets and Value Enhancement

Following the acquisition of Traditional Distressed Assets, the Head Office will formulate general disposal objectives and disposal plans based on our profit, cash flow, cost and return on investment targets. These disposal plans are adjusted on an annual basis and the plan is implemented at the Company Branch level that manages the assets. We monitor and evaluate our progress made towards disposal of the assets on a monthly basis, in addition to the quarterly report in order to ensure our annual disposal plan will be fulfilled.

The primary goals of our routine management are value discovery, value enhancement and avoidance of value impairment. During the routine management stage, we continue to conduct due diligence in order to understand the debtor's willingness and ability to repay, the condition and liquidity of the collateral and the guarantor's repayment capability. In addition, we continue to research whether the debtor or guarantor possesses assets of value previously not discovered.

We generally designate managers responsible for the overall management of the distressed assets we have acquired. A manager's duties include: (i) collecting debt in a timely manner and taking appropriate measures before the expiration of statutory periods such as statute of limitations and guarantee periods in order to safeguard our interests; (ii) conducting regular due diligence and updating information in our due diligence information systems (iii) monitoring the compliance of debtors and guarantors, closely tracking changes in the value of collateral and promptly reporting and proposing remedial measures for debt evasion and other serious issues; (iv) regularly performing valuations for debt assets; and (v) making claims during legal or bankruptcy (if any) proceedings.

For Traditional Distressed Assets, our primary methods of asset disposal include debt restructuring, swap of debts into equity, asset swap, receipt of equity and real assets in satisfaction of debt, regular collection, recovery through litigation, sale, asset securitization and commissioned disposal and any combination of the above. We dispose of assets in batches, taking into account our disposal plan, the specific circumstances of the disposal, required return on capital and the Company's overall plan. We classify Traditional Distressed Assets into one of three types: (i) assets possessing significant potential for future appreciation; (ii) assets possessing low potential for future appreciation, of low quality, or that the debtor is unable or unwilling to repay; and (iii) other assets. We apply different disposal strategies for each type of assets.

(i) For assets possessing significant potential for future appreciation, we utilize specialized management methods and coordination mechanisms for major debt assets to ensure long-term value appreciation and the optimization of asset value at the time of disposal. Based on the specific circumstances of each project, we identify and adopt one or more of the following disposal strategies:

- Financial restructuring: we actively seek opportunities to convert the distressed debts we own into equity of the debtor company or to inject additional equity capital into the debtor company, thereby aligning the debtor company's interests with ours in order to ensure maximum value appreciation as well as facilitate our disposal of the assets by means of exit in the capital market. By exchanging the debt or DES we hold for equity of a listed entity, we seek to recover our investment through capital markets transactions;

- Operational restructuring: we assist the debtor company with procuring strategic investments and optimizing its business lines for debt or equity value enhancement in order to promote the value appreciation of our investments;

- Corporate governance improvement: we help debtor companies improve their corporate governance by leveraging our rich experience in the custody, liquidation and restructuring of Distressed Entities.

We have executed complex restructuring projects by leveraging the vast experience we have accumulated throughout our dealings with Distressed Entities. We promote and realize value appreciation of the assets we invest in by collaborating with our subsidiaries. We actively involve our securities and investment subsidiaries in formulating disposal or restructuring plans and facilitating the capital markets access of a debtor or its related parties. Furthermore, our subsidiaries offer a broad range of financial services and products and provide debtor companies with customized financial solutions. In some instances, we design innovative transaction structures through combinations of or swaps between debt and equity instruments to satisfy client needs and achieve our objectives. For real estate properties with value appreciation potential, we seek to enhance their value by utilizing the resources and experience of our investment subsidiary Cinda Investment and its real estate development subsidiary Cinda Real Estate.

(ii) For assets possessing low potential for future appreciation, widely dispersed in different locations, of low quality, or that the debtor is unable or unwilling to repay, we aim to swiftly dispose of the assets to minimize management and disposal costs. The primary methods of disposal we adopt for these types of assets are packaged sales through auctions, competitive bidding and negotiated purchases. For assets with relatively low value, the packaged sale method can effectively lower disposal expenses and increase the value of the asset package. In order to cater to market demands and create an optimal mix of debt, equity and real assets in asset packages, we take into account the location, industry and enterprise affiliation of the assets.

(iii) For assets that do not belong to the two aforementioned categories, we closely monitor their conditions, evaluate their potential for value appreciation and adjust our disposal strategy as needed. The primary methods of disposal we adopt for this type of assets include debt restructuring, receipt of equity or real assets in satisfaction of debt, regular collection and recovery through litigation. We receive equity interests and real assets in satisfaction of debt through contract or court order and mainly from debtors who face cash flow issues but possess quality equity or real assets and who are willing to repay their debts. We generally entrust third party professionals with the disposal of assets that are difficult or costly to dispose of, such as consumer loans. We seek to collect from debtors who are willing and able to repay their debts and honor existing contracts. We also seek to recover debts through litigation or arbitration.

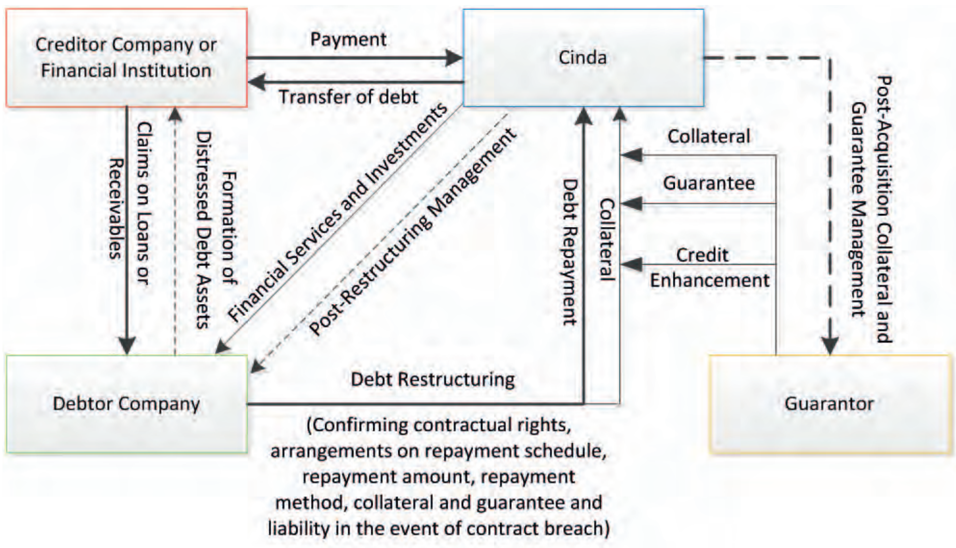
As the pioneer of China's distressed asset management industry, we continuously seek to innovate our disposal methods. For example, we were the first in China to swap distressed debt to equity for a large-scale state-owned company, and the first AMC in China to complete a debt restructuring through the establishment of a creditors' management committee as the leading creditor. We actively introduce foreign strategic investors in our corporate restructuring efforts and were among the first to complete the domestic and overseas distressed assets disposal through securitization. For details related to the disposal of our DES Assets, see "— DES Asset Management — Value Enhancement and Realization of DES Assets."

Restructuring Model

Restructured Distressed Assets primarily include the accounts receivable and other receivables we acquire from non-financial enterprises and the distressed debt assets we acquire from financial institutions such as banks and trust companies. After confirming the contractual rights and obligations between the creditor and debtor, we enter into an agreement with the creditor to acquire the debt. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment schedule, repayment amount, repayment method and any collateral and guarantee arrangements, with the ultimate goal of recovering the debt in full.

Under the Restructuring Model, we enhance the value of existing distressed debt assets through restructuring, and provide differentiated financial services for enterprises in temporary liquidity difficulties. The main feature of the Restructuring Model is the restructuring of existing debt without extending additional credit. We improve the cash flow and operating conditions of the debtor company, control potential credit risks in the supply chain and therefore promote the sound structural realignment of the industry through various restructuring measures of the existing debt without injecting extra liquidity. For the management of Restructured Distressed Assets, we benefit from the vast industry experience, restructuring capabilities and client resources we have accumulated throughout our management of Traditional Distressed Assets. We believe the development and structural transformation of China's economy will provide a steadily increasing supply of NFE Distressed Assets and significant opportunities for our distressed asset management under the Restructuring Model.

The chart below sets forth details of our Restructuring Model:



The table below sets forth certain financial details on our Company's acquisition and disposal of Restructured Distressed Assets for the years indicated:

	As of and for the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
	(in millions, except percentages)			
Company				
Net balance of Restructured Distressed Assets[1]	48,068.2	97,970.6	164,634.5	26,534.3
Acquisition cost of Restructured Distressed Assets[2]	49,249.5	76,534.3	118,703.4	19,131.5
Income from Restructured Distressed Assets[3]	3,518.4	10,144.2	18,242.8	2,940.2
Annualized return on monthly average balance[4]	16.0%	13.5%	12.2%	12.2%
Impaired Restructured Distressed Assets	596.8	1,010.7	2,037.1	328.3
Impaired Restructured Distressed Assets ratio[5]	1.2%	1.0%	1.2%	1.2%
Allowance for impairment losses	1,482.3	2,942.6	5,432.0	875.5
Impaired Restructured Distressed Assets coverage ratio[6]	248.4%	291.1%	266.7%	266.7%

(1) Equivalent to distressed debt assets classified as receivables, net of allowance for impairment losses as appeared in our consolidated financial statements. The "Net balance of Restructured Distressed Assets" indicates the balance of Restructured Distressed Assets at the end of each period. For example, the net balance of our Restructured Distressed Assets as of December 31, 2012 was RMB48,068.2 million.

(2) The "acquisition cost of Restructured Distressed Assets" indicates the amounts of Restructured Distressed Assets acquired during each period indicated. For example, the amounts of Restructured Distressed Assets we acquired in 2012 were RMB49,249.5 million.

(3) Equivalent to income from distressed debt assets classified as receivables as appeared in our consolidated financial statements.

(4) Income from Restructured Distressed Assets I monthly average balance of Restructured Distressed Assets. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" for reasons of the changes in annualized return on monthly average balance for our Restructured Distressed Assets for the three years ended December 31, 2014.

(5) Impaired Restructured Distressed Assets / Gross balance of Restructured Distressed Assets.

(6) Allowance for impairment losses / Impaired Restructured Distress Assets.

Different from the Traditional Model where we dispose of the distressed assets by selling them to the purchasers, we typically do not sell the Restructured Distressed Assets but achieve exit through the repayment from the debtors or its related parties. As a result, the balance of Restructured Distressed Assets increases as a result of (i) new acquisitions of Restructured Distressed Assets and (ii) increases in accrued interests, but decreases with the repayment. In 2012, 2013 and 2014, the aggregate repayment of our Restructured Distressed Assets was RMB12,909.0 million, RMB35,129.0 million and RMB67,461.3 million (US$10,872.8 million), respectively; during the same periods, the accrued interests of our Restructured Distressed Assets were RMB3,508.9 million, RMB10,103.4 million and RMB18,180.7 million (US$2,950.5 million), respectively.

We obtained the qualification to acquire NFE Distressed Assets from the CBRC in 2010 and gained valuable experience through studying the operation approach and market practices of this business in 2011. Based on such experience, we captured the significant business opportunities of the NFE Distressed Assets market achieved significant growth in the acquisition of NFE Distressed Assets in 2012. As a significant portion of the NFE Distressed Assets we acquired were Restructured Distressed Assets, the balance of our Restructured Distressed Assets increased significantly from RMB49,550.5 million as of December 31, 2012, to RMB100,913.2 million as of December 31, 2013, and further increased to RMB170,066.5 million (US$27,409.7 million) as of December 31, 2014.

Despite the rapid growth of the balance of our Restructured Distressed Assets, the impaired assets of distressed debt assets classified as receivables (before deducting allowance for impairment losses) as a percentage of the balance of distressed debt assets classified as receivables slightly decreased from 1.2% in 2012 to 1.0% in 2013 and increased to 1.2% in 2014 as a result of our effective risk control; the allowance of impairment losses as a percentage of our distressed debt assets classified as receivables decreased from 3.0% as of December 31. 2012 to 2.9% as of December 31, 2013 and increased to 3.2% as of December 31, 2014; in addition, the coverage ratio of debt assets classified as receivables increased from 248.4% as of December 31, 2012 to 291.1% as of December 31, 2013 and decreased to 266.7% as of December 31, 2014.

The significant increase in our impaired Restructured Distressed Assets in 2012 was mainly attributable to (i) the significant increase in the balance of Restructured Distressed Assets, which resulted in the increase in impaired assets; and (ii) the slight increase in the impairment ratio from 0.8% in 2011 to 1.2% in 2012, which was because we did not start the Restructuring Model until the second half of 2011 and it took a period of time for the quality of assets to be reflected. The significant increase in the allowance for impairment losses in 2012 was attributable to (i) the significant increase in the balance of Restructured Distressed Assets, for which we made a relatively large amount of provisions for impairment losses based on similar provision rates; and (ii) the prudent provisioning policies we adopted, especially a large amount of provisions we made for impairment losses collectively assessed. We made provisions for impairment losses in the amount of RMB5,355.4 million in 2014, among which RMB4,848.9 million (US$781.5 million) was collectively assessed and RMB506.5 million was individually assessed, compared to the RMB1,482.3 million provisions we made in 2012, among which RMB1,302.3 million was collectively assessed and RMB180.0 million was individually assessed.

Sources of Information for Acquisition Opportunities

We obtain information on acquisition opportunities for Restructured Distressed Assets primarily from: (i) existing clients and their referrals: (ii) referrals from banks, trust companies and other business partners; and (iii) marketing initiatives of our Head Office or Company Branches.

Due Diligence

During the acquisition process for Restructured Distressed Assets, we conduct both on-site and off-site due diligence. We pay close attention to the financial condition, asset condition, solvency and industry outlook of the debtor and its related parties, the ability of the guarantor to perform its obligations under the guarantee and any changes in the value of the collateral. For further details concerning our on-site and off-site due diligence, see "— Distressed Asset Management — Management of Acquired or Entrusted Distressed Debt Assets — Acquisition and Management of Distressed Debt Asset — Business Models for our Distressed Debt Asset Management Operations — Traditional model — Due Diligence and Valuation."

Due to the particular nature of the NFE Distressed Assets, we pay special attention to the verification of the contractual obligations between the debtor and the creditor. NFE Distressed Assets, which differ from bank loans, are generally originated from sales contracts or construction contracts whereby the creditor enjoys creditor's rights but, at the same time, must fulfill obligations to the debtor, such as warranty and after-sales service obligations. As a result, the debtor company's support and cooperation is required for our successful acquisition of the debt.

Acquisition and Restructuring

We acquire Restructured Distressed Assets primarily through negotiated purchases. At the time of acquisition, we enter into restructuring agreements with debtor companies and related parties on repayment amounts, repayment methods, repayment schedules and collateral and guarantee arrangements for the restructured debts. Through routine management measures, we ensure the fulfillment of the agreed terms and the realization of our target return. Therefore, the disposal and recovery of Restructured Distressed Assets is primarily accomplished through the fulfillment of the restructuring agreement by the debtors and other related parties. When the debtors and relevant parties cannot perform the restructuring agreements, we will dispose of the relevant Restructured Distressed Assets by using methods generally applicable to Traditional Distressed Assets, including debt restructuring, recovery through litigation and sales. For detailed descriptions of disposal methods of Traditional Distressed Assets, see "— Traditional Model." When deciding whether to acquire certain Restructured Distressed Assets, we mainly consider: (i) whether the principal and restructuring returns can be fully recovered in a timely manner. As a result, during the due diligence and approval processes, we focus on the analysis of a debtor's basic information, its sources of repayment funds, the availability of guarantee, and whether follow-up monitoring measures can be put in place; (ii) the repayment ability and intention of the counterparty, including its asset liquidity and adequacy of cash flows; and (iii) the legality, validity, authenticity and feasibility of the guarantee conditions and collaterals.

Debt repayment periods following restructuring are generally between one and two years. We determine our acquisition price and restructuring terms based on the risks involved, cost of capital and our target rate of return on the investment. In 2012, 2013 and 2014, the annualized return on monthly average balance of our Restructured Distressed Assets was 16.0%, 13.5% and 12.2%, respectively. The vast majority of our restructured debts are collateral or guaranteed debts. We impose guidelines for the ratio of the value of accounts receivable to collateral value based on the types of the collateral. We typically hire professional appraisal firms to conduct valuation of the collateral during the acquisition process. For more details of our guidelines on the ratio of the value of accounts receivable to collateral value, see "Description of the Group — Risk Management."

Aside from fixing repayment terms with the debtor at the time of the restructuring, we stay actively involved in the repayment process and adopt various measures to exert control over the debtor and realize a target return on our investment. These measures include without limitation:

- Where possible and when necessary, we seek to improve the debtor's operating conditions and competitiveness through various means including (i) promoting financial and operational restructuring of the debtor, (ii) improving corporate governance of the debtor company by leveraging our experience in corporate governance, (iii) making equity investments and (iv) assisting the public listing of the debtor company.

- We require additional collateral or guarantees and strengthen monitoring measures such as (i) setting up a third-party benefits trust, (ii) taking control of company seals and chops and (iii) establishing escrow accounts.

- We seek to participate in important decision-making processes affecting the debtor company by appointing directors, supervisors and senior management as well as obtaining veto rights, in order to improve its corporate governance and operations and ensure fulfillment of restructuring terms.

- When necessary, we may decide to foreclose on collateral. Leveraging the resources and expertise of our investment and financial services subsidiaries, we strive to increase asset value and ultimately maximize our returns.

Routine Management

Our primary objectives in the routine management of Restructured Distressed Assets are to monitor debtor performance under the restructuring agreements and detect adverse events and potential risks that may affect the debtor's ability to perform its obligations under the restructuring agreement in a timely manner. To achieve such purpose, we conduct regular on-site and off-site due diligence to gain an in-depth understanding of the debtor. We analyze the individual circumstances of the debtors and the guarantors and adopt differentiated management strategies. We take into consideration various factors such as (i) the quality of debtor companies, and (ii) the quality, credit risk profile and financial condition, management quality and operational results of guarantor companies and grade our clients based on their ability to perform contractual obligations, ability to repay and risk-return considerations. We launched a client credit rating system at the end of 2013 to further strengthen our monitoring abilities over our debtor clients and to improve our risk pricing capabilities.

We also conduct on-site inspections of the debtor company and its guarantors at least once every quarter in order to timely discover any operational difficulties and other warning signs. By timely discovering and reporting any potential risks up the decision-making chain, we are able to adopt effective risk control measures. In addition, we also conduct regular off-site inspections at least once every six months by reviewing written materials on the debtor and guarantor.

In addition to the standard risk management measures we have adopted for our distressed debt assets, we have established specialized risk management mechanisms that account for the specific characteristics of our Restructured Distressed Assets. For more information on risk management of our Restructured Distressed Assets, see "Description of the Group — Risk Management."

Entrusted Distressed Asset Management

In addition to acquiring and disposing of distressed assets, we also manage and dispose of distressed assets entrusted to us by financial institutions. non-financial enterprises and local government authorities. This line of business does not require us to incur indebtedness. Our income from this business is primarily derived from commissions. Our entrusted distressed asset management business provides us with additional acquisition opportunities for distressed assets. Through our entrusted distressed asset management business, we have expanded our client base and built robust business relationships with many banks and government agencies. Our entrusted distressed asset management business also enhances our marketplace reputation. In addition to receiving fee and commission income from the business, we actively seek to provide our clients with customized financial services offered by our subsidiaries to increase overall returns for the Group.

Since starting our entrusted distressed assets business in 2003, we have expanded the asset types we manage under this business from debt to including equity and real assets as well as mixed asset packages. The scope of our entrustment has developed from the management and collection of debt assets to including equity transfer, real asset management and due diligence service.

As of December 31, 2012, 2013 and 2014, the balance of our entrusted distressed assets was RMB31.28 billion, RMB39.7 billion and RMB35.2 billion (US$5.7 billion), respectively.

DES Asset Management

We have obtained a significant amount of DES Assets primarily through debt-to-equity swap, receipt of equity in satisfaction of debt and other distressed assets related transactions. Our equity holdings in certain industry-leading companies in the coal, chemicals and metals industries constitute the majority of our DES Assets. These industry-leading companies typically possess large amounts of assets, multiple business lines, extensive industrial chains and substantial market influence either locally or nationally. As a result, these companies have significant potential for value appreciation.

We utilize a principle of "One Enterprise One Approach" whereby we employ differentiated management and disposal methods for different DES Assets according to their respective characteristics. We promote the value appreciation of companies with whom we have swapped distressed debt into equities of these companies ("DES Companies") by providing additional investments and supporting their efforts to improve corporate governance, increase decision-making efficiency and conduct operational restructuring and mergers and acquisitions. We leverage our diversified business platform to provide the DES Companies with a comprehensive array of customized financial solutions. By enhancing the value of DES Companies, we simultaneously increase the liquidity of and returns generated by our DES Assets.

The broad range of management and disposal methods we utilize for our DES Assets generates revenue for us in multiple ways. We receive (i) dividend income, (ii) disposal income, and (iii) restructuring income[1] throughout our management and disposal of DES Assets. We also receive fee and commission income by providing financial services to DES Companies. Furthermore, the cooperative relationships we have established with local government authorities and other enterprises, through the DES Companies, have provided us with many benefits and additional business opportunities.

Over the years, we have developed a set of criteria to select equities and a wide array of value enhancing tools and innovative disposal methods for our DES Assets. The capabilities and experience we have accumulated through our DES Asset management business have not only reinforced our competitive advantages in our core business of distressed asset management, but also vigorously supported our financial investment, asset management and financial services businesses.

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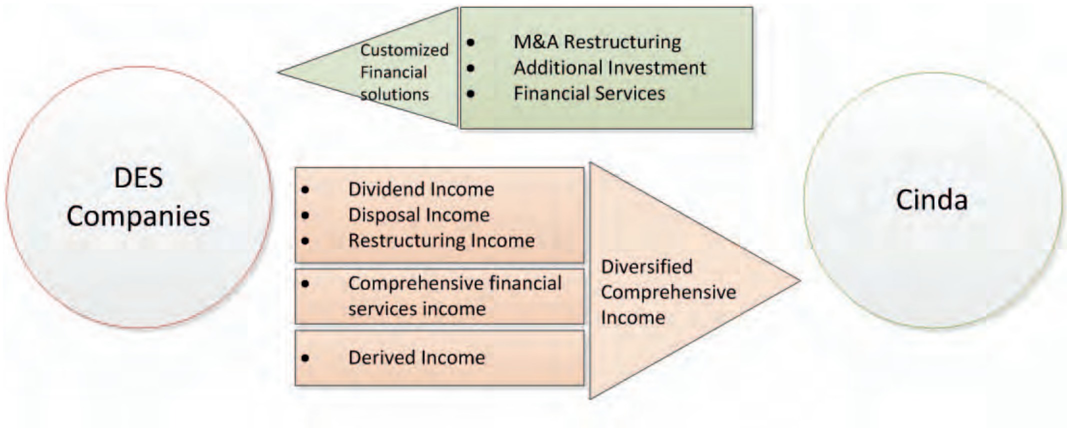
[1] Refers to gain we realized from exchange of DES Assets to assets in other companies.

The figure below sets forth details on the broad range of value-added services we offer to DES Companies as well as the revenue sources provided by DES Companies:



Sources and Classification of DES Assets

Our DES Assets include: (i) the DES Assets that were converted under government guidance from the distressed debt a sets of a number of medium and large SOEs the Company acquired prior to our restructuring, which constitute a majority of our DES Assets, (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset package we purchased, (iii) additional investments by the Company in the aforementioned companies, (iv) equities the Company received in satisfaction of debt and equities the Company acquired through debt-to-equity swap transactions on our own initiative, and (v) equities the Company received as part of the share capital when we were established in 1999. For a historical background and more information on the state-mandated debt-to-equity swaps we effected as mentioned in (i) above, see "Industry Overview."

Over the course of our business, we have developed and strictly complied with a complete set of selection standards for choosing debtor companies with whom we effect debt-to-equity swaps. When selecting a debtor company for the aforementioned (i) and (ii) types of DES Assets, we primarily took into account the following standards after consulting relevant national policies and regulations: (i) the marketability of its products, (ii) advanced equipment and processes by domestic and international standards and its compliance with environmental regulations, (iii) the quality of its corporate governance, clarity of the rights and obligations of debtors and creditors and its compliance with financial management standards, (iv) the entrepreneurship and capabilities of its management team, and (v) whether its operational restructuring plans meet the standards of a modern enterprise system and have received government approval for reform measures such as reducing and redirecting staff to increase efficiency. For other types of debt-to-equity swaps, we take into consideration the following factors when choosing a debtor company: (i) its asset condition. (ii) its corporate governance, (iii) its financial system, (iv) its market share and potential of its products and services, and (v) its levels of support for debt restructuring.

Our DES Assets can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") or listed shares of DES Companies ("Listed DES Assets"). As of December 31, 2014, we held Unlisted DES Assets in 196 DES Companies, with total book value of RMB32.7 billion

(US$5.3 billion), and Listed DES Assets in 17 DES Companies, with total book value of RMB8.9 billion (US$1.4 billion). The table below sets forth details of our Unlisted DES Assets and Listed DES Assets during relevant periods:

	As of December 31,		
	2012	**2013**	**2014**
	(in millions of RMB, except number of DES Companies)		
Basic DES Assets Information			
Number of DES Companies	255	213	213
Unlisted	186	187	196
Listed	69	26	17
Total book value	48,238.6	42,274.8	41,563.9
Unlisted	36,449.3	34,134.9	32,651.9
Listed	11,789.3	8,139.9	8,912.0

The table below sets forth details on our Top 20 Unlisted DES Assets, and the 15 largest Listed DES Assets as of December 31, 2014.

Top 20 Unlisted DES Assets

Ranking	**Industry**	**Investee Company**	**Shareholding percentage**
1.	Coal	Shenhua Group Zhungeer Energy Co.,Ltd.	42.24%
2.	Coal	Datong Coal Mine Group Co., Ltd.	30.12%
3.	Coal	Huainan Mining Industry (Group) Co., Ltd.	24.84%
4.	Coal	Xishan Coal Electricity Group Co., Ltd.	35.47%
5.	Coal	Yangquan Coal Industry (Group) Co.,Ltd.	40.42%
6.	Chemicals	Wengfu (Group) Co., Ltd.	47.16%
7.	Coal	Shanxi Jincheng Anthracite Mining Group Co., Ltd.	16.45%
8.	Coal	Tiefa Coal Industry (Group) Co., Ltd.	30.46%
9.	Coal	Huozhou Coal Electricity Group Co.,Ltd.	36.97%
10.	Coal	Shanxi Fenxi Mining Industry (Group) Co., Ltd.	36.02%
11.	Other (Manufacturing)	China National Materials Co., Ltd.[2]	8.96%
12.	Coal	Shandong Zhongxing Energy Co., Ltd.	20.74%
13.	Other (Transportation)	Ningxia Ningdong Railway Corporation Limited	25.90%
14.	Metals	Baiyin Nonferrous Metal Group Co., Ltd.	5.97%
15.	Coal	Ningxia Lingxin Coal Industry Co., Ltd.	52.46%
16.	Other (Manufacturing)	Tianjin Pipe (Group) Corporation	6.11%
17.	Chemicals	Shanghai Coking & Chemical Corporation[2]	—
18.	Other (Construction)	China Nuclear Engineering Corporation Limited	14.85%
19.	Coal	Guizhou Shuicheng Coal Mining (Group) Co., Ltd.	20.23%
20.	Coal	Huaibei Mining Co., Ltd.	7.23%

Top 15 Listed DES Assets

Ranking	**Industry**	**Investee Company**	**Shareholding percentage**
1.	Metals	Aluminum Corporation of China Limited	3.05%
2.	Chemicals	Qinghai Salt Lake Industry Co., ltd.	7.27%
3.	Metals	Yunnan Copper Co., Ltd.	1.98%
4.	Chemicals	Yunnan Yuntianhua Co., Ltd.	3.39%
5.	Coal	Shaanxi Coal Industry Company Limited[1]	1.80%
6.	Coal	Henan Dayou Energy Co., Ltd.	0.91%
7.	Other (Manufacturing)	Fujian Qingshan Paper Industry Co., Ltd.	5.02%
8.	Other (Manufacturing)	China Tianying Inc.	2.03%
9.	Other (Manufacturing)	CITIC Heavy Industries Co., Ltd.	0.73%
10.	Other (Manufacturing)	FAWER Automotive Parts Limited Company	0.40%
11.	Other (Construction)	Tibet Urban Development and Investment Co., Ltd.	0.46%
12.	Other (Manufacturing)	Zhejiang Garden Biochemical High-Tech Co., Ltd. [1]	11.30%
13.	Other (Manufacturing)	Guangxia (Yinchuan) Industry Co., Ltd.	0.45%
14.	Other (Manufacturing)	Hainan Yedao Group[1]	0.06%
15.	Other (Manufacturing)	Haima Motor Corporation [1]	

(1) The shares we hold are subject to lock-up conditions.

(2) We hold China National Materials Company Limited's non-tradable corporate shares.

(3) We held Shanghai Coking & Chemical Corporation's equity interest as to 26.58% as of December 31, 2013, all of which were disposed of in 2014.

We calculate the value of our Listed DES Assets based on their trading prices. The total book value of our Listed DES Assets was RMB8.9 billion as of December 31, 2014.

Routine Management of Our DES Assets

We have established a multi-dimensional and integrated management system for our DES Assets and cultivated a team of experienced professionals for our DES Asset management. The routine management of our DES Assets is handled by the project managers, project teams and shareholder representatives. directors, and supervisors we assign or appoint at the DES Assets ("assigned personnel").

Our assigned personnel collect first-hand information on the DES Companies and utilize the advanced capabilities we have developed in information collection, maintenance and analysis. As a result of the synergistic collaboration between our Head Office, Company Branches. subsidiaries and professional teams, we are able to promote asset value and maximize our returns while reducing risks.

- We appoint a project manager for every DES Asset who is responsible for the routine management of the DES Asset. Our project managers collect and report relevant data and information, conduct on-site inspections, review the implementation status of decisions made in shareholder's meetings, board meetings and supervisors' meetings (collectively, "Three Meetings") and monitor the operating conditions of the DES Companies. We set clear guidelines for conducting due diligence visits and on-site inspections, the frequency of which is based on the size of our investment in the company, and the regular issuance of due diligence reports. During routine management, our project managers focus on (i) the development trends of the company. (ii) the value enhancement potential of our assets and (iii) any matters that may affect shareholder value or rights.

- We designate shareholder representatives and appoint board members and supervisors at DES Companies who submit proposals or exercise voting rights at the Three Meetings. We require our assigned personnel at DES Companies to conduct regular due diligence visits in order to gain in-depth knowledge of the company's operating conditions, assist and coordinate with project managers in fulfilling our annual operating plans with regard to the DES Companies and support our subsidiaries in providing comprehensive financial services to the DES Companies.

- The business decision-making committees at our Company Branches review and approve any proposal for the Three Meetings that are within their scope of approval authority. The equity management business decision-making group at our Head Office is responsible for the review and approval of, within its authority, proposals to be submitted to the Three Meetings.

- We have established an equity management information system that covers material information related to the DES Companies, including basic corporate information and information on operating conditions, corporate governance, financial accounting, Three Meetings and restructuring and disposal plans.

Value Enhancement and Realization of DES Assets

Based on our in-depth knowledge of the DES Companies, we adopt differentiated management and operational strategies in accordance with the specific characteristics of each DES Company. For DES Companies that we believe have potential for value enhancement, we focus on increasing the value and liquidity of our DES Assets in the companies. For DES Companies with less potential for value enhancement, we seek to dispose of our DES Assets as quickly as possible. For Listed DES Assets, we aim to reduce our holdings through the secondary market at the appropriate time.

- During the routine management of our DES Assets, we focus on assisting DES Companies in their efforts to standardize operations, reduce risk and enhance management standards, which in turn enhance the value of the DES Companies. We also encourage DES Companies to distribute dividends.

- Our specialized project teams are responsible for enhancing the value and disposing of our DES Assets. We establish a two-tiered project team for every DES project, involving both the Head Office and the Company Branch responsible for the project. For significant projects, the Head Office project team leads project operations and directly participates in the negotiation and operating process of the project, while the Company Branch team cooperates with overall efforts. For other projects, the Company Branch project team is responsible for the implementation of the project and the Head Office project team provides supervision, guidance and coordination. Project teams are also responsible for analyzing the data and information collected by project managers and assigned personnel. Through continuous communication with the DES Companies, their shareholders and controlling owners, our project teams track new developments in the company's operations, especially those related to important investment, acquisition and restructuring. We actively seize opportunities to enhance value and liquidity of our DES Assets.

- We aim to increase the value and liquidity of our DES Assets by means of exiting in capital markets. By promoting the public listing of the DES Companies or exchanging our Unlisted DES Assets for shares of publicly listed companies, we increase the value and liquidity of our assets while concurrently reducing our management costs by holding shares of better regulated listed companies. For an unlisted DES Company, we determine whether it has value enhancement potential by analyzing such factors as national macro-economic policies and the industry, the operations, the development potential and the management team of the company. For a DES Company with high value enhancement potential, we primarily seek to enhance its equity value and liquidity by (i) actively promoting the reorganization and public listing of the company and (ii) exchanging equity of the company for shares of publicly listed companies. In addition, other methods we adopt in order to dispose of Unlisted DES Assets include (i) negotiated transfers, (ii) share repurchases and (iii) auctions, public sales through equity exchanges and other intermediary platforms.

- We commission Cinda Securities for the management of our Listed DES Assets. Cinda Securities assigns investment managers and analysts for the trading of our Listed DES Assets in the secondary market. These investment managers and analysts regularly visit Listed DES Companies, closely monitor developments of the companies and analyze the markets. industries, regions and competitors of the DES Companies. They pay close attention to any changes in the companies' strategies, development goals and operating status.

- We have established a technical support team for our DES Assets, which is responsible for studying any significant technical difficulties that may arise during the management and disposal process. The team is composed of professionals from the equity management department, legal and compliance department, asset evaluation department, finance and accounting department, Cinda Securities' investment banking department and research and development center. Leveraging the expertise of the investment banking and research teams of Cinda Securities, we provide restructuring advisory services and issue industry and enterprise analysis reports to the DES Companies with significant potential for value appreciation.

- Our Company Branch business decision-making committees are responsible for the review of important restructuring or disposal plans or other important matters related to the DES Companies. Decisions made by the Company Branch business decision-making committees are reviewed for further approval by the Head Office business decision-making committee.

- For DES Companies with significant potential for value appreciation, we actively promote the public listing of these companies by providing additional investments or introducing strategic or financial investors. The departments responsible for direct investment at both the parent and subsidiary level of the Group are responsible for conducting additional investments in DES Companies.

Comprehensive Financial Services

We maintain equity holdings in many DES Companies of significant regional or national influence that possess large-scale and high-quality assets. These DES Companies, together with their affiliates, have extensive needs in a broad array of financial services and products. We are able to timely gain knowledge and understanding of their financial needs through our routine management of DES Assets. By providing DES Companies and their affiliates with customized financial solutions through our financial subsidiaries, we are able to support DES Companies' and their affiliates' development and value enhancement while increasing our revenue from DES Assets.

DES Assets Disposal Gain

For the three years ended December 31, 2014, we disposed of our investments in 164 DES Companies with total acquisition costs (net of provision for impairment, if any) of RMB10.7 billion and realized net gain of RMB12.4 billion, achieving an exit multiple of 3.4. Among these assets, in 2012, 2013 and 2014, we disposed of 43, 88 and 33 DES Assets, respectively, with total acquisition costs of RMB2.83 billion, RMB4.27 billion and RMB3.59 billion (US$0.58 billion), respectively, realizing net gain of RMB4.68 billion, RMB3.65 billion and RMB4.05 billion (US$0.66 billion), respectively.

The table below sets forth details of our disposal of DES Assets by asset type for the three years ended December 31, 2014. In 2012, 2013 and 2014, the total acquisition costs of Unlisted DES Assets we disposed of was RMB2.50 billion, RMB2.64 billion and RMB1.47 billion, respectively, and the total acquisition cost of listed DES Assets we disposed of was RMB328 million, RMB1,630 million and RMB2,123 million, respectively.

	As of and for the year ended December 31,		
	2012	2013	2014
	(in millions or RMB, except number of DES Companies disposed of and ratio)		
Number of DES Companies disposed of	43	88	33
Unlisted	32	30	19
Listed	11	58	14
Acquisition costs of DES Assets disposed of	2,827.0	4,273.6	3,589
Unlisted	2,498.9	2,643.8	1,466
Listed	328.1	1,629.8	2,123
Net gain on DES Assets disposed of	4,682.9	3,644.6	4,052
Unlisted	4,650.1	3,208.7	3,523
Listed	32.8	435.9	529
Exit Multiple of DES Assets disposed of(1)	2.7	1.9	2.1
Unlisted	2.9	2.2	3.4
Listed	1.1	1.3	1.3
Dividend Income	964.8	1,350.8	436
Unlisted	912.8	1,282.9	44
Listed	52.0	67.9	392

(1) (Net gain + acquisition costs)/acquisition costs of DES Assets disposed of

Custody, Liquidation and Restructuring of Distressed Entities

We are commissioned by government agencies and corporate clients to provide custody, liquidation and restructuring services for distressed financial institutions and non-financial enterprises. Our Head Office and Zhongrun Development are the operating entities of these services, including custody, restructuring, liquidation and bankruptcy receivership services. To date, we have been commissioned by government agencies to conduct the custody, liquidation and restructuring of eight distressed non-bank financial institutions including securities, trust and leasing companies. In addition, we were entrusted by a large commercial bank to provide custody, liquidation and disposal services for its investments in commercial enterprises. We have developed systematic and comprehensive business processes and standards for our custody, liquidation and restructuring business.

Strategic Significance of Our Custody, Liquidation and Restructuring Business

Our custody, liquidation and restructuring business constitutes a core segment of our distressed asset management business and is of strategic significance to us:

- It contributes to the Group's sustainable development. By strategically selecting distressed financial institutions for our custody, liquidation and restructuring services, we have acquired financial licenses that are otherwise difficult to obtain. These subsidiaries, supported by our meticulous management and synergistic operations, provide the growth momentum for our business by providing clients with comprehensive financial products and services and contributing to the value appreciation of the distressed assets we acquire.

- It enhances our accumulation of industry experience. Many of the entities we manage under our custody, liquidation and restructuring business are in the financial and real estate industries. Through the liquidation and restructuring of these entities (i) we have developed an in-depth understanding of these industries, which provides us with competitive advantages in our business dealings within these industries, and (ii) we have cultivated a team of professionals and accumulated vast experience in turning around Distressed Entities and enhancing their value. The experience and professional capabilities we have accumulated have provided a sound foundation for the continued expansion of our investment, M&A and restructuring businesses in the financial and real estate industries.

- It helps us develop and enhance business relationships with government agencies and corporate clients. Our continued involvement in this business enhances our reputation and is beneficial to our maintenance of good relations with government and other clients.

- It enhances our risk management capabilities. We accumulate specialized capabilities and extensive experience in controlling, identifying, managing and mitigating risks related to non-bank financial institutions, commercial enterprises and investment projects.

We believe that the structural realignment and transformation of China's economy and the resulting industry consolidation will become a common practice, providing us with significant opportunities in M&A, custody, liquidation and restructuring. Leveraging the capabilities we have accumulated through our custody, liquidation and restructuring business for Distressed Entities, we aim to vigorously develop our SSI business, focusing on Distressed Entities that encounter operational and financial issues but possess growth potential or valuable assets.

FINANCIAL INVESTMENT AND ASSET MANAGEMENT

Overview

Our financial investment and asset management business is a natural extension of our distressed asset management business and serves as an important platform to maximize the value appreciation potential achieved in the latter. Additional investments, whether direct or indirect, constitute one of the primary ways in which we enhance the profitability of our distressed asset management operations. To discover and fully leverage attractive investment opportunities, we actively utilize the client resources and industry experience accumulated in distressed asset management throughout the investment process as well as our first-mover advantage in the NFE Distressed Asset management business. For debtor companies who face liquidity issues and have restructuring or consolidation needs, we make additional investments to facilitate their financial and operational restructuring and corporate governance reform, which ultimately leads to the value appreciation of the company and its assets. Through the course of providing customized financial solutions to our clients, we have accumulated industry experience and client resources and cultivated relationships with local governments.

The integration and collaboration of our distressed asset management business and investment business are well demonstrated by our “real estate finance” business. In our distressed asset management business, we receive real properties in satisfaction of debt. To enhance the value of real estate collaterals with defects, we adopt various investment and financing solutions such as follow-on investments and property development so as to maximize the disposal value of such properties. Our real estate investment and development platforms complement each other and share resources, technologies and experience, thus forming a unique business model integrating the investment and disposal of real estate-related distressed assets.

Through our principal investment business operations, we have cultivated a professional investment team with vast industry experience and robust capabilities in valuation, management and risk control, which serves as a sound foundation for the expansion of our third-party asset management business. The third-party asset management business is a business model in which we, as a provider of asset management services (such as the manager/general partner of private equity funds), raise funds from third parties and invest such funds in an agreed-upon manner. Asset managers’ income is mainly generated from fees and commissions collected as a percentage of the entrusted assets or in accordance with other pre-determined methods. Cinda’s third-party asset management business mainly includes private equity fund business, trust business, securities asset management business, fund management business and targeted asset management business. In addition, to actively explore a sustainable business development model, we are gradually transitioning to a capital-efficient and fee-driven business model and seek to broaden our financing channels through off-balance sheet financings. As a result, we consider third-party asset management business as an important trend of our business development. Furthermore, there is a significant potential demand in China for private equity products due to the currently underdeveloped product offering in the market. We utilize our aforementioned unique competitive advantages and existing capabilities in our traditional securities asset management, trust and fund management business to actively develop and expand our third-party asset management business, especially private equity products that include high-yield, buyout and industry funds, thus developing a multi-level and differentiated asset management business system. As of December 31, 2014, assets under management from our securities, trust, fund management and private equity business totaled over RMB250 billion.

Our principal investment and third-party asset management businesses complement each other. As the market for third-party asset management services expands, we plan to shift the focus of our principal investments from direct investments to seed investments in funds managed by the Group. This will help attract third-party funds and support the development of our third-party asset management business.

Our financial investment and asset management business is conducted together by the Company, Cinda Investment, Cinda HK, Zhongrun Development and Cinda Capital and their subsidiaries. Our financial investment and asset management business primarily includes (i) principal investment, (ii) asset management (including private equity), and (iii) other businesses. In 2012, 2013 and 2014, our income from financial investment and asset management business accounted for 24.5%, 21.2% and 20.3%, respectively, of our total income. Apart from our principal investment business, other businesses in this business segment are conducted by Cinda Investment, Cinda HK and Zhongrun Development.

The table below sets forth major business entities involved in the financial investment and asset management business.

Principal Investment	**Asset Management (including Private Equity Fund)**	**Others**
• the Company • Cinda Investment • Cinda HK • Zhongrun Development	Cinda Investment (Mainly through Cinda Capital)	• the Company • Cinda Investment • Cinda HK • Zhongrun Development

Cinda Investment

Cinda Investment is the flagship subsidiary of the Group's financial investment and asset management business. For the year ended December 31, 2014, Cinda Investment accounted for 75.6% and 53.2% of the profit before tax and total assets, respectively, of our financial investment and asset management business. With a clear focus on real estate finance and strategic direction of asset management, Cinda Investment is a comprehensive investment company serving as the Group's specialized investment platform and supporting the Group's distressed asset management business. Cinda Investment currently controls more than 10 subsidiaries that cover several business sectors and geographical regions, including two A-share listed companies, namely Cinda Real Estate and Tongda Venture, the private equity subsidiary Cinda Capital, the investment company Hainan Jianxin Investment Management Co. Ltd., the hotel management company Sanya Horizon Industry Co., Ltd., and the commercial real estate enterprise Henan Jinboda Development & Construction Co.. Each subsidiary has its own strategic focus and wields significant influence in its respective sector.

Cinda Investment, as a non-financial investment company, strongly complements the Company's business by focusing on the acquisition of distressed assets. Cinda Investment collaborates extensively with the Company and provides tailored investment solutions to our clients, enabled by its professional investment teams and diversified investment methods that include equity investments, debt investments, mezzanine financing, debt restructuring, and credit enhancement. Combining the Group's advantages in comprehensive business platforms and its own expertise in investment and experience in the real estate sector, Cinda Investment proactively seeks and design projects and creates cooperation opportunities with the Head Office. Company Branches and our subsidiaries. For example:

- After the Company acquires and restructures a real estate debtor company's distressed debt assets, Cinda Investment acquires equity of the project company through making or increasing its equity investment in order to enhance the assets' value. The equity investment of Cinda Investment not only serves to facilitate debt recovery of the Company, but also maximizes the overall profitability of our Group through the disposal of equity.

- Cinda Investment collaborates with the financial service platform of the Group and expands the business resources available to the Group's financial subsidiaries. For equity investment projects, Cinda Investment plans to equity investments to clients of our trust subsidiary, which would serve to maximize returns for the Group.

- By collaborating with our Company Branches during the due diligence process and post-investment management, Cinda Investment reduces the expenses associated with its investments. Furthermore, Cinda Investment provides support to Group projects that fall within its expertise, especially with regards to the real estate industry. For example, Cinda Real Estate provides professional services to the Group's acquisition and management of real estate related distressed assets.

Benefiting from the Group's rapid development and synergies within the Group, Cinda Investment has achieved consistent growth both in its portfolio and return. Cinda Investment achieved continued growth in profitability and return ratios during the past few years.

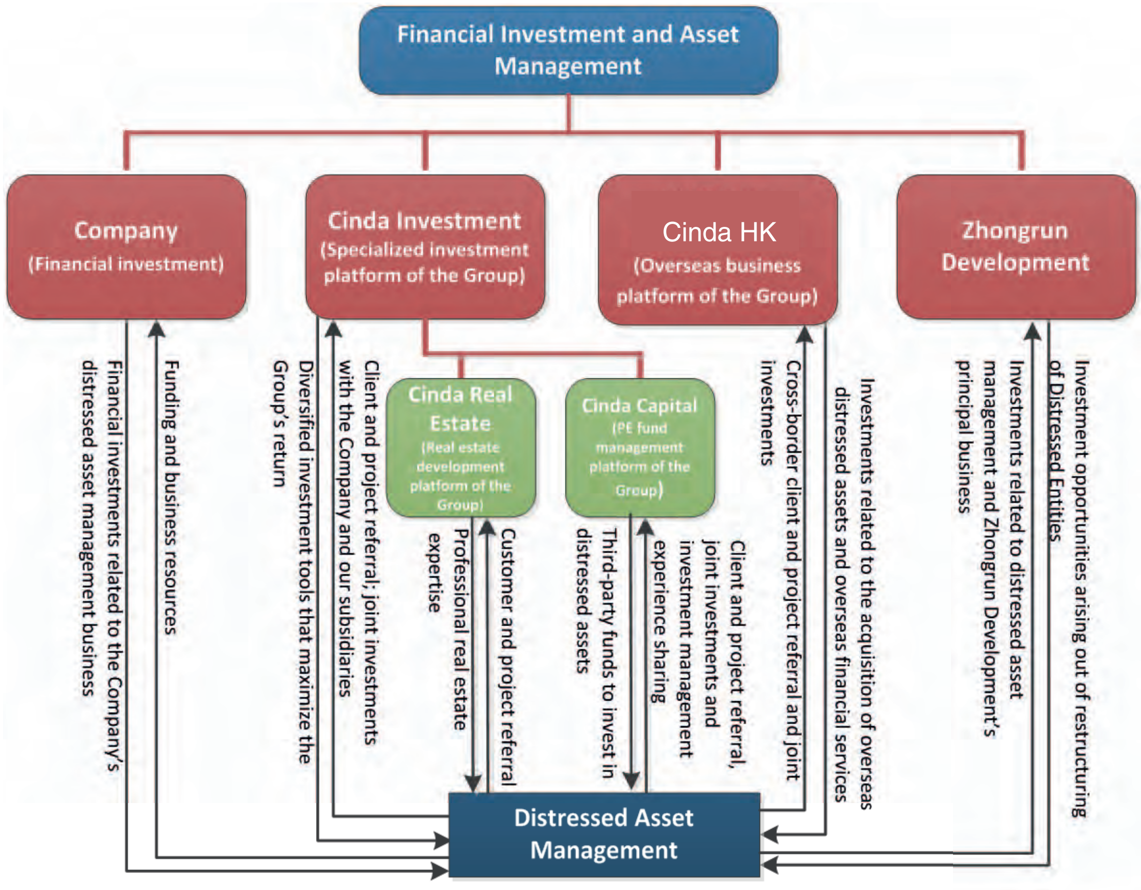
Cinda HK

Registered in Hong Kong, Cinda HK is a wholly-owned subsidiary of the Company that conducts distressed asset management, equity and fixed income investment, asset management and real estate finance. Cinda HK conducts investment banking and asset management businesses through (x) three Hong Kong-listed companies, namely its subsidiary Cinda International (stock code: 00111), its associate company Silver Grant International (stock code: 00171) and China Fortune Group Ltd. (stock code: 00290) in which it holds minority equity interests, and (y) our subsidiary Sino Rock Investment. Cinda HK serves as a bridge between our domestic and overseas businesses and functions as a primary platform for overseas investment and financing and asset management for the Group. In addition, Cinda HK generates synergies within the Group by collaborating with the Company and other subsidiaries in cross-border investment, financing and M&A activities. For example, Cinda HK participates in the due diligence process and co-invests with other Group entities. In addition, Cinda HK also plans to provide financing to our quality DES Companies in the latter's internationalization process.

Zhongrun Development

Zhongrun Development's businesses contribute to the Company's core business of distressed asset management, and participate in the Group's custody, liquidation and restructuring projects for Distressed Entities. Zhongrun Development also conducts investment management business to capture investment opportunities derived from its liquidation and restructuring businesses.

The chart below sets forth the positioning of the main entities involved in the financial investment and asset management business segment as well as their relationships with the Group's distressed asset management business segment:



Principal Investment

Our principal investment business primarily includes: (i) equity investments related to our distressed asset management business, (ii) real estate investment and development related to our distressed asset management business, and (iii) other investments, including investments in fund products, debt securities, trust products and wealth management products. Our real estate investment and development business is primarily handled by Cinda Investment and Cinda Real Estate, while the Company, Cinda HK and Zhongrun Development are primarily involved in equity investments outside of our real estate business. As of December 31, 2012, 2013 and 2014, balance of our principal investment totaled RMB13.87 billion, RMB19.67 billion and RMB31.92 billion (US$5.14 billion), respectively. In 2012, 2013 and 2014, income from our principal investment primarily including investment income, income from investment property and hotel operation revenue under the financial investment and asset management business segment, totaled RMB1.29 billion, RMB2.34 billion and RMB2.74 billion (US$0.45 billion), respectively. As of December 31, 2014, our (i) equity investments, (ii) real estate investments, and (iii) other investments represented 48.7%, 5.0% and 46.3%, respectively, of our total principal investments.

The principal investment businesses of the Company and the subsidiaries complement one another:

Equity Investment

The Company, Cinda Investment, Cinda HK and Zhongrun Development all engage in equity investments related to distressed assets, although with a separate focus. The Company primarily focuses on minority financial investments of the subject company, and mainly invests in industries of which it has substantial experience such as the mining, energy, construction and environmental protection industries. Cinda Investment invests primarily in projects related to the Company's distressed asset management business. Cinda HK mainly handles equity investments outside of the PRC in relation to the Company's distressed asset management business. Zhongrun Development's equity investments are closely related to its custody, liquidation and restructuring business.

Equity Investments by the Company

The Company engages in financial investments and receives dividend income and investment income from the disposal of its equity holdings. The Company generally does not seek control of the subject companies or participate in the daily operations of the subject companies, with a typical investment period of three to five years. The Company usually invests in no greater than a 20% stake in a subject company's equity. As of December 31, 2012, 2013 and 2014, the Company held direct equity investments totaling RMB3.72 billion, RMB3.76 billion and RMB2.55 billion (US$0.41 billion), respectively, which are classified under Available-for-sale Financial Assets and Interests in Associates in our consolidated financial statements.

As of December 31, 2014, the Company's direct equity investments classified under Available-for-sale Financial Assets were primarily focused in the (i) mining industry, (ii) electricity, heating, gas and water production and supply industries. (iii) construction industry, and (iv) water, environment and public utilities management industries, which represented 58%, 8%, 6% and 2%, respectively, of its total equity investments. As of December 31, 2013, all of the Company's investments have been friendly transactions supported by the investee companies' boards of directors.

The Company's investment strategies are as follows:

- The Company primarily invests in companies with the following characteristics: (i) existing clients of our distressed asset management business and their upstream and downstream enterprises as well as related parties; (ii) companies with favorable industry outlook; (iii) companies at the growth or maturity stage that generate steady income; and (iv) companies with clear ownership structures, good corporate governance and quality management teams; (v) projects satisfying a target internal rate of return ("IRR"), except for those that may provide the Company with additional investment opportunities or opportunities to provide financial services or those that satisfy the Company's asset allocation needs; and (vi) investments with clear and favorable exit options.

- The Company mainly focuses on investments in the following industries: (i) industries promoted under national industrial policy, such as financial services, high-end manufacturing, new energy and modem agriculture; (ii) industries within which we have developed experience and knowledge and with favorable development prospects such as mining and chemicals enterprises, as well as upstream and downstream companies; (iii) industries in which there are investment opportunities that arise from corporate restructuring, M&A and industry consolidation; and (iv) service industries that benefit from China's urbanization.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. It mainly focuses on real estate related investments, including equity investments in real estate project companies and upstream and downstream companies. For more information on Cinda Investment's real estate investments, see "— Real Estate Investment and Development." Cinda Investment also maintains investments in industries with value appreciation potential. As of December 31, 2012, 2013 and 2014, the balance of Cinda Investment's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in our consolidated financial statements was RMB2.04 billion, RMB2.51 billion and RMB5.83 billion (US$0.94 billion), respectively.

Equity Investments by Cinda HK

Cinda HK and its subsidiaries serve as our overseas business platform. It collaborates with the Head Office. Company Branch and other subsidiaries and primarily invests in overseas distressed assets and stocks in primary offerings and secondary markets in the financial services, environmental. protection, construction materials. energy and chemicals industries. Cinda HK invests in the PRC, Hong Kong and Macau. As of December 31, 2012, 2013 and 2014, the balance of Cinda HK's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in our consolidated financial statements was RMB2.38 billion, RMB2.84 billion and RMB5.55 billion (US$0.89 billion), respectively.

Equity Investments by Zhongrun Development

Zhongrun Development's investment business is primarily expanded through the Company's distressed asset management operations and the custody and liquidation of Distressed Entities business. As of December 31, 2012, 2013 and 2014, the balance of Zhongrun Development's equity investments classified under Available-for-sale Financial Assets and Interests in Associates in our consolidated financial statements was RMB566 million, RMB650 million and RMB550 million (US$88.6 million), respectively.

Real Estate Investment and Development

Our "real estate finance business" integrates our real estate investment and real estate development businesses and embodies the natural combination of our distressed asset management business and financial investment business. Through our distressed asset management business, we receive real properties in satisfaction of debt. In order to increase the value of the defective real properties and maximize our returns in disposal of the properties and overall profitability of the Group, we may choose to make additional investments to support the restructuring of the real estate company and the development of the property. Furthermore, we have managed several real estate companies through our custody, liquidation and restructuring business, which has provided us with ample relevant industry experience and competitive advantages in developing our "real estate finance" business.

Real Estate Investments

Cinda Investment, together with its subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Investment mainly conducts investments and other services related to our real estate finance business, such as equity investments, debt investments. debt restructuring and asset management services. Focusing on industrial projects and benefiting from its extensive experience in real estate investment and management, Cinda Investment collaborates with the Company and promotes the value appreciation of investment projects by providing additional equity or debt investments, which helps the Company's disposal of distressed assets. By exiting equity investments, Cinda Investment improves the overall return of the Group.

As of December 31, 2012, 2013 and 2014, the value of our investment properties was RMB2.10 billion, RMB1.86 billion and RMB1.61 billion (US$0.26 billion), respectively. Our investment properties primarily include commercial properties and hotel properties. We receive most of our commercial property through our distressed asset management business. We improve the value of commercial properties and hotel properties mainly through the following methods: (i) improving occupancy and rental income through marketing campaigns and adjustments in rental structure in accordance with the characteristics of the operation of our existing properties; (ii) improving the quality of properties and overall rental income through continued maintenance and upgrades of facilities and service quality; (iii) using various market-oriented methods such as listing-for-sale processes and auctions to dispose of inefficient or unprofitable commercial and hotel properties in a planned manner, in order to recover cash, increase profit and achieve value maximization. Currently, we primarily manage our commercial properties through leasing arrangements. The commercial real estate we lease out mainly includes Zhengzhou Jingbo Dacheng and Guangzhou China Travel Commercial City.

As with commercial properties, we receive most of our hotel properties through our distressed asset management business. We aim to increase the value of these properties and maximize the Group's return through follow-on investments and professional management. Measures taken by us include: (i) cooperating with professional marketing planning and design companies as well as other professionals and leveraging their expertise and experience to enhance the value of the hotel through project positioning, re-planning and renovation; (ii) cooperating with professional commercial real estate companies and hotel management companies and leveraging their brands, management, technology, networks and other advantages to enhance the business value of commercial and hotel properties through entrusted management, leasing operations and other means; and (iii) proactively seeking methods and channels to connect our hotel properties with capital markets, such as real estate investment trusts ("REITs") and hotel investment trusts, in order to achieve value appreciation and improve the profitability of hotel properties. In 2012, 2013 and 2014, income from our hotel operations reached RMB401 million, RMB387 million and RMB482 million (US$78.2 million), respectively. Our hotel properties are primarily managed through project companies established by Cinda Investment.

Real Estate Development

Our real estate development businesses are mainly handled by Cinda Real Estate, an A-share listed subsidiary controlled by Cinda Investment. In addition to acquiring real estate development projects through competitive bidding, public auctions and sales listing, Cinda Real Estate draws from the Group's extensive resources and brand reputation to innovate business and profit models and extract business opportunities through collaboration with our distressed asset management business: (i) when the Group is conducting an equity or debt investment associated with the real estate sector, Cinda Real Estate provides feasibility consulting and post-investment supervision and management services; (ii) Cinda Real Estate can develop its real estate business when the latter exits from an investment through debt restructuring or equity and asset acquisitions; (iii) Cinda Real Estate can collaborate with DES Companies in real estate development projects to achieve a return from property investment and development while enhancing the value of our DES Assets; (iv) through the Group's distressed asset management business and asset management business, Cinda Real Estate can expand its financing channels through leveraged financing that combines debt and equity and through real estate equity funds; and (v) leveraging the Group's resources, Cinda Real Estate can conduct entrusted management of real estate project, capital agency construction and consultancy services.

In 2012, 2013 and 2014, our real estate development business generated real estate sales revenue of RMB3.75 billion, RMB4.13 billion and RMB4.19 billion (US$0.68 billion), respectively. Cinda Real Estate currently has 16 first-tier real estate development and investment subsidiaries with A-level development qualifications. Our real estate development and investment projects span across the entire country, and possess strong marketplace influence within cities such as Shanghai, Hangzhou, Ningbo, Jiaxing, Taizhou, Shaoxing, Zhoushan, Qingdao, Hefei, Wuhu, Maanshan, Taiyuan, Haikou, Changchun, Shenyang, Fuxin, Urumqi and Chongqing. Moreover, we have been honored with numerous awards, including the "Guangsha" Award, the highest honor in the real estate development sector in China. As of December 31, 2014, the total planned area of real estate projects currently in development was 3.35 million square meters. Commercial real estate projects currently in development include the D tower of Hefei Xincheng International, Taiyuan Cinda International Financial Center and the Chongqing Northern New District Da Zhulin projects, which have a total planned area of 0.53 million square meters and which we intend to sell.

Other Investments

Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Cinda HK and Zhongrun Development.

Our principal investments in funds are primarily made as seed capital in funds managed by the Group, in order to enact third-party funds and to support the development of our asset management business. We are responsible for the management of these funds. As a result, our investment in these funds with our own capital (i.e., the seed capital) may enhance the alignment of interests between the fund manager and the investors. Furthermore, the confidence of investors involved in such funds under our management may also be increased through our joint investment. These will in turn attract third-party investors to make further investments. As of December 31, 2012, 2013 and 2014, the balance of our investments in all types of funds was RMB1.58 billion, RMB3.58 billion and RMB5.28 billion (US$0.85 billion), respectively.

We invest in debt securities directly or through investment funds. As of December 31, 2012, 2013 and 2014, the balance of our debt securities investments was RMB287 million, RMB528 million and RMB789 million (US$127.2 million), respectively.

We also invest in wealth management products from banks and securities companies, as well as trust products. As of December 31, 2012, 2013 and 2014, the balance of our investments in wealth management and trust products totaled RMB980.5 million, RMB2.21 billion and RMB4.16 billion (US$0.67 million), respectively.

Asset Management Business (Private Equity Fund)

Through the extensive experience accumulated through our principal investment business, we have assembled a team of experienced investment professionals and acquired capabilities in valuation, investment management and risk control, which have laid a solid foundation for the continued development of our third-party asset management business. We have established a multi-tiered diversified asset management platform that incorporates (i) the private equity business under our financial investment and the asset management business and (ii) the securities investment management, trust and mutual fund businesses under our financial services business. As of December 31, 2012, 2013 and 2014, the balance of our total AUM managed by (i) Cinda Securities; (ii) Cinda Capital; (iii) Jingu Trust; and (iv) First State Cinda Fund, was RMB134.11 billion, RMB162.8 billion and RMB241.2 billion (US$38.9 billion), respectively.

Developing our private equity business is a core focus of our asset management strategy. We have established private equity funds that raised third-party capital and for which our subsidiaries act as a general partner (or manager). These funds cover all major types of private equity fund products, including high yield funds (primarily invested in NFE Distressed Assets projects related to real estate), buyout funds, growth capital funds and industry funds. Investors in our funds primarily include all types of investment companies, fund companies, banks, insurance companies, industry-leading enterprises, real estate companies and trading companies, as well as individual investors. The table below sets forth details on our private equity business for the dates indicated:

	As of and for the year ended December 31,		
	2012	**2013**	**2014**
Number of funds[1]	9	25	42
Total committed capital (AUM) (In billions of RMB)	11.5	61.17	111.66
Total paid-in capital (In billions of RMB)	4.78	23.07	42.44
Paid-in capital from third parties (In billions of RMB)[2]	3.89	20.08	36.90
Fund management income (in millions of RMB)	18.0	84.7	350.5
Accumulated number of projects invested	20	59	115

(1) Including funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager).

(2) Paid-in capital contributed by investors not affiliated with Group.

Our private equity fund business is primarily handled by Cinda Capital, a subsidiary of Cinda Investment. Cinda Capital is positioned as the Group's specialized platform for private equity fund management responsible for overall fund management and risk control through its team of investment professionals. Furthermore, Cinda Capital serves as the common platform for all private equity funds generated through all of Cinda Group's business lines. As of December 31, 2014, Cinda Capital and its subsidiaries managed a total of 36 third-party private equity funds with AUM of RMB110.66 billion. For the years ended December 31, 2012, 2013 and 2014, management fees received from third parties totaled RMB14.93 million, RMB75.60 million and RMB212.86 million (US$34.04 million), respectively.

Other Businesses

In addition to our principal investment and private equity asset management businesses, the Company, Cinda Investment and Cinda HK also offer consulting and advisory services. In 2012, 2013 and 2014, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda HK totaled RMB317 million, RMB229 million and RMB560 million (US$90.9 million), respectively.

FINANCIAL SERVICES

We have established a synergistic and diversified financial services platform, including securities, futures, trusts, financial leasing, fund management and insurance. We are committed to providing customized financial solutions to clients. In 2012, 2013 and 2014, income from financial services represented 32.6%, 28.6% and 29.3%, respectively, of our total income. The profitability potential of our financial services segment has not been fully realized due to the fact that the subsidiaries in this segment are in different stages of their development. For example, our financial leasing, trust and securities subsidiaries have achieved robust business growth and profitability, while our insurance subsidiaries remain at their preliminary and loss—incurring stage of development according to the typical earnings curve of an insurance company.

Based on our restructuring of relevant Distressed Entities, we established the majority of our financial service subsidiaries from acquiring and turning around distressed financial institutions. We carefully select which financial licenses to acquire in accordance with the Group's strategies. Financial service businesses are an integral component of our comprehensive asset management platform. In addition to working as an important channel for cross-selling with the Company and generating synergies, our financial service subsidiaries provide our clients with a diverse range of products and services, and satisfy their financial service needs at different stages of their development, while providing technical support and broadening the business tools available to our distressed asset management operations, and increasing disposal efficiency of distressed assets. We will further consolidate the Group's resources by promoting the interaction between our financial services platform and distressed asset management platform. By doing so, we believe we can continue to exert synergies among different financial service subsidiaries and improve the overall profitability of the Group.

Our financial service subsidiaries serve as an important component of our overall strategy to develop our asset management business. For example, Jingu Trust brings in third-party funds to satisfy our corporate clients' project financing demand by leveraging our client base and resources advantages. In addition, we provide diverse asset management services to our retail, high net worth individual and institutional clients through our domestic and foreign securities platforms and First State Cinda Fund. As of December 31, 2012, 2013 and 2014, the AUM by Cinda Securities, Jingu Trust and First State Cinda Fund was RMB123.57 billion, RMB174.71 billion and RMB241.2 billion (US$38.9 billion), respectively, representing a CAGR of 39.7% from 2012 to 2014.

The synergies between our financial service subsidiaries and the Group are demonstrated at many levels. Specifically: (i) our domestic and foreign securities platforms have ready access to the capital markets and provide our clients with value-added services such as investment banking and asset management. Cinda Securities provided financial services to several of the DES Companies and their subsidiaries, such as IPO, financial advisory for M&A and bond underwriting.

Securities & Futures

We conduct our securities and futures businesses in the PRC through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities. We also conduct our securities and futures businesses in Hong Kong mainly through Cinda International. In 2012, 2013 and 2014, Cinda Securities (including Cinda Futures) generated a revenue of RMB1.36 billion, RMB1.65 billion and RMB2.91 billion (US$0.47 billion), respectively. In 2012, 2013 and 2014, Cinda International generated a revenue of RMB81.3 million, RMB130.3 million and RMB101.7 million (US$16.4 million), respectively.

Cinda Securities

We conduct securities brokerage and investment banking businesses through Cinda Securities and futures business through Cinda Futures. As our securities business platform, Cinda Securities leverages our nationwide network and client resources, actively cooperates with our Head Office and Company Branches, bridges with capital markets and serves clients of our distressed asset management business by providing investment banking, asset management and other value-added services. For example, Cinda Securities provides professional asset management services to the Company with respect to its management of publicly-traded equities; furthermore, it provides extensive financial services to the DES Companies and their subsidiaries, such as IPO, M&A and restructuring advisory and bond underwriting services. In addition, Cinda Securities leverages its investment management capabilities to provide the Company with targeted asset management services and research support through issuing professional industry and corporate research reports.

While the securities brokerage business is Cinda Securities' primary revenue source, the revenue generated by its futures businesses, investment banking business and securities investment and asset management business as a percentage of Cinda Securities' total revenue increased continuously for the three years ended December 31, 2014. The table below sets forth, for the years indicated, revenue from Cinda Securities' securities brokerage, futures and other business lines, as well as each business line's share of the overall revenue:

	For the year ended December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Securities brokerage	543.7	40.0	778.3	47.2	1,372.6	222.8	47.2
Futures	176.2	13.0	184.5	11.2	156.6	25.4	5.4
Others[(1)]	637.4	47.0	687.2	41.6	1,381.2	224.1	47.4
Total	**1,357.3**	**100.0**	**1,650.0**	**100.0**	**2,910.4**	**472.3**	**100.0**

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

Cinda Securities' primary business lines include:

- Securities brokerage: Cinda Securities provides both institutional and individual clients with securities brokerage services and financial product distribution services. Cinda Securities is a member of both the SSE and the SZSE and is qualified to act as a chief agency broker of the OTC Board and to provide agency sale services for securities investment fund products. It is also qualified to offer a variety of securities brokerage services including A shares, B shares, funds, warrants, bonds and securities repurchase and securities transaction services involving various currencies such as the Renminbi, U.S. dollars and Hong Kong dollars. As of December 31, 2014, the number of clients of Cinda Securities' securities brokerage business amounted to 1.2 million and the total value of its AUM amounted to RMB131.7 billion (US$21.2 billion). For the year ended December 31, 2014, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB1,249.5 billion (US$201.4 billion).

- Futures business: Cinda Securities conducts its futures business through Cinda Futures, a wholly-owned subsidiary of Cinda Securities. For more information about Cinda Futures, see "— Cinda Futures."

- Investment banking: Cinda Securities' investment banking services primarily include equity financing, debt financing and M&A and restructuring financial advisory business. Clients of Cinda Securities' investment banking business mainly include large and medium sized SOEs, listed companies and SMEs. Clients of Cinda Securities' equity financing business mainly include large and medium sized SOEs and listed companies. Clients of Cinda Securities' debt financing business mainly include large SOEs and government investment and financing vehicles. For the year ended December 31, 2014, Cinda Securities' underwriting fee and commission income amounted to RMB340.7 million (US$55.29 million). Cinda Securities' investment banking business serves as a significant channel of realizing the Group's business synergies: Cinda Securities provided comprehensive financial services to Cinda Real Estate's listing through a reverse takeover and refinancing bond offering and Happy Life's subordinated bonds issuance. Furthermore, Cinda Securities has leveraged its synergy with our distressed asset management business to provide assistance to the bond offering and equity private placements of the Group's DES Companies and provided restructuring advisory services for DES projects with value appreciation potential.

- Asset management: Cinda Securities has launched various wealth management products, including fund-of-funds, hybrid investments, cash management, fixed income and arbitrage. In 2012, 2013 and 2014, the AUM balance of Cinda Securities amounted to RMB16.0 billion, RMB35.4 billion and RMB36.6 billion (US$5.9 billion), respectively. For the year ended December 31, 2013, fee and commission income from Cinda Securities' asset management business amounted to RMB328.6 million (US$53.0 million). In April 2012, Cinda Securities established Xinfeng Investment Management Co., Ltd. to conduct direct investment, which will further strengthen our asset management business.

- Innovative businesses and other businesses: With respect to innovative businesses, Cinda Securities was the first in the industry to provide cash management products for clients' securities transaction deposits, namely the "Cash Treasure Collective Asset Management Plan" in 2011. In the first half of 2012, Cinda Securities received the approval to conduct margin financing and securities lending business. As of December 31, 2014, the turnover of its margin financing and securities lending business reached RMB6.87 billion (US$1.11 billion), with a daily average of RMB3.75 billion. Cinda Securities' other businesses mainly include proprietary trading and direct investment business.

Cinda Futures

Cinda Futures is a wholly-owned subsidiary of Cinda Securities and primarily engages in financial futures brokerage, commodity futures brokerage and futures investment advisory business. As the Group's futures business platform, Cinda Futures leverages the Group's advantages in distribution networks and client resources to provide support in market research, client services and hedging services for the Group. Cinda Futures is a member of the China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. It is also qualified to execute on behalf of the clients all listed standard future contract transactions covering both financial futures (such as stock index futures) and commodities futures (such as metal, energy and chemical and agricultural products) and to provide clients with a full range of other services, including trading, clearing, closing, information consulting and training. In 2012, 2013 and the 2014, the revenue of Cinda Futures amounted to RMB176.2 million, RMB184.5 million and RMB156.6 million (US$25.4 million), respectively.

Cinda International

Cinda International is an integrated financial service company listed on the Hong Kong Stock Exchange (HKSE Stock code: 00111) and its businesses include corporate finance, securities broking, asset management and other financial services. Through Cinda International's major wholly-owned subsidiaries, it possesses licenses to carry out businesses such as (i) advising on corporate finance, (ii) advising on future contracts, (iii) advising on securities and (iv) asset management under the Hong Kong Securities and Futures' licensing scheme. It also possesses the qualifications to act as sponsors for applicants for initial public offerings of their shares to be listed on the Main Board or the Growth Enterprise Market Board of the Hong Kong Stock Exchange.

Cinda International serves as our primary platform for developing overseas investment banking business. It actively consolidates the business resources of the Company, our subsidiaries and Company Branches to provide our clients with financing, M&A and restructuring advisory and other financing services in the international capital markets. For example, through Cinda International's overseas investment banking credentials, we acted as a financial advisor for a Hong Kong-listed company in the transfer of a guaranteed debt and, as part of the same transaction, our Company Branch in Beijing acquired the Hong Kong-listed company's rights against domestic debtors. This fully demonstrates two of our competitive advantages, namely the synergies generated by our distressed asset management business and the synergies generated between our domestic and overseas businesses. Furthermore, Cinda International's futures business has been developing rapidly with the support of the Group's customer resources.

As of December 31, 2014, we held 63% of the equity interest in Cinda International through Cinda HK. In 2012, 2013 and 2014, Cinda International generated a revenue of RMB80.6 million, RMB129.4 million and RMB105.8 million (US$17.2 million), respectively. The table below sets forth, for the years indicated, revenue from Cinda International's principal business lines, as well as each business line's share of revenue:

	For the year ended December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions of RMB, except percentages)						
Corporate finance[1]	28.2	35.0	18.6	14.4	15.9	2.6	15.0
Securities broking[1]	33.6	41.7	90.5	69.9	49.2	8.0	46.5
Asset management[1]	9.2	11.4	11.6	9.0	34.7	5.6	32.8
Others[1]	9.6	11.9	8.7	6.7	6.0	1.0	5.7
Total	**80.6**	**100.0**	**129.4**	**100.0**	**105.8**	**17.2**	**100.0**

(1) HKD/CNY exchange rates in 2012, 2013 and 2014 were 0.811, 0.786 and 0.800, respectively.

Cinda International's primary business lines include:

- Corporate finance: Cinda International provides corporate finance advisory services for listed companies or unlisted companies. In addition, Cinda International acts as sponsor or placing agent in the IPO or secondary offering. For the three years ended December 31, 2014, Cinda International participated in (i) eight IPOs, as sponsors, (ii) 35 IPOs, as underwriters and (iii) 16 secondary offerings, as placing agent.

- Securities broking: Cinda International provides clients with brokerage services in the securities, equity-linked products, unit trusts and stock futures in Hong Kong and selected overseas markets. Cinda International also provides brokerage clients with margin financing services.

- Asset management: Cinda International's asset management services mainly focused on the management of private equity funds. Cinda International established a company jointly with the third party engaging in fund management services and introduced first fund product in 2011. In addition, our affiliate company established Hai Xia Jian Xin Jin Yuan (Xiamen) Equity Investment Partnership (LLP) and completed the initial fund raising exercise. For more information about the fund, see "— Asset Management Business (Private Equity Fund)."

Trusts

We conducted trust business through Jingu Trust. Leveraging the marketing and client resources of the Group and our Company Branches, Jingu Trust serves as an integral business line in the strategic transformation of our business model and optimization of revenue structure. The business model of our trust business primarily involves (i) acting as a trustee and managing entrusted property and (ii) providing financial advisory and other consulting services. We gain revenue and profit as we receive payment for the management of entrusted property and fee and commission income for offering financial advisory and other consulting services. The Group has played the following major roles in the development of Jingu Trust: (i) the Group's extensive business network and outlets served as promoters of trust projects, issuance and service providers of trust plans and trustees of the trust assets in accordance with applicable laws and regulations; (ii) the Group provided human resources support to the development of the trust business; and (iii) the Group provided credit enhancement support and acted as entrusting party for certain trust projects in compliance with the regulatory policies.

Based on our internal record, Jingu Trust successfully cooperated with our Company Branches and subsidiaries and achieved trust business volume (defined as the year-end outstanding trust AUM) of RMB18.6 billion, RMB13.3 billion and 29.2 billion through synergistic operations within the Group as of December 31, 2012, 2013 and 2014, respectively, contributing to an income of RMB171 million, RMB250 million and RMB608 million in 2012, 2013 and 2014, respectively.

As of December 31, 2012, 2013 and 2014, our outstanding trust AUM totaled RMB101.8 billion, RMB93.8 billion and RMB88.5 billion (US$14.3 billion), respectively, and we managed 213, 192 and 185 existing trust projects, respectively. In 2012, 2013 and 2014, the fees and commission incomes generated from Jingu Trust's trust business were RMB752 million, RMB889 million and RMB590 million (US$95.7 million), respectively, which accounted for 79.6%, 81.0% and 77.5% respectively, of Jingu Trust's total revenue in respective periods. Jingu Trust also conducts businesses such as proprietary loan, investment in financial products and financial equity investment, among others.

Products

Our trust products can be classified as individual trusts and collective trusts depending on the identification of the clients. An individual trust is a trust where the trustor is an individual entity, and the trustee separately and individually manages and disposes of each client's trust property, and is based on one-on-one engagement by each client of the trustee. A collective trust is a trust where the trustee manages and disposes a number of clients' trust property as a whole. The table below sets forth the balance of our individual and collective trust assets at the dates indicated:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Individual trust schemes	79,566	78.1	71,571.0	76.3	75,107.0	12,105.1	84.8
Collective trust schemes	22,269	21.9	22,240.0	23.7	13,466.0	2.170.3	15.2
Total	**101,835**	**100.0**	**93,811.0**	**100.0**	**88,523.0**	**14,267.3**	**100.0**

Our trust products can also be classified into financing, investment and non-discretionary products by investment approaches. Through our financing trust products, we extend trust loans to borrowers in order to fulfill their funding needs. In addition, we act as an investment manager and provide investment trust products such as private equity investment trust products and securities investments trust products. Furthermore, we also provide non-discretionary trust products and act in accordance with specific terms of the entrustment. The table below sets forth the details of our trust products of each of these types at the dates indicated:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Financing	75,217	73.9	63,951.0	68.2	39,652.0	6,390.7	44.8
Investment	23,338	22.9	24,878.0	26.5	20,995.0	3,383.8	23.7
Non-discretionary	3,280	3.2	4,982.0	5.3	27,876.0	4,492.8	31.5
Total	**101,835**	**100.0**	**93,811.0**	**100.0**	**88,523.0**	**4,267.3**	**100.0**

Our trusts products can be classified as fund trusts and property trusts by the nature of entrusted assets. Fund trusts and property trusts refer to trusts under which the trustors entrusted cash and non-cash assets (including rights regarding relevant assets) lawfully owned by them, respectively, to the trustee for usage, management and disposal. As of December 31, 2014, fund trusts and property trusts accounted for 72.2% and 27.8%, respectively, of our total fund assets. We primarily engage in developing fund trusts for project finance. The investment areas of our trust projects include infrastructure, real estate and industrial and commercial enterprises. The table below sets forth details of distribution by industry of our existing trust funds at the dates indicated:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Infrastructure	41,619	40.9	36,830	39.3	20,001	3,223.6	22.6
Real estate	16,272	16.0	21,239	22.6	16,538	2,665.4	18.7
Industry and commerce	21,906	21.5	16,959	18.1	13,486	2,173.5	15.2
Financial institutions	672	0.7	2,103	2.2	2,131	343.5	2.4
Others	21,365	21.0	16,680	17.8	36,367	5,861.3	41.1
Total	**101,835**	**100.0**	**93,811**	**100.0**	**88,523**	**14,267.3**	**100.0**

Clients

As of December 31, 2014, our trust business had approximately 11,733 clients, including 11,035 individual clients and 698 institutional clients. As of December 31, 2014, our trust business clients were concentrated in Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and other economically developed regions in the PRC, with Beijing accounting for approximately half of such clients. As of December 31, 2014, the numbers of clients with investment amounts of over RMB10 million, between RMB3 million and RMB10 million and under RMB3 million were 1,051, 5,988 and 4,694, respectively, representing 9.0%, 51.0% and 40.0% of our total number of clients as of December 31, 2014, respectively.

Financial Leasing

We conduct our financial leasing business through Cinda Leasing. providing clients with customized financial solutions including direct financial leasing and sale-leaseback. As Cinda Group's financial leasing platform, Cinda Leasing complements the Group's comprehensive financial services capabilities. Cinda Leasing utilizes the Group's networks and client resources and conducts business by cooperating with Company Branches. It provides leasing solutions and repayment arrangements customized for the clients' sales cycle and cash flow pattern thereby satisfying such corporate clients' fixed asset investment needs. Furthermore, Cinda Leasing contributes to the growth and expansion of our other subsidiaries by generating business synergies through their leasing projects. For example, Cinda Leasing has provided Cinda P&C with many insurance projects since 2010.

Products

Cinda Leasing's products can be divided into two types based on the nature of the leased objects, namely, specialized and non-specialized products. Specialized products include aircraft leasing, vessel leasing and equipment leasing in collaboration with machinery manufacturers. Non-specialized products include leases of fixed assets of industrial enterprises, including equipment for industrial production, mining and environmental protection, as well as urban water and gas supplies. As Cinda Leasing is still at its early stage of development, it currently focuses on non-specialized products. For the year ended December 31, 2014, the total income from specialized products and non-specialized products was RMB86.7 million (US$14.0 million) and RMB1,168.5 million (US$188.3 million), respectively, representing 6.9% and 93.1%, respectively, of Cinda Leasing's total revenue for the year.

Clients

As of December 31, 2014, we conducted our financial leasing business in 31 provincial administrative regions and served 192 clients. Our financial leasing clients are from industries including manufacturing, mining, water conservancy, environment and public utilities management, construction, transportation, logistics and postal services. The table below sets forth the composition of our outstanding finance lease receivables by industry at the dates indicated:

	As of December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Manufacturing	8,239.2	45.8	10,163.6	39.5	14,457.7	2,330.1	39.1
Mining	1,887.7	10.5	3,192.1	12.4	6,768.5	1,090.9	18.3
Water conservancy, environment and public utilities management	3,791.4	21.1	6,163.5	24.0	8,546.2	1,377.4	23.1
Construction	1,516.7	8.4	1,439.9	5.6	1,469.7	236.9	4.0
Transportation, logistics and postal services	1,324.5	7.4	2,609.2	10.2	2,768.3	446.2	7.5
Others	1,243.9	6.8	2,132.6	8.3	3,010.0	485.1	8.0
Total	**18,003.4**	**100.0**	**25,700.9**	**100.0**	**37,020.4**	**5,966.6**	**100.0**

Fund Management

We conduct public fund management business and other asset management business through First State Cinda Fund. First State Cinda Fund launched its first fund in 2007 and was qualified to operate its targeted asset management business in May 2012. Cinda Emerging Wealth (Beijing) Asset Management Co., Ltd., a wholly-owned subsidiary of First State Cinda Fund, obtained the CSRC's approval for establishment in March 2013 and began to operate its specified asset management business.

First State Cinda Fund, as our platform for public funds and targeted asset management business, cultivates communication and cooperation between the Cinda Group and the Commonwealth Bank of Australia Group. First State Cinda Fund expands our third-party asset management channels and has quickly become an integral component of our diversified business operation.

Products

As of December 31, 2014, we managed ten mutual funds with AUM totaling RMB5.46 billion (US$0.88 billion). In 2014, management fees from such funds totaled RMB69.6 million.

Our public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets. Among the ten public funds currently managed by us, the five equity funds have a fund management fee rate of 1.5%, the single hybrid fund has a fund management fee rate of 1.5%, and the three bond funds have a fund management fee rate of 0.6%, 0.7% and 0.75% and the single money market fund with a floating fund management fee rate no more than 0.45%, respectively.

As of December 31, 2014, First State Cinda Fund has issued 19 targeted asset management plans with annual management fees rates ranging from 0.05% to 1.3%. Clients of our targeted asset management plans are primarily high-net worth individuals and institutional investors with a certain level of risk tolerance. We aim to provide the clients with stable returns while satisfying their individual financial demands.

Cinda Emerging Wealth (Beijing) Asset Management Co., Ltd., a wholly-owned subsidiary of First State Cinda Fund, was approved by the CSRC for establishment in March 2013. It engages in specified asset management business and primarily invests in equity that is not transferable through stock exchanges, bonds and other property rights and assets. As of December 31, 2014, we issued 39 specific-objective asset management plans with annual management fees between 0.05% and 2.18%. We aim to provide financial support to a wide variety of companies at different stages of development through our investments in the real economy.

Clients

First State Cinda Fund has both individual and institutional investors with individual investors constituting the majority. As of December 31, 2014, our fund products had approximately 1.18 million individual clients and 1,241 institutional clients.

Insurance Business

We conduct our P&C insurance business through Cinda P&C and our life and health insurance through Happy Life. Our insurance business has been growing rapidly in recent years. From 2012 to 2014, our Original Premium Income grew at a CAGR of 17.0%. However, our insurance business is still in the preliminary stage of development and was operating at a loss for the three years ended December 31, 2014. The table below sets forth details on Cinda P&C's Original Premium Income and Happy Life's Original Premium Income for the years indicated:

	For the year ended December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Cinda P&C	2,422.4	29.8	3,043.0	42.5	3,511.8	570.0	31.7
Happy Life	5,707.1	70.2	4,115.2	57.5	7,587.1	1,231.3	68.3
Total	**8,129.5**	**100.0**	**7,158.2**	**100.0**	**11,098.9**	**1,801.3**	**100.0**

Cinda P&C

Cinda P&C's primarily offers motor vehicle insurance as well as all kinds of property insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accidental injury insurance, as well as re-insurance. In 2014, Cinda P&C's Original Premium Income ranked 17th among all P&C insurance companies in the PRC, an improvement of 13 places from 2012, according to the CIRC. Cinda P&C serves as our specialized P&C insurance business platform, and provides clients of our distressed assets operations and financial investment businesses with comprehensive financial services. Cinda P&C generates significant cross-selling synergy with our other financial subsidiaries and has significantly supported the expansion of the Group's branch network and the development of our diversified businesses. As of December 31, 2014, Cinda P&C's solvency margin ratio was 409%.

Cinda P&C's primary businesses include:

- Motor vehicle insurance: motor vehicle insurance, including compulsory motor vehicle liability insurance ("compulsory motor vehicle liability insurance") and commercial motor vehicle insurance, is the largest source of Original Premium Income for Cinda P&C. Compulsory motor vehicle liability insurance is China's first statutory compulsory insurance. This insurance covers bodily injury and property damage to third parties (not including persons in the insured vehicle or the insured person) brought about by traffic accidents involving the insured vehicle. Commercial vehicle insurance primarily includes vehicle loss insurance, vehicle theft insurance, motor vehicle third-party liability insurance and motor vehicle passenger liability insurance.

- Non-motor vehicle insurance: Cinda P&C's non-motor vehicle insurance primarily includes commercial property insurance, construction insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accident insurance.

The table below sets forth details on the Original Premium Income and their proportion of overall Original Premium Income of Cinda P&C's main products for the years indicated:

	For the year ended December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Motor vehicle insurance	1,996.3	82.4	2,543.6	83.6	2,960.1	480.4	84.3
Compulsory motor vehicle liability insurance	780.0	32.2	1,047.8	34.4	1,198.7	194.5	34.1
Commercial automobile insurance	1,216.3	502	1,495.8	49.2	1,761.4	285.8	50.2
Non-motor vehicle insurance	426.1	17.6	499.4	16.4	551.7	89.5	15.7
Total	**2,422.4**	**100.0**	**3,043.0**	**100.0**	**3,511.8**	**569.9**	**100.0**

Cinda P&C sells its insurance products to clients mainly through insurance agents (both individual and agencies) and insurance brokers, as well as directly to consumers.

- Insurance agents: Insurance agents are a significant insurance product sales channel for Cinda P&C as calculated by Original Premium Income. Insurance agents primarily include individual agents, ancillary agencies and professional agencies. In the year ended December 31, 2014, Cinda P&C's Original Premium Income received through insurance agents was RMB2,423.0 million (US$390.5 million), representing 69.0% of the total Original Premium Income in the same period.

- Direct sales: direct sales include insurance products sold directly to consumers through methods such as Cinda P&C's in-house salespeople and online sales.

- Insurance brokers: Insurance brokers generally represent established companies seeking to purchase P&C insurance products and possess valuable client resources. Cinda P&C participates in product marketing and receives demand for corporate insurance through insurance brokers.

Happy Life

Happy Life primarily offers all types of life and health insurance and accident insurance as well as re-insurance. Happy Life is an integral component of the Group's diversified businesses, and has expanded the Group's sources of low-cost financing, helped develop a nation-wide marketing network, and contributed to the Group's cross-selling efforts. As of April 18, 2013, we completed the third round of capital increases for Happy Life, after which Happy Life's solvency margin ratio rose to 159% as of April 18, 2013 from 48.45% as of December 31, 2012. As of the date of this offering memorandum, Happy Life was in compliance with relevant regulatory requirement on solvency margin ratio.

Happy Life's main products include:

- Life insurance: Life insurance includes term life insurance, whole life insurance, endowment insurance and annuity insurance. Life insurance services primarily consist of participating life insurance, traditional life insurance and universal life insurance, of which participating life insurance is the main source of income for Happy Life. While providing protections similar to those of traditional life insurance, participating life insurance can distribute dividends to policy holders under a distribution plan determined according to the operating conditions of the participating life insurance business and the relevant regulations of the insurance regulatory authority.

- Health insurance: Our health insurance primarily consists of illness insurance and medical insurance.

- Accident insurance: Accident insurance refers to a life insurance which provides compensation for the death or disability of policy holders due to an accident or other incident specified by the policy.

The table below sets forth details of the Original Premium Income of the three main types of life insurance products above for the years indicated:

	For the year ended December 31,						
	2012		2013		2014		
	Amount	% of total	Amount	% of total	Amount		% of total
	RMB		RMB		RMB	US$	
	(in millions, except percentages)						
Life insurance	5,466.5	95.8	3,823.8	92.9	7,232.7	1,173.8	95.3
Participating life insurance	5,444.7	95.4	3,799.4	92.3	2,903.2	471.1	38.3
Others	21.8	0.4	24.4	0.6	4,329.5	702.6	57.1
Health insurance	102.9	1.8	129.3	3.1	151.8	24.6	2.0
Accident insurance	137.7	2.4	162.1	3.9	202.6	32.9	2.7
Total	**5,707.1**	**100.0**	**4,115.2**	**100.0**	**7,587.1**	**1,231.3**	**100.0**

Happy Life primarily sells its insurance products through channels such as banc assurance, individual sale agents, sales agencies and direct sales.

- Bancassurance: banc assurance is the most significant sales channel for Happy Life in terms of Original Premium Income. Happy Life has entered into general cooperation agreements with banks such as CCB, China Merchants Bank, Huaxia Bank, China Minsheng Banking Corporation, Bank of East Asia and Huishang Bank. In 2012, 2013 and 2014, Happy Life received 88.0%, 86.0% and 89.3%, respectively, of its premium income through the bancassurance channel.

- Individual insurance agents: sales of insurance products through individual insurance agents are primarily made through insurance agents based on a commission-based sales model. As of December 31, 2014, Happy Life had 9,198 individual insurance agents.

- Sales agencies: sales of insurance products through sales agencies are primarily made through insurance agencies which use a commission-based sales model. As of December 31, 2014, Happy Life had entered into insurance product sales cooperative agreements with 420 insurance agencies and 120 insurance brokers.

- Direct sales channels: direct sales channels include direct sales of insurance products to consumers by Happy Life salespeople.

As of December 31, 2014, Happy Life had approximately 749,079 active clients, of which approximately 739,682 were personal clients and approximately 9,397 were group clients.

FUNDING SOURCES

Our primary businesses, such as distressed asset management and financial investment, follow a business model whereby high upfront capital requirements are gradually offset by earnings in the middle and latter period of the project. Therefore, a certain amount of working capital must come from external sources. With respect to our distressed asset management business, we generally dispose of the distressed assets within 12-36 months of their purchase. In accordance with our strategic development plan, we intend to maintain our market share and competitive strengths in the FI Distressed Assets market, as well as expand the scale and scope of our purchases of NFE Distressed Assets, and therefore our growing demands for capital.

At the present, we have already established diversified, market-oriented and commercialized funding channels that serve our business expansion and satisfy our working capital demands. We have acquired stable sources of capital through the implementation of the following funding strategies:

- Establishing a capital management system to effectively monitor and manage our fund flows and liquidity risk;

- Maintaining stable and long-term cooperative relationships with major domestic commercial banks and non-bank financial institutions in order to secure stable and low-cost funding; and

- Increasing our cash recovery capabilities and actively expanding our diversified funding channels in order to reduce any potential instability in our funding channels.

For our principal business of distressed asset management, we would traditionally receive funding from issuing financial bond and borrowing from the central bank. The outstanding balance of these kinds of liabilities was RMB44.2 billion (US$7.2 billion) as of December 31, 2014, and we have not received any incremental financial support from the government since 2011. Among our primary business' financial sources, retained earnings are a significant source of funds for the Group. The Group's stable profitability provides a continuous source of funds and ensures the sustainability of our business. In 2012, 2013 and 2014, retained earnings were RMB14.87 billion, RMB17.98 billion and RMB28.37 billion (US$4.57 billion), respectively. Over the past few years we have established a diverse range of external funding channels:

- Debt Financing:

  - Inter-bank market: this is considered a short-term financing channel. As we are the first among the Four AMCs in tapping the lower-cost nationwide inter-bank market, we are able to satisfy short-term funding needs and short-term liquidity requirements through methods such as inter-bank borrowing and repurchase agreements.

  - Bank loans: this is considered a medium-term debt financing channel. Bank loans can be applied towards all funding requirements, such as for business expansion or daily operations, and lending terms are generally one to three years but can reach up to five years. As of December 31, 2014, we maintain credit facilities with 60 banks with a total borrowing limit of RMB550.0 billion (US$88.6 billion) (including inter-bank lending, bank loans and financial bond credit). As of December 31, 2012, 2013 and 2014, the balance of the Group's bank loans was RMB76.10 billion, RMB173.83 billion and RMB263.45 billion (US$42.46 billion), respectively. Starting in 2012, the Company established a capital pool management method, whereby we adopted a centralized price negotiation method and wholesale borrowing method to increase our pricing power.

  - Financial Bonds: this is considered a medium long-term debt financing channel. We were the first AMC to issue financial bonds. Since October 2010, we have successfully issued RMB5 billion worth of 3-year and RMB5 billion worth of 5-year financial bonds on the inter-bank bond market, which allowed us to replenish our working capital, optimize our medium and long-term balance sheet structure and support purchases of new distressed assets. Furthermore, in December 2012, we successfully issued RMB2 billion worth of three-year financial bonds through Bitronic, a subsidiary of Cinda HK. Moreover, in May and December 2014, we successfully issued US$1.5 billion bonds and US$230 million bonds, respectively, through China Cinda Finance (2014) Limited, a subsidiary of Cinda HK. Capital raised by these bonds will be used for Cinda HK's related businesses.

- Equity financing:

  - Introduction of Strategic Investors: in December 2011, we entered into Strategic Investment Agreements with NSSF, UBS, CITIC Capital and CITIC Capital Financial Holding Limited, and Standard Chartered Bank and Standard Chartered Financial Holdings, and have received strategic investment totaling RMB10.37 billion in March 2012.

- Hybrid financing:

  - Subordinated debt: in 2011, our subsidiary Happy Life raised RMB495 million through the private placement of redeemable subordinated fixed-term debt with a term of 10 years. Funds raised by the debt bonds were used to replenish Happy Life's capital base.

- Innovative financing:

  - Asset-backed securities: in 2006, we issued the first batch of securitized distressed assets products, namely Xinyuan 2006-1 Restructured Asset Securitization

(信元2006-1重整資產證券化項目) with a total offering size of RMB4.8 billion, from which we raised RMB3.0 billion. In 2008, we launched our second such product, Xinyuan 2008-1 Restructured Asset Securitization (信元2008-1重整資產證券化項目), with a total offering size of RMB4.8 billion, from which we raised RMB2.0 billion.

With respect to funding our asset management business, we plan to reduce reliance for on-balance borrowing by further integrating third-party capital through methods such as trust plans, asset management plans, wealth management products and funds. In addition, we aim to expand our financial leverage through innovative financing methods such as asset securitization, in which the on-balance assets are transformed into liquid assets. Furthermore, within regulatory limits, we aim to established a pooled management method for subsidiaries' funds based on insurance funds, further expanding the sources of finances available. For more information on our financing strategy for the future, please see "Description of the Group — Our Strategies."

BUSINESS NETWORK

As of December 31, 2014, our business network included our Head Office, our 31 Company Branches and nine first-tier subsidiaries, and branches of the first-tier subsidiaries. Our Company's branches and subsidiaries, together with the branches of the first-tier subsidiaries, cover all of the PRC's provinces (excluding Tibet), as well as Hong Kong and Macau. The table below sets forth the geographic distribution of our Company's business network as of December 31, 2014:

Region	Branch located
North China region	• Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia
Northeastern region	• Liaoning, Jilin, Heilongjiang
East China region	• Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong
Central and south region	• Henan, Hubei, Hunan, Guangdong, Shenzhen, Hainan, Guangxi
Southwestern region	• Chongqing, Sichuan, Guizhou, Yunnan
Northwestern region	• Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang

INFORMATION TECHNOLOGY

We highly recognize the importance of information technology, and believe information technology is a key component to support our business growth and internal controls.

Information Technology Governance

We have established an advanced information technology governance framework with our information technology committee established at the senior management level to coordinate and supervise our informationization development. At our Head Office, our Information Technology Department is responsible for planning the informationalization of our Group as well as the research and development, operation and maintenance of our Company's information technology system. Every subsidiary has either its own information technology department or designated individuals in charge of the development, operation and maintenance of such subsidiary's professional systems. We have developed an information security and information technology service management system in order to manage our relationships with clients.

Informationalization Plans

In accordance with our overall strategic objectives, we have formulated our informationalization plans at the key stages of our development in 2006-2008, 2009-2012 and 2013-2015, respectively. We currently focus on consolidating our Group's information technology resources, promoting the development of four major platforms, including the Group's information management and control platform, capital and accounting management platform, comprehensive asset management platform and client relations management platform, supporting product innovation, reinforcing our Group's management and control, and improving operational efficiencies.

Information Technology Infrastructure

In addition to the computer centers for Cinda Securities and First State Cinda Fund built in Shenzhen, we have established the Cinda Data Center in Beijing to support the operational system of the Group. We have developed a backbone network covering our Company and the first-tier subsidiaries and utilized both physical and logical techniques to separate internal risks. Our Company and major subsidiaries have established the same-city disaster recovery backup, and have been devoted to ensure our efficient emergency response and restoration capabilities through regular drills and trainings. The Cinda (Hefei) disaster recovery and support base is currently under construction and expected to commence operation in 2015 to serve as a centralized disaster recovery, research and development and support, service center for our Group.

Information Systems

We have established several information systems with respect to our Company's sharing applications and the applications for the core businesses of our Company and our subsidiaries:

- The Group's financial consolidation system: connects the databases of Company Branches and subsidiaries to consolidate information, enhancing the quality of our management and control of the accounting information system.

- The Group's business coordination platform system: supports the management of customer information, product information, business coordination, and customer managers.

- The Group's online office platform system: centralizes the publication of announcements, the management of electronic documents and knowledge sharing, and the management of equipment and users, supporting the internal circulation of documents within the Group.

- Asset management system: covers the main operations of our distressed debt asset management and equity management business and realizes the information sharing and data management of management accounts, accounting audits and comprehensive data statistics.

- Due diligence and valuation system: based on calculation and measurement models and empirical parameters, supports due diligence and valuation in the acquisition, disposal and daily management of debt and equity assets.

- Business electronic reviewing system: enables online reviewing and approval of business proposals through matching the asset management system and electronic documentation system.

- Securities information system: supports the trading and marketing of securities and mutual funds, investment banking, and asset management businesses.

- Insurance information system: supports the sale, underwriting, claims processing, and security services for life insurance and P&C insurance. In addition, it supports our investment management business.

- Other information systems: support our financial leasing, trust, real estate and other businesses.

Capabilities of Information Technology Research and Development, Operation and Maintenance

We have the capabilities to conduct the information system's overall planning, demand analysis, structural design, software quality control, system deployment and operation maintenance. Through our continuous improvement of application development operation maintenance and outsourcing management process, we have improved our software's quality and enhanced the system's operational stability. The asset management system developed by us was awarded the "Second Prize of Banking Technology Development Award" by the PBOC.

Information Technology Risk Management

Our information technology risk management is an integral part of our risk management system. Please see "Description of the Group — Risk Management" in this offering memorandum. Our Company has established information security and information technology service management systems in accordance with ISO 27001:2005 and 20000:2005 standards, and has been certified by authoritative organizations. We have also completed the classification and filing procedures for our critical information systems pursuant to the requirements relating to the classification and protection of national critical information systems. Our subsidiaries have also formulated information technology risk management procedures in accordance with relevant industry regulatory requirements.

COMPETITION

We face competitions in our main businesses from other AMCs and other financial institutions in China. At present, we primarily compete with the other three AMCs in distressed asset management as well as with other financial institutions, such as banks, securities companies, futures companies, trust companies, financial leasing companies, fund management companies and insurance companies in certain sectors. We compete with other asset management companies and financial institutions in China primarily in product and service offerings, service quality, pricing, operational network and scope, investment management capabilities, financial strength, information technology system, team capability and brand recognition.

For our distressed asset management business, we primarily compete with the other three AMCs in China in terms of, among others, product and service offerings. service quality, pricing, expertise and financial strength. Our primary competitors include the other three AMCs, namely, Huarong, Great Wall and Orient, as well as local asset management companies that have already been established or are currently being planned. The Four AMCs, including us, possess advantages in terms of capital, licenses, channels, experience and talent, and have been the market leaders. We are currently the only AMC qualified to acquire NFE Distressed Assets.

For our financial investment and asset management business, we primarily compete with fund management companies, securities companies, trust companies, private equity investment companies in the PRC and Hong Kong and other institutions qualified to conduct asset management business. Primary factors affecting our competitiveness in this business include the depth and breadth of our financial products and services, the experience and capabilities of our professional teams, our ability to acquire high quality projects, our management and risk control capabilities during the holding period, and our disposal capabilities and level of returns of investment. We have cultivated professional investment teams with extensive experience in various industries and developed strong capabilities in valuation, management and risk control through our operations of the distressed asset management business. Furthermore, we have established a multi-tiered diversified asset management business system that incorporates private equity, securities management, trust and mutual fund businesses. We believe all of these factors contribute to enhancing our service capabilities and competitive advantages in the financial investment and asset management business.

For our financial services business, we primarily compete with securities companies, futures companies, trust companies, financial leasing companies, fund management companies and insurance companies in, among others, products and services, service quality, pricing, operation network and scope, financial strength and brand recognition. The Four AMCs, including us, have developed business platforms that incorporate financial subsidiaries involved in the securities, futures, trust, financial leasing, mutual fund, banking and insurance businesses in order to generate synergy among business segments and enhance financial capabilities and provide customers with comprehensive financial services.

For further details, please see "Risk Factors — Risks Relating to the Financial Industry in China-We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company — Major External Factors Affecting Our Results of Operations — Competitive Landscape of the Financial Industry in China" in this offering memorandum.

In such a competitive climate, we intend to continue optimizing our business structure and implementing strategic initiatives in order to distinguish ourselves within our industry as well as effectively address competition in the PRC asset management industry.

EMPLOYEES

We had 18,982, 17,980 and 18,587 employees (excluding those under secondment) as of December 31, 2012, 2013 and 2014, respectively. As of December 31, 2014, out of the 18,587 employees, 500 are at the Head Office, 1,570 at Company Branches, and 16,517 at subsidiaries. Our employees held a total of 9,011 licenses/professional qualifications in various categories, including, among others, certified public accountant, certified public valuer, attorney, sponsor, insurance agent and insurance broker, as well as securities practice qualifications and banking practice qualifications.

We believe the competence and loyalty of our employees are vital to our sustainable growth. We have adopted a market-oriented performance assessment and incentive system, under which compensation is linked to employee's performance. Performance assessment systems provide the basis for human resources related decisions such as compensation adjustment, bonus distribution, promotion, talent development, and employee incentives. We are gradually developing a compensation culture based on employees' position, competence and performance. We provide various benefits to our employees, such as basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of the PRC. We also provide supplementary medical insurance for employees and have established a corporate annuity plan in which employees can participate.

We provide a diverse range of trainings to our employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills, and provide them with diversified career paths in order to better attract and retain talent. We have various training types, including remote video training, field training, domestic and overseas study, general trainings and targeted trainings. We combine various content and training types to provide tailor-made and effective trainings.

PROPERTIES

Head Office

Our Head Office is located at Building 1, No. 9 Naoshikou Street, Xicheng District, Beijing, China.

Owned Properties

As of the date of the offering memorandum, Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate owned and used 159 properties with an aggregate gross floor area of approximately 153,305 square meters in the PRC. Among them:

(i) These entities have obtained relevant building ownership certificates for certain properties and the land use right certificates for the land where such properties are located through land assignment. We have been advised by Haiwen & Partners, our PRC legal counsel, that these entities have legal ownership and land use right over the occupied areas of such certain properties and are entitled to possess, use, transfer, lease, mortgage or otherwise dispose of such certain properties.

(ii) These entities have obtained the building ownership certificates of certain properties. However, they have not obtained the land use right certificates for the land where such properties are located. We have been advised by Haiwen & Partners, our PRC legal counsel, that given they have obtained the building ownership certificates, and there are no substantive legal obstacles preventing them from possessing or using these properties. However, they may not transfer, mortgage or otherwise dispose of such properties before they obtain the land use right certificates for such land, except that certain land administrative authorities would not individually issue land use right certificates for certain properties. As for certain parcels of land for which the land use right certificates are under the names of third parties and where their properties are located, if the properties are disposed of as a result of the disposal of the occupied areas of the properties by the holders of the land use rights, they may lose the building ownership of the properties but shall be entitled to claim the proceeds from the disposed properties.

(iii) These entities possess certain properties that they have neither obtained the building ownership certificates nor the land use right certificates for the land where such properties are located. We have been advised by Haiwen & Partners, our PRC legal counsel, that most of these properties are either leased or idle and currently are not involved in any title disputes. As such, the title defects of the building ownership and land use rights of these properties would not result in material adverse impacts on our business operations.

(iv) These entities have entered into property purchase contracts with third parties to acquire certain properties, which are pending for application of the building ownership certificates. They have confirmed that the sellers have obtained the pre-sale permits or building ownership certification documents of such properties, and they have paid the consideration to the sellers in accordance with the property purchase contracts. We have been advised by Haiwen & Partners, our PRC legal counsel, that as the property purchase contracts between the third parties and them are not in violations of the PRC laws, there are no substantive legal obstacles for them to obtain the building ownership certificates for such properties.

Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate have not obtained the building ownership certificates and/or land use right certificates for certain of their owned properties, primarily because:

- certain land administrative authorities would not individually issue land use right certificates for certain properties of which they own building ownership certificates; and

- the developers for certain properties have not been cooperating with them in obtaining building ownership certificates and land use right certificates.

The properties with defective titles ("Properties with Defective Titles") are possessed and used by Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate in the PRC for, among other things, office, lease, parking space and residence. Other than properties which they are unable to obtain the relevant certificates due to certain land administrative authorities not issuing land use right certificates individually, that developers for certain properties have not been cooperating with them in obtaining relevant certificates, or due to lack of appropriate underlying documents, they are in the process of applying for the relevant title certificates for the Properties with Defective Titles and are expected to be able to obtain the title certificates within a reasonable period of time. They would not assume any material legal liability arising from the Properties with Defective Titles. If they were forced to relocate from the Properties with Defective Titles, they will be able to find replacement within a reasonable period of time and they expect the relocation would neither incur material cost and expense nor materially affect their business operations and financial condition.

Construction in Progress

As of the date of this offering memorandum, Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate had one project under development. They have obtained the land use rights for the parcels of land where the project under development is located through assignment. We have been advised by Haiwen & Partners, our PRC legal counsel, that they have obtained all of the relevant approvals or permits required for purposes of construction under various stages and the project construction is in compliance with relevant laws and regulations. There are no substantive legal obstacles to obtain relevant building ownership certificates after passing inspection upon completion of the construction.

Leased Properties

As of June 30, 2013, we leased from independent third parties 435 properties in the PRC with an aggregate gross floor areas of approximately 296,400 square meters, with the gross floor area of each property ranging from approximately 17 to 9,354 square meters. Among them, 409 properties with an aggregate gross floor area of approximately 291,000 square meters are leased for office and business use, and 26 properties with an aggregate gross floor area of approximately 5,500 square meters are leased for non-office or non-business use.

Among the 435 properties we leased in the PRC with an aggregate gross floor area of approximately 296,400 square meters:

- for 344 properties with an aggregate gross floor area of approximately 237,300 square meters, the lessors have obtained the building ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. We have been advised by Haiwen & Partners, our PRC legal counsel, that the leases are legal and valid.

- for 91 properties with an aggregate gross floor area of approximately 59,100 square meters, the lessors have not provided us with the relevant property ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. The lessors of certain of these properties with an aggregate gross floor area of approximately 23,500 square meters have provided us with written confirmation letters and undertaken to indemnify us from all losses arising from disputes or title defects on the property ownership of such leased properties that may affect our interests under the relevant lease agreements.

Among the above-mentioned 435 leased properties, we have registered the leases with relevant administrative authorities for 196 properties with an aggregate gross floor area of approximately 154,100 square meters. We have not registered the lease agreements for the remaining 239 properties with an aggregate gross floor area of approximately 142,300 square meters, primarily because certain lessors have not been cooperating with us for completing the registration procedures and certain local building administrative authorities have not provided lease agreements registration services. Pursuant to the Regulations of the Lease of Commodity Properties (商品房屋租賃管理辦法), competent administrative authorities can impose a fine up to RMB10,000 if the relevant parties fail to register their lease agreements. From January 1, 2011 to June 30, 2013, we had not been fined by any administrative authorities for our failure to register the lease agreements.

We have been advised by Haiwen & Partners, our PRC legal counsel, that (i) a lessor does not have the right to lease the properties if it does not have the ownership of the properties or the consent from the owner. In such case, if any third party raises objection toward the ownership of or right to lease the properties it may affect our ability to continue leasing such properties. However, we may seek indemnity from the lessor based on the undertaking provided by the lessor; and that (ii) according to the relevant PRC laws, failure to register the lease agreements will not affect the validity of such lease agreements, but competent administrative authorities may order parties to the lease agreements to complete the registration within a certain time limit and impose a fine from RMB1,000 up to RMB10,000 if the relevant parties fail to do so. As such, we are entitled to use the properties according to the lease agreements. However, we are subject to risk of being fined if we fail to register the lease agreements as required by competent administrative authorities.

In addition, as of June 30, 2013, we leased a parcel of land with a site area of approximately 1.2 million square meters from the Xiazhai Town Economic Cooperation Committee of Pinghe County in Zhangzhou City of Fujian Province. The land is a parcel of collectively-owned land leased by the People's Government of Xiazhai Town from the relevant village committee. However, the lessor has provided neither the ownership certificate for the collectively-owned land nor consent from the relevant village committee to authorize the People's Government of Xiazhai Town to sublease the land to us. We have been advised by Haiwen & Partners, our PRC legal counsel, that if the village committee does not legally own the land nor has the lessor obtained the consent for subleasing, or been authorized to sublease, the land from the owner, the lessor does not have the right to sublease the land. If the owner of the land raises objection to the lease of the land, our use of the land under the lease agreement may be affected. However, we may seek compensation from the lessor for losses, if any, in accordance with the lessor 's undertakings under the lease agreement. In addition, the lease agreement has a term of more than 20 years, which violates the relevant requirements of the PRC Contract Law. Therefore, the lease may not be protected by law for the period beyond the limit of 20 years. Given that the land is not used for the major operation of our Company or any of our major subsidiaries, we believe that our operations would not be materially adversely affected.

INTELLECTUAL PROPERTY RIGHTS

We operate our business under “信達,” “Cinda,” “” and certain other brand names and logos. As of December 31, 2014, Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate were the registered owner of 606 trademarks in the PRC and also owned 419 domain names, including www.cinda.com.cn, www.cindamc.com, www.cinda.cn, www.cindamc.cn and www.cindamc.com.cn. The websites are frequently used by our clients to access our information and conduct business with us.

As of December 31, 2014, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or vice versa for the three years ended December 31, 2014.

LEGAL AND REGULATORY PROCEEDINGS

Overview

We may be involved in legal and/or regulatory proceedings or disputes in our ordinary course of business. As of December 31, 2014, we were not aware of any legal and/or regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

In 2012, 2013 and 2014, we had made provisions of RMB143.4 million, RMB128.0 million and RMB122.4 million, respectively, for pending litigation known to us.

Qualifications

As of December 31, 2014, we had complied with the applicable regulatory requirements of the PRC in all material respects. We have also obtained all material qualifications and permits necessary for our operations in accordance with PRC laws and regulations.

As required by the SFC, certain of our Hong Kong subsidiaries are required to obtain licenses to operate in Hong Kong. As of December 31, 2014, such subsidiaries had complied with relevant regulatory requirements in Hong Kong in all material aspects and had obtained all necessary licenses as required by Hong Kong laws and regulations.

Litigations and Arbitrations

As of December 31, 2014, Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate were involved in 19 material unresolved litigations, in each of which the amount in dispute was more than RMB10 million, and among which:

- We were a plaintiff in four material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB358 million. Such proceedings contracts of sales and purchases of properties, contracts of construction projects as well as financings and borrowings. Among these proceedings, two proceedings were at trial stage, one proceeding was at the enforcement stage and one proceeding was suspended.

- We were a defendant in 15 material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB1,856 million. Such proceedings were mainly related to disputes over contracts for construction projects, loan agreements, debt acquisition agreements, equity interest and indemnity for property preservation. Among these proceedings, 12 proceedings were at trial stage and three proceedings were at the enforcement stage.

Among the unresolved legal proceedings in which we were defendant, there were two cases involving claims exceeding RMB100 million, the summary of which is set out below:

Junfield Case

Junefield Real Estate Development Co., Ltd. (北京莊勝房地產開發有限公司) ("Junefield Real Estate"), Cinda Investment and the Beijing office of our Company (currently, the Beijing branch of our Company) have entered into a framework agreement and supplemental agreements since October 2009, pursuant to which the interests in a parcel of land in Beijing will be assigned by Junefield Real Estate to Cinda Investment as settlement of debts of Junefield Real Estate and such parcel of land will be developed by a wholly-owned project company to be established by Cinda Investment. Junefield Real Estate had the right to invest in the project company by way of capital injection. In July 2010, Junefield Real Estate entered into a capital injection agreement with Cinda Investment for the proposed capital contribution of RMB100 million to Beijing Cinda Properties Co., Ltd. (北京信達置業有限公司) ("Cinda Properties"), a then wholly-owned subsidiary of Cinda Investment established for the development of the target parcel of land, to acquire 20% equity interest in Cinda Properties. However, Junefield Real Estate has not obtained necessary government approval for the capital injection and has not completed the change of registration with the relevant Administration of Industry and Commerce. In November 2012, due to commercial consideration, Cinda Investment transferred its 100% equity interest in Cinda Properties to a third party through an open bidding at Beijing Financial Assets Exchange. In May 2013, Junefield Real Estate filed a lawsuit with the Beijing Court against Cinda Investment, Cinda Properties and the third party who acquired 100% equity interest in Cinda Properties, requesting the court to invalidate the above-mentioned equity transfer. The Beijing Higher People's Court ("Beijing Court") conducted an open hearing of the case. In September 2013, an application for the withdrawal of the lawsuit was filed by Junefield Real Estate and was approved by the Beijing Court in October 2013. On December 20, 2013, the Company noticed that Junefield Real Estate filed another lawsuit with the Beijing Court against Cinda Investment, Cinda Properties and Cinda Beijing Branch, requesting the court to terminate the framework agreement and its supplemental agreement, grant an order for penalty payment of RMB1 billion from Cinda Investment, and at the same time order Cinda Properties to be jointly and severally liable for the penalty payment. In December 2014, the Beijing Court rejected all claims of Junefield Real Estate, which had subsequently lodged an appeal with the Supreme People's Court and requested the judgement made by the Beiging Court should be repealed and its original claims should be upheld. The case is currently pending.

Xinliu Case

In 1997, Dandong Zhenxing Real Estate Development Co., Ltd.(丹東市振興房地產開發股份有限公司)("Zhenxing Company") was re-registered as Dandong Xinliu (Group) Co., Ltd. (丹東新柳(集團)股份有限公司)("Xinliu Company") as approved by relevant government authorities, upon the completion of which the then shareholders of Zhenxing Company including Dandong Planning and Design Research Institute(丹東市規劃設計研究院), Dandong Baoshihua Real Estate Development Co., Ltd.(丹東市寶石花房地產開發有限公司)and some natural persons no longer held the shares of Xinliu Company. In 2002, the Shenyang office of our Company (currently, the Liaoning branch of our Company) and other relevant parties restructured Xinliu Company as approved by relevant government authorities, during which our Company obtained equity interest in Xinliu Company through DES and share transfer. In 2005, Dandong Planning and Design Research Institute, Dandong Baoshihua Real Estate Development Co., Ltd. and 318 natural persons, as the former shareholders of Zhenxing Company, filed a lawsuit against the Shenyang office of our Company and the relevant parties. The plaintiff claimed that their rights as shareholders of Zhenxing Company were infringed and therefore requested the court to invalidate the restructuring agreement of Xinliu Company and the relevant agreements pursuant to which our Company obtained equity interest in Xinliu Company, order the defendants to cease infringement and return the assets valued at approximately RMB389 million. Both the courts of first instance and second instance dismissed the lawsuit, and the Intermediate People's Court of Dandong, Liaoning Province also dismissed the subsequent application of the plaintiffs for retrial. In February 2008, the plaintiffs filed the second application for retrial and requested the court to dismiss the judgments made by the courts of first instance and second instance, order the defendants to cease infringement and return the assets valued at approximately RMB389 million. The High People's Court of Liaoning Province has accepted this case and dismissed the judgments made by the courts of first instance and second instance. In November 2013, the High People's Court of Liaoning Province rejected the lawsuit. In January 2014, the plaintiffs filed an appeal with the Supreme People's Court for retrial and requested the court to dismiss the judgment made by the High People's Court of Liaoning Province. The case is currently pending.

Administrative Proceedings and Penalties

As of December 31, 2014, we were not aware of any material ongoing inspection on or investigation against us. For the three years ended December 31, 2014, none of our directors was involved in any material administrative violations, proceedings or penalties.

For the three years ended December 31, 2014, administrative penalties for 11 incidents were imposed on Cinda and its Company Branches, Cinda Securities, Jingu Trust, Cinda Leasing, First State Cinda Fund, Cinda P&C, Happy Life, Cinda Investment, Zhongrun Development and Cinda Real Estate by tax authorities in the PRC in the aggregate amount of approximately RMB47,708.6, primarily due to our failures to make full payment of enterprise income tax due, withhold the required individual income tax, timely file the tax return and complete the registration for tax status changes in accordance with applicable requirements. We have actively communicated with the tax authorities, paid and settled the tax payments and penalties. All of the abovementioned tax related violations occurred at our Company Branch and subsidiary level, and did not involve our Head Office.

In addition to the tax related penalties, due to our breach of regulations for the three years ended December 31, 2014, regulatory authorities in the PRC imposed on us certain administrative penalties and/or regulatory measures, including but not limited to suspension of launching new businesses for a certain period of time, suspension of establishing new branches, fines and imposition of corrective order.

RISK MANAGEMENT

OVERVIEW

We regard risk management as a cornerstone and a core focus of our management and business operation, and have developed a comprehensive risk management system covering all business segments of the Group.

- The six guiding principles of our risk management are: (i) consistency: to ensure the consistency of risk management and strategic development targets by establishing a comprehensive risk management system; (ii) comprehensiveness: to establish a risk management system covering all business lines, internal organizations and the regions where we conduct business, as well as the identification, analysis and management of all types of risks we face; (iii) full participation: to establish a culture of risk management and corresponding mechanisms encouraging the participation of all employees, under which all staff, including management personnel shall participate in and be responsible for risk management in accordance with their respective duties; (iv) independence: to separate the risk management system from business operation system; (v) a combination of quantitative and qualitative analyzes: through development of quantitative risk management techniques corresponding to the nature, volume and complexity of our businesses, and promotion of the application of our established and sophisticated risk management experience, achieve an effective combination of quantitative and qualitative risk analyzes; and (vi) optimization: to continuously assess changes in the competitive landscape and the internal and external business environments, as well as their impacts on our risk management, so as to continuously fine-tune and optimize our risk management policies, mechanisms and procedures.

- Our risk management framework consists of four levels of supervision and three lines of organizational defense. The four levels are: (i) the board of directors and the board of supervisors; (ii) senior management; (iii) the risk management department and relevant functional departments at the Head Office; and (iv) the Company branches ("Company Branches") and subsidiaries. The three lines of defense are: (i) business operation departments at the Head Office, Company Branches and subsidiaries; (ii) functional departments of risk management at the Head Office, Company Branches and the subsidiaries; and (iii) the internal audit departments and special audit positions at the Head Office, the Company Branches and the subsidiaries.

- Our risk management system is based on a combination of external and internal regulations. The primary external regulations are the "Basic Guidelines for Internal Control of Enterprises（企業內部控制基本規範）jointly promulgated by the MOF, the CSRC, the NAO, the CBRC and the CIRC in 2008. the Provisional Regulatory Guidelines for Supervision of AMCs on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)), promulgated by the CBRC in 2011 and the "Measures for Internal Control of Financial Asset Management Companies" (金融資產管理公司內部控制辦法), jointly promulgated by the MOF and the CIRC in 2005. Using these regulations and considering the special features of our business, we have established internal regulations and policies to provide specific operational guidelines for our operations and staff. These include the "Provisional Measures for Risk Management"（公司風險管理暫行辦法）, the "Regulatory Procedures for Overall Risk Management"（全面風險管理規程）, the "Procedures for Debt Asset Management" (債權資產管理規程), the "Procedures for Equity Asset Management" (股權資產管理規程), the "Operational Procedures for Assets Acquisition Business" (資產收購業務操作規程) and the "Guidelines for the Post-acquisition Management of Distressed Assets from Non-financial Enterprises" (非金融機構不良資產收購後續管理指引). In addition, to effectively manage our operational risk, we have established an internal control system complying with the standards of IS09001, and an information security management system and information technology service management system complying with the standards of IS020000 and IS02700l.

Risk Management Framework

We have developed an integrated risk management framework. Vertically, our risk management framework covers four levels, namely, (i) the board of directors and board of supervisors, (ii) senior management, (iii) the risk management department and relevant functional departments at the Head Office, and (iv) our subsidiaries and Company Branches; horizontally, the three lines of defense of our risk management operate in accordance with their respective responsibilities.

The "Four Levels" of Our Risk Management Framework

The board of directors and board of supervisors

The board of directors assumes ultimate responsibility for our risk management, internal control and overall compliance. The Risk Management Committee under the board of directors supervises and evaluates the Group's risk management, and the Audit Committee supervises the Group's internal controls and internal audit.

The board of supervisors supervises the risk management function of the board of directors under our overall corporate governance framework. Specifically, the board of supervisors supervises the fulfillment of responsibilities by relevant departments and personnel, reviews and assesses the major risks we face, and makes risk management suggestions and proposals accordingly.

The senior management

Our senior management, including the Chief Risk Officer, is accountable to the board of directors for the overall effectiveness of our risk management.

The Head Office risk management functional departments

A risk management department at the Head Office (the "Risk Management Department") performs specific functions related to our overall risk management while the internal audit department at the Head Office (the "Internal Audit Department") supervises and evaluates the effectiveness of our risk management. In addition, various other functional departments of risk management at the Head Office also assume risk management responsibilities according to the nature and features of their respective businesses.

The subsidiaries and Company Branches

We have departments responsible for risk management at our nine first-tier subsidiaries ("Subsidiary RM Departments") and special positions for risk management at the business review departments of our Company Branches ("Branch RM Positions"). Our Subsidiary RM Departments and Branch RM Positions are responsible for the coordination of routine risk management at our subsidiaries and Company Branches. respectively, and are subject to the management, inspection and supervision of the Risk Management Department with respect to their risk management functions. The board of directors at our subsidiaries assume the ultimate responsibilities for risk management at their respective subsidiaries and the general manager or president of each subsidiary is held fully responsible for risk management at that subsidiary. The general managers at the Company Branches are held fully responsible for risk management. In addition, each subsidiary and Company Branch designates one member of its senior management to be responsible for specific risk management work at that subsidiary or Company Branch.

The "Three Lines of Defense" of Our Risk Management

***First line of defense*:** The business operation departments at the Head Office, Company Branches and our subsidiaries who identify, assess, handle and report all relevant risks at the front end of our businesses and who assume primary responsibility for the respective risks involved in their businesses.

***Second line of defense*:** The functional departments of risk management at the Head Office, Company Branches and subsidiaries who formulate risk management policies, mechanisms and procedures and propose plans and measures to handle risks.

***Third line of defense*:** The internal audit departments or special audit positions at the Head Office, Company Branches and subsidiaries who audit and supervise risk management processes, as well as conduct various risk control protocols.

ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

As indicated in the chart above, our risk management organizations primarily consist of: (i) the board of directors and its Risk Management Committee and Audit Committee; (ii) the board of supervisors; (iii) our senior management; (iv) the Risk Management Department and other functional departments of risk management at the Head Office; and (v) the Subsidiary RM Departments and Branch RM Positions.

Board of Directors

The principal responsibilities of our board of directors with respect to risk management include formulating our fundamental risk management policies, as well as reviewing the Group's risk management reports. The board of directors may delegate some of these responsibilities to the Risk Management Committee.

Risk Management Committee of the Board of Directors

The principal responsibilities of the Risk Management Committee include:

- Reviewing our risk management strategies and policies in light of our overall strategies and monitoring their implementation and overall effectiveness;

- reviewing the Group's risk management reports and overseeing the structure, organization, working processes and overall effectiveness of our risk management departments; evaluating the risk management profile of the Group and making recommendations on improving our risk management and reporting to the board of directors accordingly;

- supervising risk management by senior management with respect to credit, markets and operational risks; and

- formulating and revising the Group's compliance policies, evaluating and supervising the Group's compliance and making recommendations to the board of directors accordingly.

Audit Committee of the Board of Directors

The audit committee's primarily responsibilities include:

- Reviewing the Group's significant accounting policies and their implementation and supervising the Group's operation from a financial perspective;

- reviewing the Group's financial information and its disclosure;

- reviewing and approving the Group's internal control plans and evaluating and supervising the Group's internal controls;

- reviewing and approving our audit budget, remuneration of internal-audit personnel and the appointment and removal of internal-audit officers; monitoring and evaluating the Group's internal audit; formulating mid-to long-term audit plans and annual audit plans of the Group, devising internal-audit system of the Group and making recommendations to the board of directors;

- proposing the engagement or replacement of the Group's external auditor, monitoring the external auditor's work, reviewing the external auditor's reports and ensuring the external auditor is accountable for its work;

- coordinating communication between the internal audit department and the external auditor, as well as supervising their working relationships; and

- supervising improper practices in the Group's financial reporting and internal controls.

As of the date of this offering memorandum, the Risk Management Committee of the Board consists of Ms. Xiao Yuping, Mr. Xu Zhichao, Ms. Wang Shurong, Mr. Lu Shengliang and Mr. Xu Dingbo. For further details concerning the bios of the above committee members, see "Management."

Board of Supervisors

As an integral part of our corporate governance structure, the board of supervisors supervises the fulfillment of responsibilities of relevant departments and personnel, reviews and assesses the major risks we face and submits risk management suggestions and proposals accordingly.

Senior Management

As the highest execution body responsible for managing the Group's risk, our senior management is responsible for establishing a comprehensive risk management system, formulating, reviewing and monitoring the implementation of risk management strategies and internal control mechanisms and approving specific business processes and systemic documents such as implementation rules so as to keep overall risks within limits acceptable to the Company. Furthermore, our senior management arranges the implementation of risk monitoring and assessment so as to understand the risk position and risk management capabilities of the Company on a timely basis; they formulate risk management strategies, devise and implement significant risk management solution plans and monitor risks on a daily basis. Our senior management is also responsible for ensuring that the appropriate resources, such as sufficient organizational arrangements, human and material resources, as well as technical assistance, are put into place for risk management, so as to effectively identify, measure, monitor, alert of and control the various risks we face. Finally, our senior management is also responsible for establishing a risk management information system, promoting a risk management culture, conducting research and submitting comprehensive risk management reports to the board of directors, as well as reporting on the status and development of significant risks in a timely manner. Our President, as the chief officer of our business operations, has overall responsibility for the senior management's fulfillment of risk management duties.

We have established the Chief Risk Officer as a dedicated position among our senior management that assists our President with daily risk management. Our Chief Risk Officer reports regularly to the Risk Management Committee and is subject to the committee's supervision. The Chief Risk Officer is primarily responsible for (i) supervising and coordinating our overall risk management as well as coordinating the formulation and monitoring the execution of risk management strategies, procedures and internal control processes; (ii) coordinating the implementation of risk monitoring and assessment and formulating significant risk management solution plans; (iii) coordinating and guiding the development of the risk management information system and promoting of a risk management culture by risk management departments and coordinating risk management research and the submission of relevant reports; and (iv) performing other relevant responsibilities as authorized by the general manager.

As of the date of this offering memorandum, our Chief Risk Officer is Mr. LUO Zhenhong. Mr. Luo received his bachelor of law degree, master of law degree, and master degree in business administration for senior managers from Peking University. Mr. Luo has more than 20 years of experience in legal & compliance. For more details of Mr. Luo's biography, see "Management."

Risk Management Department and Other Functional Departments of Risk Management at the Head Office

Our Risk Management Department reports to senior management and supports the Risk Management Committee. It is authorized to participate in or be present at meetings of the Company's strategic, business, investment and other professional committees. The Risk Management Department is primarily responsible for (i) coordinating the establishment of a comprehensive risk management system, evaluating the effectiveness of our comprehensive risk management system and proposing improvement plans; (ii) overseeing the implementation of comprehensive risk management by Company Branches and subsidiaries as well as their formulation and implementation of significant risk management response plans; (iii) coordinating the Company's and the Group's compilation of risk management reports; (iv) screening the qualifications of candidates for officers at Subsidiary RM Departments and Branch RM Positions; and (v) providing systematic risk management training to employees and promoting the establishment and maintenance of our comprehensive risk management information system.

In addition to the Risk Management Department, other departments such as the legal & compliance ("Legal & Compliance Department"), business review and finance and budget departments at our Head Office also perform risk management functions in their respective business areas and constitute important components of our overall risk management system.

Subsidiary RM Departments and Branch RM Positions

We have established a risk management department at each subsidiary, or appointed a department to fulfill risk management functions when there is not a stand-alone risk management department, whose primary responsibilities include: (i) formulating the risk management policies and procedures for the subsidiary based on the Group's requirements and respective industry regulatory requirements; (ii) coordinating the collection and evaluation of risk management information at the subsidiary; (iii) submitting risk management reports to the Group on a regular basis; (iv) issuing timely warnings on significant risks that may arise during the course of the subsidiary's business and proposing solutions to assist relevant business departments; (v) reporting risk monitoring information on a regular basis as well as monitoring the significant risks that may arise during the course of the subsidiary's business and reporting them in a timely manner; and (vi) conducting risk management self-evaluation and providing risk management advice to the senior management of the subsidiary.

We have established special risk management positions within the business review departments of each Company Branch. The responsibilities of these positions primarily include: executing the Company's risk management policies and procedures; coordinating the branch's collection and evaluation of risk management information; submitting risk management reports to our Head Office on a regular basis; submitting regular reports on risk monitoring information, as well as monitoring all significant risks that may arise in the course of the branch's business and making timely reports; conducting self-evaluations of the branch's risk management, and providing risk management advice to the senior management of the branch.

The Subsidiary RM Departments and Branch RM Positions report to the senior management of the subsidiaries and Company Branches, respectively, and to the Risk Management Department, so that the senior management of both (i) the subsidiaries and Company Branches and (ii) the Group can be made aware of risk management issues of the subsidiaries and Company Branches on a timely basis.

RISK MANAGEMENT PROCEDURES

Our basic risk management procedures are as indicated below:

The purposes and major contents of the aforementioned risk management procedures are:

- Risk identification: this procedure primarily includes identifying and assessing risks. Through this procedure, we determine if there are any risks related to our business lines, products, key business procedures and critical operations, as well as the type of risks identified. We integrate risk assessment with risk identification, which enables us to quantify uncertain threats or losses, so as to determine the extent of our exposure to any potential risks as well as whether said risks are acceptable to us.

- Risk monitoring and responding: this procedure primarily includes risk alerting and risk responding. Based on the result of risk identification and assessment, we issue internal risk alerts when any business risk status deviates from pre-determined risk warning benchmarks. Risk responding refers to the formulation of risk prevention and response plans, such as risk assumption, avoidance, mitigation or transfer, after any risk and its impact have been identified in the course of our operations and which are based on the nature of such risk and our risk appetite.

- Risk reporting: risks are reported on both a regular and ad hoc basis. Regular reports primarily include risk information reports, risk analysis reports and risk management reports (applicable to the Head Office only), which are for the purposes of regular risk reporting and risk summary. Ad hoc reports include significant risk events reports and special risk subject reports, which are for the purposes of reporting significant risks and special risk events.

- Risk supervision: we supervise risk management through the board of supervisors, the board of directors, internal audit departments and risk management departments so as to assign accountability for risk management to specific individuals and departments.

Risk Identification

Our risk identification procedure possesses the following features:

- relevant functional departments and business units are required to identify various risks arising from our operating activities from different perspectives;

- taking into consideration both internal and external factors: internal factors include those relating to corporate governance, organizational structure, management and technology, while external factors include those relating to the economy, nature and society;

- selecting appropriate techniques and methods: we utilize risk identification techniques and methods in line with the nature of the relevant and its scale and complexity; these typically include the flow chart method, organization chart analysis method and on-site inspections;

- comprehensive risk identification on a yearly basis: we require each functional department and business unit to conduct an overall risk identification each year and, when there are any changes in the nature of the risks or if any new risks emerge, to conduct risk identification in a timely manner; and

- industry-specific risk identification: we require each of our subsidiaries to identify risks for each of their business lines in accordance with the characteristics of their respective industries.

Risk Assessment

Our risk assessment procedure includes original and remaining risk assessments: original risk refers to the risk we are exposed to without taking any responsive measures, while remaining risk refers to the risk we are exposed to after taking risk response and control measures. In addition, we assess risks based on their likelihood and impact: likelihood refers to the probability of a risk's occurrence within a specified period, while impact refers to any impacts caused by a particular risk on our financial condition, reputation, supervision and business operation. Each of our functional departments and the Group's business units conducts a risk evaluation every year. The Risk Management Department is responsible for coordinating and providing the necessary guidance, including assessment techniques and methods, for such yearly evaluations, as well as gathering and processing the assessment results of each functional department and business unit so as to form an overall profile of our risk management. In addition, in the event that we encounter or expect to encounter a significant risk, we will undertake risk assessment on a timely basis.

Our primary risk assessment methods include:

- correlation analysis: we conduct a correlation analysis for each type of risk to identify potential correlations among different risks, such as natural hedging effects between different risks, as well as the positive and negative correlations of different risks' occurrence, so as to produce a coherent assessment of all risks;

- financial consolidation: in addition to risk classification and assessment in accordance with the regulatory requirements of the various industries in which we operate, we assess the following risks from a financial consolidation perspective: market risk, credit risk, operational risk, liquidity risk, capital inadequacy risk, connected transaction risk, concentration risk, compliance risk and reputation risk;

- combined application of qualitative and quantitative assessments: we typically use qualitative assessment methods such as surveys, group discussions, consultations with experts, policy analysis, scenario analysis, industry benchmark comparisons, management interviews and research based on investigations; we typically use quantitative assessment methods such as statistical analysis, computer simulations, internal ratings, historical scenario analysis, financial statement analysis, sensitivity analysis and event tree analysis. We typically apply qualitative assessment to operational risk, connected transaction risk, compliance risk and reputation risk so as to accurately analyze the causes, characteristics and consequences of such risks; we typically apply quantitative assessment to credit risk, market risk, liquidity risk and capital inadequacy risk.

Risk Alert

The Risk Management Department is responsible for coordinating the tracking of key risk indicators by our business departments, Company Branches and subsidiaries, analyzing, determining as well as forecasting the trends of significant risks and establishing a risk warning indicator system based on risk assessments. Each of our functional departments and business units monitors key risk indicators, determines and forecasts changes in each risk indicator, analyzes the progress of each risk and regularly reports the status of their respective risk monitoring to the relevant risk management departments.

The Risk Management Department, the Subsidiary RM Departments and Branch RM Positions alert relevant risks to the related departments and personnel under the following circumstances:

- it is found during risk assessment that significant risks have arisen or risk potential exists at the Head Office level, the Company Branches or subsidiaries as a result of changes in external market conditions;

- a potential material loss may occur in a single product or investment project;

- there are signs of a relevant risk indicator's deterioration in a risk assessment lasting for more than six consecutive months;

- the overall risk assessment results of a Company Branch or subsidiary exceeds certain standards; or

- other circumstances under which the risk management departments regard it necessary to alert for relevant risks.

Risk Response

Our risk response plan outlines the specific objectives we shall achieve in addressing particular risks, the management and business procedures involved, the necessary conditions and resources required, the specific measures to be undertaken, as well as the risk response tools to apply. The risk response plan of the Head Office is proposed by relevant business departments, reviewed by the Risk Management Department and approved by the Chief Risk Officer and the senior management in charge of the relevant business departments prior to its implementation; the risk response plans of our subsidiaries and Company Branches are proposed by their relevant departments or business units, reviewed by the respective Subsidiary RM Departments or Branch RM Positions and approved for implementation by the relevant senior management of the subsidiaries and Company Branches.

Our main risk response tools include:

- *Assumption*: when a risk is within our risk appetite, we assume that risk and will not take any measures in response to its likelihood or possible impacts;

- *Avoidance*: when a risk exceeds our risk appetite, we will withdraw from the business activities that lead to such a risk in order to avoid it;

- *Mitigation*: when the loss frequency or the extent of impacts arising from a particular risk can be reduced, we take risk mitigation measures; and

- *Transfer*: we use risk transfer techniques or tools to transfer part or all of a risk to an independent third party in order to prevent catastrophic losses.

Our mark-to-market equity investments primarily include (x) equity investments in Listed DES Assets and (y) equity investments in other listed companies. We manage the value of these equity investments by making reference to our acquisition costs:

- We entrust our subsidiary Cinda Securities to manage and dispose of our equity investments in Listed DES Assets. Cinda Securities provides the Company with specific advice on market risk management with respect to such investments, including the price level or range for cut-loss operations. We determine the cut-loss limit applicable to a particular Listed DES Assets project by considering the advice made by Cinda Securities, and by taking into account our acquisition costs, potential strategic value of the investments, and the nature and characteristics of each investment. As a result, the cut-loss limit for each investment project varies significantly due to the differences in acquisition costs, investment size and conditions of the industries in which the investee companies operate.

- As of December 31, 2014, the Company does not directly acquire public equities from the secondary market, but obtain public equities from debt restructurings and other distressed debt asset management businesses. The Company entrusts Cinda Securities to dispose of public equities on its behalf. As parts of their financial investments, our subsidiaries such as Cinda Securities and the insurance subsidiaries directly make investments in public equities.

    (a) We do not set forth cut-loss limits for public equities acquired by the Company from debt restructurings and other distressed debt asset management businesses, because our acquisition costs are typically lower than the market prices;

    (b) We further divide the public equities acquired in the secondary market by Cinda Securities and the insurance subsidiaries into investments without strategic value and investments with strategic value:

    For investments without strategic value, we determine cut-loss limits on both an individual-equity basis and all-equities basis. For a particular equity investment, our cut-loss limit is typically 5% to 20% of our investments costs and the specific limit is determined based on our investment size and costs in that equity; we also set forth cut loss limits for all of our investments in public equities without strategic value and close our positions when the aggregate losses reach a certain level; and

For investments with strategic value, we do not set forth specific cut-loss limits because the investee companies typically have sound financial performance and we hold their equity for dividend and capital gain purposes.

As of the date of this offering memorandum, we have not formulated and implemented Group-wide hedging policies due to regulatory restrains and the limited availability of proper financial instruments in China. We, however, have closely followed and studied the hedging options we may have and closely communicated with relevant regulatory authorities. We may formulate and implement hedging policies suitable for our business at a proper time in the future. The lack of hedging policies has not caused any material and adverse impact on our management of investment risks.

Risk Reporting

Our risk reporting system involves regular and ad hoc reports. Regular reports refer to periodic reports and summaries of the risks we face. Ad hoc reports refer to reports on significant risks as well as special risk management subjects.

Regular reports are usually collected and summarized by Subsidiary RM Departments or Branch RM Positions and are reported to the Risk Management Department. Specifically, the regular reports primarily include:

- Monthly reports: Our subsidiaries and Company Branches report to the Group on their management of credit risk, market risk and compliance risk on a monthly basis;

- Quarterly reports: Our subsidiaries and Company Branches report their risk analysis reports and risk assessment reports to the Risk Management Department on a quarterly basis. Our Chief Risk Officer meets with relevant departments, including the budget and finance department market development department, asset evaluation department and audit department, and briefs these departments on the risk management profile of the Group in a particular quarter; and

- Yearly report: Our Risk Management Department drafts a yearly report on the Group's risk management which is submitted by senior management to the board of directors and the board of supervisors.

In addition, the Group's finance and budget department and equity management department are responsible for releasing weekly reports based on their monitoring of market risks and liquidity risks, primarily including the Weekly Stock Market Analysis and Operation Advice of Finance and Budget Department (綜合計畫部一周股票市場分析及操作建議), Weekly Report on Fund Allocation and Liquidity Management (資金調撥及流動性管理週報) and Weekly Currency and Debentures Market Analysis and Operation Advice of Finance and Budget Department (綜合計畫部每週貨幣、債券市場分析及操作建議).

We attach great importance to the reporting and handling of significant risks and have established an ad hoc reporting system with the following primary features:

- Coverage of significant risks: occurrence of a material deficit, significant impairment and other losses, audit reports with adverse opinions, qualified opinions or disclaimers of opinion issued by our external auditors, material legal disputes with possible losses above RM850 million and any other events that may have a material adverse effect on us.

- Reporting of and response to significant risks: any significant risk, upon its occurrence, shall be reported immediately to our senior management (including the Chief Risk Officer) and the Risk Management Department; if necessary, a risk response team shall be established under the leadership of the Chief Risk Officer and other relevant senior management to formulate a risk response plan.

- Post-risk investigation and monitoring: after handling a significant risk, the relevant departments shall carry out a subsequent investigation into the causes, background and persons responsible for the event and submit an investigation report to the Chief Risk Officer. In addition, the relevant departments shall also ensure that the scale and status of any material risks identified are reported to the board of directors. The department where the material risk event occurs shall then continue to monitor for the relevant risk and report to the Risk Management Department and other relevant departments on a timely basis if any significant changes occur in that risk.

THE GROUP'S MANAGEMENT OF RISKS AT SUBSIDIARIES

The management of risks at our subsidiaries, the financial subsidiaries in particular, is an integral component of the Group's overall risk management. We incorporate the subsidiaries' risk management into the Group's overall risk management framework and aim to improve the efficiency of the synergistic operation of various subsidiaries through our unified risk management at the Group level. The Group primarily manages risk at the subsidiaries through the following measures:

- *Risk reporting mechanisms*. The risk management departments at our subsidiaries report their risk management profiles, which includes reporting on existing and potential risks, to the Group's Risk Management Department on a monthly basis, as well as report all external information that may cause a risk event on a monthly basis. This external information includes information about typical market risk and customer credit risk, as well as emergent risk events.

- *Regular monitoring and evaluation*. Each of our subsidiaries is required to submit risk management self-assessment reports to the Group's Risk Management Department on a quarterly basis, as well as rate their risk management work in accordance with an evaluation benchmark system established by the Group and submit their rating result to the Group for review. The benchmarks in the rating system are devised by considering the characteristics of the different industries our subsidiaries operate in, and cover factors such as industry regulatory requirements, the current status of an industry's development and the Group's development strategies, in addition to typical risk information evaluation benchmarks.

- *Supervision and specific instructions through various means such as on-site inspection, investigation and research and management meetings*. The Risk Management Committee and functional departments of risk management at the Group level conduct on-site inspections and investigations of subsidiaries' risk management from time to time. These inspections and investigations enable the Group to learn the details of risk management work at subsidiaries and provide subsidiaries with specific instructions and requirements at the Group level; they also enable the Group to timely address risk management issues at subsidiaries and take disciplinary actions against relevant personnel. Our Chief Risk Officer also alerts subsidiaries of potential significant risks they may face and provides specific instructions on risk management to our subsidiaries through management meetings.

- *Emphasizing industry regulatory and compliance requirements*. Our subsidiaries, particularly those in financial industries such as the securities, insurance and trust industries, are under the strict regulation of government authorities and industry associations and are required to comply with a series of regulatory requirements and benchmarks. We regard it as a cornerstone of our risk management to comply with these requirements and benchmarks across our subsidiaries. As a result, the overall risks of our subsidiaries are well-controlled.

- *Strengthening the management and supervision of risk management talent at subsidiaries*. The Group has directly recommended chief risk officers to certain subsidiaries in order to strengthen the Group's centralized management and supervision of risk management talent across all of our subsidiaries. These chief risk officers report to our Chief Risk Officer on a regular basis and are supervised by both the subsidiaries' senior management and our Chief Risk Officer. The Risk Management Department reviews and approves the candidates for officers responsible for risk management at these subsidiaries where the Group does not directly assign chief risk officers in order to ensure the quality and professional experience of these officers.

- *Establishing specific evaluation criteria*. We have established specific criteria for evaluating the subsidiaries' risks in the Group's risk management assessment system. The risk management evaluation information of each subsidiary is included in the overall performance evaluation of that subsidiary after being reviewed by the Risk Management Department, directly affecting the overall performance evaluation result and the remuneration of senior management of each subsidiary.

MANAGEMENT OF PRINCIPAL RISKS

We are exposed to four principal risks: credit risk, market risk, liquidity risk and operational risk. In addition to these four major risks, we also face certain types of business-specific risks, including insurance risks, such as insurance pricing risk, insurance reserve risk and reinsurance risk.

Management of Credit Risk

General Strategy and Approach of Credit Risk Management

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

The distressed debt assets portfolio has the most significant impact on our overall credit risk profile. In order to manage credit risk related to this portfolio, we have formulated and strictly implemented standardized business management guidelines and an approval process covering all business stages in the acquisition and disposal of distressed debt assets. This business management and approval process incorporates three components: (i) counterparty due diligence; (ii) project approval; and (iii) asset acquisition and post-acquisition management. Among these, counterparty due diligence is our most significant frontline defense against credit risk and plays an important role in our credit risk management.

We have established a comprehensive system of internal rules and guidelines to standardize the mechanisms and protocols for managing the credit risk involved in our distressed debt assets portfolio. In order to manage the risks that may arise during the pre-acquisition stage, we have formulated Guidelines for Due Diligence of NFE Distressed Assets by Acquirers (非金融機構不良資產買方盡職調查指引) to clearly set forth the contents and focuses of due diligence; we have also formulated Standards for Acquiring Distressed Assets (不良資產專案收購標準) to define project selection standards. In order to manage the risks that may arise during the project-approval stage, we have established an internal consultation process for significant acquisition projects, thus ensuring sufficient internal discussion and review. In order to manage risks that may arise during the post-acquisition stage, we have published the Notice on Strengthening the Follow-on Management of Commercial Acquisition of Distressed Assets (關於加強商業化不良資產收購業務後續管理有關事項的通知) and formulated Guidelines for Post-acquisition Management of NFE

Distressed Assets in order to strengthen the post-acquisition management of relevant projects. In addition, we have formulated a five-tier distressed asset classification system reflecting the characteristics of our business. This system provides us with a standardized basis for the risk identification, risk positioning and provisioning of distressed debt assets.

We manage assets of different risk types on a differentiated basis in order to monitor credit risk more effectively and prompt the obligors to perform their obligations. We also make provisions for assets of different risk types on a differentiated basis. For details of provisions for different assets and impairments of Restructured Distressed Assets, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" in this offering memorandum.

Specific Procedures and Measures for Credit Risk Management

Our primary procedures and measures to manage credit risk involved in our distressed debt assets portfolio include due diligence, acquisition plan approval, asset acquisition and post-acquisition management.

Due diligence

We conduct comprehensive and multi-perspective due diligence on our counterparties focusing mainly on their credit worthiness, the overall risks involved in their industries, and various factors affecting their cash flow and ability to repay indebtedness. We leverage both internal and external expertise to investigate a counterparty's credit rating. lf a credible external credit rating is available, we will take into account the creditworthiness of a counterparty based on such external credit rating(s); if a credible external credit rating is unavailable, we will make a judgment based on all available internal and external information.

For the acquisition and disposal of Traditional Distresses Assets, we sample specific assets contained in a particular asset package according to the package's size. We also classify and manage our Restructured Distressed Assets by evaluating the debtors' and guarantors' ability to perform contracts, debt repayment ability and post-acquisition risks and returns on the basis of considering their credit worthiness, financial condition, management sophistication and operational status. We are developing a credit rating system by cooperating with professional credit rating agencies in order to strengthen the monitoring of counterparties based on different risk classifications.

Project approval

The principles by which we approve distressed debt asset acquisitions are differentiated authorization and professional decision-making." We have also established a consultation process for significant acquisition projects.

- "Differentiated authorization" refers to determining the authority and discretion of the Group and each Company Branch in the acquisition and disposal of particular distressed assets based on factors that include asset types, project amounts, potential risks and expected returns. The projects within the authorization scope of a Company Branch can be approved by its business decision-making committee, while projects beyond the authorization scope of a Company Branch are approved by the Group's business decision-making committee. In order to ensure the effectiveness and responsiveness of our authorization mandate, we review and dynamically adjust the authorizations granted to different Company Branches from time to time by considering the following factors applicable to a branch: the economic development level and resources endowment of the region in which it operates, its past business performance and evaluation results and its business risk exposures and risk management capabilities, as well as by considering the

Group's overall strategy and approach towards the specific industries to which a project relates. We monitor the out-of-authorization operations of Company Branches on a real-time basis through the paperless approval process and off-site audit system and by overseeing all processes involved in a project from approval and execution to closing.

- "Professional decision-making" refers to the establishment of business decision-making committees by the Group and each Company Branch, and the collective review and voting by professionals in these committees on projects involving the acquisition and disposal of distressed assets within their respective authorizations, with the voting results reported respectively to the general managers of the Company Branches or the president of the Company for approval. The general managers of the Company Branches and the president of the Company are not authorized to reinstate projects vetoed by the relevant decision-making committees. The business decision-making committees at both the Group and Company Branches are typically composed of senior management, senior business managers with extensive distressed asset management and disposal experience, as well as the officers of relevant departments such as the legal & compliance and risk management departments. We established an "approval specialists" scheme in which we select personnel with extensive distressed asset management and disposal experience to work as full-time members of our business decision-making committees.

- Under the consultation process for significant projects, prior to the approval of distressed asset acquisition projects with a purchase price of RMB300 million or more, the Group's asset management department shall take the lead in a consultation process typically involving the Group's departments such as the legal & compliance department, risk management department and asset evaluation department. These projects will not be approved unless its acquisition and disposal plan is revised and improved based on input received in the consultation process.

Asset acquisition and post-acquisition management

We continue to monitor and analyze the creditworthiness of counterparties after we acquire the relevant assets through methods such as on-site visits, off-site collection and analysis of financial data and other information and the continuous analysis of the effectiveness of risk mitigation tools such as collaterals. When signs of risks occur in a project but the repayment has not yet become overdue, we take precautionary measures such as strengthening the routine management of the assets, closely monitoring the obligor's recent developments and, when necessary, asking the obligors to provide additional collateral and re-arranging repayment plans in order to guard against and prevent the materialization of risks. In addition to managing Restructured Distressed Assets based on different risk classifications, we visit the obligors and guarantors on at least a quarterly basis.

(2) In addition to the measures described above, we have also taken the following measures to manage the credit risk involved in our Restructured Distressed Assets:

Proper design of transaction structure

We enhance protection for creditors' rights by restructuring the repayment term, repayment schedule, collateral and default liabilities on the acquisition of Restructured Distressed Assets and by asking the debtors to confirm their obligations in both the asset acquisition agreement and the debt restructuring agreement. Our vast experience accumulated throughout our operating history of distressed asset disposal and our knowledge of debt restructuring and other mechanisms used in managing Traditional Distressed Assets enables us to properly design such transaction structures. In addition, we also manage credit risk and provide enhanced protection for debt collection through third-party benefits trusts, the establishment of escrow accounts and the introduction of third-party joint obligors.

Management of concentration risks

We have established maximum limits on the acquisition amount for our customers as a group or an individual in order to prevent the systemic risks that may arise from high concentration on a particular customer; for customers with a high concentration of our investment, we closely track and monitor its business strategies, operational status, financial condition and debt-to-asset ratio in order to timely forecast adverse changes and determine whether or not to continue our business relationships.

Risk mitigation

We attach great importance to managing credit risk through credit mitigation, particularly by asking counterparties to provide proper credit risk mitigation instruments such as mortgages, guarantees and pledges. Based on our vast experience in disposal of distressed assets accumulated over the years, we typically put in place proper risk mitigation measures at the outset of a project's acquisition, including notarizing the collateral enforcement agreements. This notarization enables us to apply for judicial enforcement of collateral immediately when significant risks with respect to our rights arise and ensures the satisfaction of our debts through auction of the collateral or repayment in kind. We typically ask the counterparties to provide collateral that can be readily evaluated and monetized in order to promptly and effectively protect our creditors' rights by disposing of such collateral upon default by an obligor. We improve our management of collateral such as land and other real properties by utilizing the professional knowledge and experience of our real estate subsidiary. We typically ask professional external appraisal firms to evaluate the collateral attached to our Restructured Distressed Assets. We impose guidelines for the ratio of the amount of receivables to collateral values based on collateral types. The typical guidelines are as follows:

Collateral	**Collateral Ratio**[1]
Land (including land without any erections).	<30%
Properties in progress	<50%
Properties ready for sale	<60%
Equity stakes	<60%

(1) The ratio of the value of our acquisition costs plus expected returns to the collaterals' value.

By using the ratios above as a general guideline, we adjust collateral ratios applied to particular projects by considering other factors such as the industry ranking and total assets amount of a given counterparty, the availability of effective fund recovery monitoring mechanisms and the availability of reliable third-party guarantees.

The collaterals for the Restructured Distressed Debt Assets are the primary collaterals involved in our distressed asset management business. We have developed strict procedures for the regular review and investigations of these collaterals, so as to track their value and respond effectively:

- We request the project teams for our Restructured Distressed Debt Assets projects to visit the debtors or guarantors at least on a quarterly basis and carry our on-site inspections. Through such visits and inspections, the project teams learn of the current conditions of the project, including information such as the status quo of the collaterals. The project teams are required to fill in standardized information reporting forms and project notes after these visits and inspections, and are required to input the information obtained into our due diligence systems. The project teams are also required to report significant changes in collateral value promptly so that appropriate actions can be taken. When they review the conditions of the collaterals, they shall follow our standardized guidelines and review focuses, including:

(a) whether the collateral providers have taken appropriate actions to protect the collaterals' value, and whether any value reduction has occurred, such as total losses, partial losses or damages;

(b) whether the collateral providers have used or disposed of the collaterals without our approval, such as leasing, sales, gifting and re-mortgaging;

(c) whether the market value of the collaterals have changed significantly, causing the collateral coverage ratio to fall below our set standards;

(d) whether other creditors of the debtor have been prioritized and repaid out of the collaterals in violation of applicable laws or our contractual rights; and

(e) whether the collateral providers have properly insured the collaterals, made us the first beneficiary of the insurance and agreed we shall hold the insurance policies.

In addition, we evaluate and make impairment tests on our distressed debt assets every half a year. The value of collaterals is an important component of and is reflected in these evaluation and tests. In the case of a significant decrease in collateral value, we may demand the debtors to provide additional or alternative collateral or repay the debts.

Debt assets classification system

We formulated the Provisions on Managing Debt Assets Risks by Classifications （債權資產風險分類管理暫行辦法）(the "Provisions") to more effectively manage Restructured Distressed Assets, which are developing rapidly. Based on the Provisions, we have established an internal debt assets classification system that reflects the characteristics of our business, review and make necessary adjustments to the classification criteria every quarter:

- *Normal*. A debt asset is classified as "normal" if the obligor conducts its business and operations normally and is capable of repaying the principal and interest in full on time, and there exist no circumstances that may adversely affect this ability;

- *Special Mention*. A debt asset is classified as "special mention" if the obligor is presently capable of repaying the principal and interest, but there exist certain circumstances that may adversely affect its repayment ability. Debt assets with overdue principal or interest payments for less than 90 days may be classified as "special mention" assets;

- *Alert*. A debt asset is classified as "alert" if the obligor has obvious difficulties in repayment and cannot repay the principal or interest by solely relying on its business income, and a loss may be incurred even after the collateral are enforced. Debt assets with an expected loss ratio[1] of less than 30% or with overdue principal payments for more than 90 days (inclusive) but less than 180 days may be classified as "alert" assets;

[1] A fraction the numerator of which is the result of (i) the remaining value of an asset after losses occur, minus (ii) the amount of cash that can be recovered from that asset by taking all possible measures, and the denominator of which is the remaining value of the asset.

- *Risky*. A debt asset is classified as "risky" if the obligor cannot repay the principal and interest in full on time and a significant loss will be incurred even after the collaterals are enforced. Debt assets with an expected loss ratio of more than 30% (inclusive) but less than 60% or with overdue principal payments for more than 180 days may be classified as "risky" assets; and

- *Loss*. A debt asset is classified as "loss" if it has a loss ratio of more than 60% (inclusive) after we have taken all available measures or exhausted all legal proceedings.

With respect to assets classified as "alert," "risky" and "loss" under our classification system, we review and adjust the quantitative criteria in the classification system above from time to time based on our business development. We believe this tailored system effectively improves our capability to monitor the quality of our debt assets and assists us in managing distressed debt assets on a larger scale.

For assets that have become overdue, we prohibit extending the term of their repayment. Also, we prohibit the reclassification of relevant assets through extending the term of their repayment. With respect to assets classified as "special mention," "alert," "risky" and "loss" under our classification system, we take various measures to reduce risks and potential losses. These measures include (i) transferring the assets before they fall due; (ii) strengthening management of relevant assets, inspecting the assets more frequently and prompting the obligors to perform their obligations; (iii) disposing of the assets through litigations and enforcing collateral; and (iv) asking the obligors to provide additional collateral.

(3) Our primary procedures and measures to manage credit risk involved in the fixed-income investment portfolios of our financial subsidiaries are: impose limitations on investment product types and the minimum credit rating of counterparties through proper business authorizations, impose total amount and percentage limitations on particular investment product types in asset allocation plans and reduce losses that may arise from a particular type of investment product or a particular counterparty through investment diversification. With respect to the margin financing and securities lending business at our securities subsidiary, we have also established client selection and follow-on management mechanisms in accordance with external and internal risk management rules and policies, and we continuously optimize the review of clients based on our multi-level credit limit system, real-time monitoring of collateral and mandatory liquidation mechanisms.

(4) Our primary procedures and measures to manage credit risk involved in our financial leasing business are: our financial leasing subsidiary has established Rules on Credit Rating （信用評級管理辦法） and determines the lessor's and guarantor's credit rating based on our internal Form of Enterprise Credit Rating and calculates a particular project's risk level based on the credit rating result and the types of guarantees provided; we have also set forth clear criteria for the minimum credit rating requirement of a lessor and the maximum risk level of a particular project and imposed limitations on the credit rating structure of all clients and the maximum aggregated risk level of all projects involved in our financial leasing business. In addition, we have published Provisional Rules on Pricing of Financial Leasing Projects （融資租賃業務定價暫行規定） in order to price a particular project by reflecting the credit rating results of the lessor and to ensure we can get a higher level of risk compensation from lessors with lower credit ratings. We involve our financial leasing subsidiary's business departments, legal & compliance department and risk management department and fully utilize and respect the advice and opinions of professionals in the approval of financial leasing projects to ensure a multi-perspective review of a project and the soundness and effectiveness of the approval process.

Quantitative Analysis of Credit Risk

See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" of this offering memorandum for a quantitative analysis of our credit risk for the three years ended December 31, 2013.

Management of Market Risk

Market risk refers to the risk that we may suffer losses due to adverse movements in market prices (such as stock and commodity prices), interest rates and exchange rates. Our market risks primarily arise from interest sensitive assets and liabilities and equities owned by the Group, bond and equity stock investments owned by our insurance and securities subsidiaries, as well as interest sensitive assets and liabilities owned by our financial leasing subsidiary.

Market Risk Management at the Head Office

- With respect to interest-sensitive assets and liabilities held by the Company, we manage risks arising from interest rate fluctuations by strictly controlling the length of the debt restructuring term and strengthening the matching of our liabilities with the terms and interest rate structure of the Restructured Distressed Assets. We also manage interest rate risks through quantitative analysis, including periodic sensitivity analysis.

- With respect to price risks arising from public equities owned by the Company, we closely monitor the impacts caused by macro-economic changes and industry trends on the operations and financial condition of the enterprises in which we own equities and on our equity value, and adjust our equity management and disposal strategies accordingly. We also assess our tolerance boundaries in extreme scenarios and explore stress tests on price risks in order to control the price risks within our risk appetite. We generally mark to market our public equities and also periodically conduct impairment tests on our equity assets in accordance with accounting policy requirements and record impairments with respect to equity assets classified as available-for-sale financial assets whose prices have been declining for one year or more or whose prices are significantly lower than their book value. Additionally, we seek professional analysis from Cinda Securities with respect to management of the market value of our public equities and closely monitor market movements.

Market Risk Management at our subsidiaries

We have established market risk management systems at our insurance, securities and financial leasing subsidiaries in accordance with regulatory requirements and typical industry practices. In addition, these subsidiaries report their market risk management to our Risk Management Department on a monthly basis.

Primary measures taken by our insurance subsidiary to manage market risks

- Formulate and enforce internal rules and policies for the management of the utilization of investment funds, risk management of the utilization of investment funds and investment concentrations and formulate and strictly execute sound asset allocation plans in order to control market risks within a pre-determined risk appetite while achieving targeted returns;

- conduct investment research based on public information and reports, research reports from professional investment research institutions and professional securities information databases;

- manage market risks concerning bond investments by managing the duration of fixed-income products and type of bonds; and

- manage market risks concerning equity investments through market trends research, controlling equity investments' percentage in the overall investments portfolio, conducting value-at-risk or VaR[1] calculations and sensitivity analysis periodically and conducting quantitative analysis on the maximum losses that may arise from equity investments as well as changes in yields.

Primary measures taken by our securities subsidiary to manage market risks

- Establish a strict investment authorization system. Our securities subsidiary has established strict controls on investment amounts and risk levels applicable to the proprietary trading of debt and equity securities, which are monitored and alerted by the subsidiary's compliance and risk management department;

- conduct comprehensive transaction process control. Our securities subsidiary dynamically monitors and analyzes relevant risk benchmarks involved in the proprietary business through the risk management system, and controls investment amount limits, bond ratings and concentration levels involved in proprietary bond trading through inspecting and filing of relevant documents and contracts. Our securities subsidiary also assesses and reports relevant risks in accordance with market changes; and

- assess market risks through quantitative models and instruments. Our securities subsidiary analyzes and assesses market risks by establishing the VaR model and by using other instruments and methods such as investment concentration limits, information insulation systems and stress tests.

Primary measures taken by our financial/easing subsidiary to manage market risks

- Manage interest rates by classification. Our financial leasing subsidiary manages the interest rate applicable to the leasing business and their financing interest rate separately. and has formulated respective internal rules according to its business features, including Provisional Rules for Pricing of Leasing Business（租賃業務定價暫行規定）, Guidelines on Pricing of Leasing Business（資金管理辦法）and Rules on Administration of Funds（租賃業務定價指導）;

- adjust benchmark costs dynamically. Our financial leasing subsidiary has determined guidance prices for the leasing projects based on benchmark (as the major component) costs and risk premiums, and timely adjusts the benchmark costs to reflect the financing cost changes in the financial market;

- adjust the leasing interest rate dynamically. Our financial leasing subsidiary determines the leasing interest rate for specific projects by using the relevant rates released by the PBOC as a reference. The leasing interest rate will be timely adjusted to reflect changes in the benchmark lending interest rates released by PBOC, and a notice will be delivered to the lessors in order to ensure the accurate recording of relevant debt assets and their timely collection; and

- our financial leasing subsidiary also regularly monitors the gaps between the assets and liabilities that are interest-rate sensitive and adjusts its pricing and financing strategies accordingly.

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[1] For a given portfolio, probability and time horizon, VaR is a threshold value such that the probability that the mark-to-market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets and no trading in the portfolio) is the given probability level.

Quantitative Analysis of Market Risk

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" of this offering memorandum for a quantitative analysis of our market risks for the three years ended December 31, 2014.

Management of Liquidity Risk

Liquidity risk refers to the risk that, while we remain solvent, we fail to obtain sufficient funds or obtain funds at reasonable cost to either deal with asset growth or repay debts when they fall due. Liquidity risk can be further divided into financing liquidity risk and market liquidity risk: financing liquidity risk refers to the risk that we may fail to meet our funding requirements without affecting daily operations or financial condition; market liquidity risk refers to the risk that we may fail to obtain funds by timely disposing of our assets at a reasonable price due to the limited depth of the market or market fluctuations. Our liquidity risk arises primarily from the duration mismatch of assets and liabilities as well as the management of liquidity positions.

We manage our liquidity primarily through monitoring the maturities of assets and liabilities and strictly executing the terms of our project agreements so as to ensure the timely and full recovery of funds. We aim to effectively manage assets turnover and ensure the timely repayment of our debts. particularly those that fall due with one to five years. We achieve this aim by efficiently disposing of equity assets with determined disposal plans and by devising effective disposal plans for parts of the equity assets with significant appreciation potential based on a balance of their appreciation potential and the due dates of liabilities. In addition, we actively commit to establishing access to the capital markets by the non-public equities we own in order to increase the overall liquidity of the equity assets we own.

We implement a centralized liquidity management system by pooling Group-wide funds and applying principles of funds transfer pricing. Our Company Branches are provided with funds at our internal prices to meet their funding requirements arising from their distressed asset management and investment businesses; correspondingly, all funds our Company Branches recover in their business shall be submitted and centrally allocated by the Head Office. Through a funds transfer pricing system reflecting our business characteristics, the Head Office provides internal funds to Company Branches by taking into account market rates and features of a particular business. In addition to the individual management of liquidity by each of our subsidiaries, we have also established coordinated fund-raising mechanisms between the Group and the subsidiaries in order to improve the synergy of funds flow within the Group and reduce the overall liquidity risk of the Group.

We also manage liquidity risk and provide sufficient funds for incremental asset acquisitions, financial investments and strategic investments by implementing strict budget management, expanding financing channels and improving fund management. Bank loans are the most important source of our business operation funds. We also address our short-term liquidity needs through short-term borrowings in the inter-bank market. In addition, we attach great importance to diversifying other fund-raising channels. For example, in 2012 we successfully issued RMB10 billion of financial bonds in China and, through Cinda HK, issued RMB2 billion of bonds in Hong Kong, which provided us with additional fund-raising channels and increased the liquidity required by our business development. We have also launched a cash management system to further improve our capital allocation efficiency.

In addition, based on the foundation of actively exploring diversified fund-raising channels, we are exploiting the potential inherent in further bank borrowings, conducting liquidity stress tests to improve liquidity management and performing weekly analysis of the inter-bank market to effectively capture fund-raising opportunities and utilizing large-scale borrowings to control our fund-raising costs. We have also established operation fund planning mechanisms to improve our ability to predict the funding needs of our business operations.

Quantitative Analysis of Liquidity Risk

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" of this offering memorandum for a quantitative analysis of our liquidity risks for the three years ended December 31, 2014.

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. Our operational risk management focuses on strengthening internal controls, enhancing staff training and implementing strict accountability schemes to ensure compliance with relevant policies and processes.

In order to control operational risk, we have taken the following key measures:

- We have established a comprehensive internal policy and regulation system covering all business processes complying with the standards of IS09001.

- We have formulated and established systems and procedures to supervise the conduct of employees, encouraged employees to embrace a proper risk management philosophy and culture and established a penalty and accountability system covering employee misconduct, under which management personnel shall assume responsibility for their subordinates' misconduct.

- The legal & compliance departments of the Company and our subsidiaries are responsible for providing legal support and advisory services for our business operation and management, as well as overseeing the status of our compliance with and implementation of applicable laws and regulations as well as our internal policies and procedures.

- We have implemented an operational checks and balances mechanism among different departments and job positions, as well as a rotation system for key job positions.

- To reduce the operational risk arising from the potential failure of information technology systems, we have established a management system for information security and JT service. We have also devised an information technology development plan for the Group (the "Group IT Plan") covering business application, data management, information infrastructure and information governance, and we have finished a related report. We have advanced the development of relevant IT infrastructure and public application and management systems in accordance with the Group IT Plan. For further details of relevant developments, please see "Description of the Group" in this offering memorandum. The Company received the ISO 20000: 2005 and ISO 27001: 2005 certificates jointly granted by the 2007, the first financial institution in China to receive accreditation in both information security management systems and information technology service management by both domestic and foreign certification organizations. We have created data backup for our critical data processing systems, and both the Group and major subsidiaries have established data backup mechanisms in the cities where their headquarters are located. We are now in the process of developing a disaster recovery center outside of Beijing and a support service center. We attach great importance to the improvement of our employees' awareness of information security and have organized a number of information security training sessions, which further enhanced our management of IT risk.

- We have established an internal reporting system for non-compliance and implemented the "Risk Reporting System (Provisional)"(風險報告制度(暫行)), enabling us to report significant events to our Head Office within 24 hours of becoming aware of such events.

INTERNAL CONTROL AND COMPLIANCE

As an integral part of our overall risk management, we attach great importance to internal control and compliance. We have formulated various compliance rules and policies and have taken a number of compliance risk education initiatives to enhance our employees' awareness of compliance.

Our Internal Control System

We have established an internal control system composed of the regulation system, the benchmark system and the assessment system.

- We have established a complete internal control regulation system reflecting the conditions of our business and operations. We have formulated various internal policies and rules such as the Basic System of Internal Control(內部控制基本制度), Administrative Compliance Procedures(合規工作管理規程) and Provisional Rules on Internal Control Assessment(內部控制評價暫行辦法). We have established our internal control regulation system by making reference to relevant standards applicable to listed companies and complied the Manual on Internal Control and Management (內部控制管理手冊).

- We have established an effective internal control benchmark system. We comprehensively and systematically compare the current internal control regulations of various units and departments with the requirements of our internal control rules and policies, in order to systematically analyze the internal control profile of the Group and devise and improve our internal control benchmark system.

- We have established an internal control assessment system focusing on execution assessment. We facilitate the improvement of our internal control system by comprehensively reviewing relevant processes against internal control rules and benchmarks and requesting relevant parties to address all the issues identified.

- We analyze the sophistication level of our internal control system through developing our instruments for internal control sophistication evaluation by making reference to advanced experience in the industry, in order to improve our internal control.

Internal Control Assessment

As an integral part of our internal control system, we conduct an annual group-wide internal system so as to comprehensively review and analyze internal control risks of different business lines and ensure the effectiveness of our internal control system.

- The Internal Audit Department organizes and coordinates our annual internal control assessment under the leadership of the board of directors;

- the annual internal control assessment covers all major business lines and management processes of the Head Office, Company Branches and subsidiaries, and assesses the design and operation of our internal control system by focusing on key aspects such as internal environment, risk assessment, internal control activities, information collection and communication and internal supervision.

- We broadly collect evidence on the effectiveness of our internal control system's design and operation as well as analyze and identify internal control deficiencies by using methods and tools such as individual interviews, walk-through tests[1], surveys and comparative analyses.

- For the three years ended December 31, 2014, we did not identify any material deficiencies in our internal control system.

Compliance Initiatives

We have adopted the following measures to ensure all of our business operations are in compliance with relevant laws and regulations:

- The legal & compliance departments of the Company and our subsidiaries continuously track the latest developments in relevant laws, regulations and policies, and, after considering our business conditions, timely submit proposals on the formulation and amendments of relevant internal regulations and policies to relevant departments.

- Various departments of our Head Office, Company Branches and subsidiaries formulate their respective business and management regulations and policies in accordance with their respective business conditions, applicable laws, regulations and regulatory requirements, industry practices and self-regulatory codes of conduct, as well as the code of conduct and ethics of the Group.

- The legal & compliance departments of the Company and our subsidiaries review and supervise the compliance status of our internal regulations and policies with applicable laws and regulations and the implementation of these regulations and policies. The review and supervision by the legal and compliance departments may involve either an on-site or off-site inspection. The legal & compliance departments of the Company and our subsidiaries also supervise the rectification of problems discovered during inspections.

- Our internal audit departments supervise the implementation of our compliance system as well as the fulfillment of the duties of our compliance personnel.

- We have established a multi-channel compliance risk reporting system and have dedicated staff as contact persons for compliance risk reports.

We have established a strict compliance assessment and accountability mechanism to hold accountable and penalize violators in strict accordance with relevant regulations and policies.

[1] Refers to the method of tracking the processing of a particular transaction in our financial system.

THE PRC REGULATORY ENVIRONMENT

Financial Asset Management Companies and their Distressed Asset Management Business

Summary

The development of the distressed asset management industry in China is divided into three phases: Policy Phase, Transition Phase and Commercial Phase. Please see "Industry Overview — Distressed Asset Management Industry" in this offering memorandum for details. Accordingly, the regulatory environment of the distressed asset management industry has also been changing and evolving.

In general, distressed asset management business in China is subject to strict regulation mainly by the CBRC and the MOF. Relevant regulatory requirements mainly cover industry access, corporate governance and business operation and many other aspects.

Major Regulators

CBRC

The CBRC is the regulatory authority of the banking sector directly under the State Council of the PRC. According to the Notice of the General Office of the State Council on the Main Functions, Interior Institutions and Staffing of the China Banking Regulatory Commission (Guo Ban Fa [2003] No.30) (《中國銀行業監督管理委員會主要職責內設機構和人員編制規定》(國辦發[2003]30號)) issued by the General Office of the State Council and effective from April 25, 2003 and the Resolution on the Assumption of the Regulatory Functions of the People's Bank of China by the China Banking Regulatory Commission (《關於中國銀行業監督管理委員會履行原由中國人民銀行履行的監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from April 26, 2003, the CBRC is authorized to centrally supervise and regulate banks, AMCs, trust investment companies and other depository financial institutions ("banking institutions") and ensure the lawful and healthy operation of the banking industry and undertake aforesaid responsibilities previously performed by the PBOC.

According to the Banking Supervision Law of the People's Republic of China (President Order No.58) (《中華人民共和國銀行業監督管理法》(主席令第58號)), effective from February 1, 2004, amended by the Standing Committee of the National People's Congress and promulgated on October 31,2006, the major responsibilities of the CBRC include the following:

- to formulate and issue rules and regulations on the supervision of banking institutions and their business activities;
- to review and approve the establishment, change, termination of and the business scope of banking institutions;
- to review and regulate the eligibility of directors and senior management of banking institutions;
- to formulate the requirements and rules of prudent operation on risk management, internal control, capital margin ratio, asset quality, loss reserves, risk concentration, affiliate transaction and asset liquidity of banking institutions;
- to conduct on-site inspection and off-site regulation over the operation and risk exposure of banking institutions; and
- to compile and publish statistics and reports on the PRC banking institutions.

MOF

MOF is a department of the State Council and is authorized by the State Council to exercise the functions in relation to finance, taxation and state-owned asset management. MOF's main responsibilities in relation to the regulation of AMCs include:

- general management of state-owned assets in financial institutions, arrangement of audit and verification, clarification of capital ownership, registration, statistics, analysis and valuation of state-owned assets in financial institutions;

- regulation of transfer, assignment and disposal of state-owned assets in financial institutions and collection of incomes from state-owned assets;

- establishment of the asset and finance management system for financial institutions and supervision of the implementation thereof; and

- supervision of the implementation of fiscal and tax laws and policies.

Other Regulators

Apart from the regulators above, AMCs are also subject to supervision and regulation of the PBOC, SAFE, NAO, SAT and other regulatory authorities.

Industry Access

Establishment

According to the Regulations on Financial Asset Management Companies (State Council Order No. 297) (《金融資產管理公司條例》(國務院令第297號)) promulgated by the State Council and effective from November 10, 2000, AMCs are wholly state-owned non-bank institutions established by the State Council to acquire NPLs of state-owned banks, and manage and dispose of the assets from the acquisition of the NPLs of state-owned banks. The regulation stipulates that the initial registered capital of an AMC shall be RMB10 billion and shall be contributed by the MOF. AMCs shall be granted a License of Legal-person of Financial Institutions by the PBOC and shall register with relevant Administration for Industry and Commerce. Such regulatory duties of the PBOC were subsequently assumed by the CBRC.

According to the Administrative Measures on the Transfer of Distressed Assets of Financial Enterprises in Batch (Cai Jin [2012] No.6) (《金融企業不良資產批量轉讓管理辦法》(財金[2012]6號)) jointly issued by the MOF and the CBRC on January 18, 2012 and Circular on Issues regarding Conditions of Recognizing Local Asset Management Companies' Qualification for Engagement in Businesses of Acquisition and Disposal of Distressed Assets of Financial Enterprises in Batch (Yin Jian Fa [2013] No.45) (《關於地方資產管理公司開展金融企業不良資產批量收購處置業務資質認可條件等有關問題的通知》(銀監發[2013]45號)) promulgated by CBRC and effective from November 28, 2013, in addition to the Four AMCs, provincial governments may, in principle, establish or authorize one distressed asset management or operation company. Copies of approval or authorized documents shall be filed with the MOF and the CBRC. These asset management or operation companies are only allowed to participate in the batch transfer of distressed assets in their respective provinces, regions or municipalities. The distressed assets acquired by these companies shall be disposed of by way of debt restructuring and shall not be transferred to other companies.

Major Changes

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (CBRC Order [2013] No.1) (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》(中國銀監會令2013年第1號)) promulgated on and effective from October 15, 2013 after modification by the CBRC, any of the following material changes of AMCs shall be subject to processing, review and determination by the CBRC:

- change of name;
- change of shareholder holding 5% or more of the total capital or total shares;
- capital investment by overseas financial institution;
- change of registered capital;
- public offering or listing of shares;
- modification of the articles of association;
- change of domicile;
- change of form of organization; and
- division and merger.

Restriction on Shareholding by Foreign Investor

The shareholding of foreign investor in AMCs shall be subject to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (CBRC Order [2003] No.6) (《境外金融機構投資入股中資金融機構管理辦法》(中國銀監會令2003年第6號)) promulgated by the CBRC on December 8, 2003 and effective from December 31, 2003.

According to the administrative measures, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. An unlisted domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall be regarded as a foreign-funded financial institution for the purpose of supervision and regulation, while a listed domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall retain its status as a domestic-funded financial institution for the purpose of supervision and regulation.

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》) promulgated by the CBRC, the shareholding of a single foreign financial institution and its controlled or jointly controlled related parties, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 20%, while the shareholding of multiple foreign financial institutions and related parties controlled by or jointly controlled by them, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 25% in aggregate. The term "shareholding" above refers to the percentage of shares held by foreign financial institutions in the total shares of domestic funded commercial bank. The shareholding of the related parties of foreign financial institutions shall be consolidated with that of the foreign financial institutions. AMCs shall comply with these requirements in analogy.

Business Qualification

According to the Measures for the Administration of Financial Licenses (CBRC Order [2007] No.8) (《金融許可證管理辦法》(中國銀監會令2007第8號)) as effective from July 1, 2003 and promulgated on July 3, 2007 after modification by the CBRC, a Financial License is a legal document issued by the CBRC according to law to permit financial institutions to engage in financial business, and shall apply to financial institutions that are subject to the regulation by the CBRC and have been approved to engage in financial business. The CBRC and banking regulation bureau are responsible for the license issuance and supervision of the AMCs and their branches respectively.

Business Scope

According to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), upon their establishment, AMCs may engage in the following business activities in the course of managing and disposing of the distressed assets resulting from the NPL acquired from state-owned banks, including (i) recovering debts; (ii) leasing the assets resulting from the acquisition of NPLs or transferring and restructuring the assets in other manners; (iii) DES business, and shareholding in enterprises on a transitional basis; (iv) listing recommendation and underwriting bonds and shares for companies under management; (v) issuance of financial bonds, borrowing from financial institutions; (vi) financial and legal consulting, asset and project appraisal; and (7) other business activities approved by the PBOC and the CSRC.

According to the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies' (Cai Jin [2004] No.40) (《關於印發<金融資產管理公司有關業務風險管理辦法>的通知》(財金[2004]40號)) issued by the MOF and effective from April 28, 2004, and the attached Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》), Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), and Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies (《金融資產管理公司商業化收購業務風險管理辦法》) attached thereto, AMCs are permitted to conduct additional investment in assets in satisfaction of debt, authorized agency business and market-driven acquisition of distressed assets.

According to the Reply from the China Banking Regulation Commission regarding the Restructuring of China Cinda Asset Management Corporation and Incorporation of China Cinda Asset Management Co., Ltd. (Yin Jian Fu [2010] No.284) (《中國銀監會關於中國信達資產管理公司改制設立中國信達資產管理股份有限公司的批覆》(銀監覆[2010]284號)) published on June 28, 2010, Cinda is permitted to engage in the following businesses: (i) acquisition, entrusted operation of distressed assets of financial and non-financial enterprises, and management of, investment in and disposal of distressed assets; (ii) DES business and management of investment in and disposal of equity assets; (iii) bankruptcy administration; (iv) investment; (v) trading of securities; (vi) issuance of financial bonds, interbank lending and commercial financing from other financial institutions; (vii) approved asset securitization, trusteeship, closing and liquidation of financial institutions; (viii) insurance agency business; (ix) financial, investment, legal and risk management advisory and consulting businesses; (x) assets and project appraisal; and (xi) other businesses approved by the banking regulators of the State Council.

Corporate Governance

According to the Company Law of the People's Republic of China (President Order No.8) (《中華人民共和國公司法》(主席令第8號)) revised by the Standing Committee of the National People's Congress and effective from March 1, 2014 and the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Yin Jian Fa [2011] No.20) (《金融資產管理公司並表監管指引(試行)》(銀監發[2011]20號)) promulgated by the CBRC and effective from March 8, 2011 and other relevant regulations, AMCs that have been restructured to joint-stock companies shall further enhance corporate governance, strengthen the effectively balanced mechanism of shareholders' meeting, board of directors, board of supervisors and senior management, improve authorization plan, consolidate and further enhance the reforms.

According to the Guidelines on the Corporate Governance of Commercial Bank (Yin Jian Fa [2013] No.34) (《商業銀行公司治理指引》(銀監發[2013]34號)) promulgated by the CBRC on July 19, 2013, AMCs shall abide by the guidelines by analogy, observe the principle that shareholders' meeting, board of directors, board of supervisors, senior management, shareholders and such shall operate independently, balance effectively, cooperate with each other and work smoothly. Also, AMCs shall establish reasonable incentive and restriction mechanism to perform effective decision-making, execution and supervision. Based on the principles above, the guidelines provide further regulations in relation to rights and responsibilities of shareholders, shareholders' meeting, board of directors, board of supervisors, senior management as well as selection procedure and obligations of directors, supervisors and senior management and corporate strategies, value standard, social responsibilities, risk management and internal control, incentive and restriction mechanism, information disclosure and supervision.

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》) and the Administrative Measures for the Qualification Licensing of the Directors (Council Members) and Senior Management of Banking Financial Institutions (CBRC Order [2013] No.3) (《銀行業金融機構董事(理事)和高級管理人員任職資格管理辦法》(中國銀監會令2013年第3號)) issued by the CBRC and effective from December 18, 2013, the qualification licensing conditions and procedure for directors and senior management of AMCs shall be implemented with reference to the measures. The qualification licensing application of directors and senior management in legal-person institutions of AMCs shall be determined by the CBRC and the qualification licensing application of senior management in AMCs' branch organizations shall be determined by local banking regulation bureau in the place where the position of proposed appointment is based.

According to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (CBRC Order [2010] No.7) (《商業銀行董事履職評價辦法(試行)》(中國銀監會令2010年第7號)) promulgated by the CBRC and effective from December 10, 2010, AMCs shall establish a system for evaluating the performance of directors, and the board of supervisors shall assume the ultimate liability for the evaluation of performance of directors with reference to the measures. The CBRC shall supervise the evaluation of the performance of directors.

According to the Supervisory Measures of Financial Asset Management Companies (Yin Jian Fa [2014] No.41) (《金融資產管理公司監管辦法》(銀監發[2014]41號)) jointly promulgated by the CBRC, the MOF, the PBOC, the CSRC and the CIRC on August 14, 2014 and effective from January 1, 2015, the board of directors of parent company in an AMC group shall assume the ultimate duties in managing the group, and several committees, including strategic committee, audit committee, risk management committee, related transaction committee, compensation committee, etc., may be established thereunder for various specific matters. In addition, parent companies shall maintain an appropriate number of affiliated entities, as well as of group hierarchy levels, which shall be within three levels. The parent company in an AMC group shall regulate and guide its affiliated entities to establish and improve their corporate governance mechanisms in line with their business nature and scale, and on the premise of complying with the Company Law (《公司法》) and other relevant laws and regulations as well as the articles of association of the affiliated entities, the parent company shall ensure that the corporate governance mechanisms of the affiliated entities meet the group's overall governance requirements.

Internal Control and Risk Management

According to the Measures on the Internal Control of Financial Asset Management Companies (Cai Jin [2005] No.136) (《金融資產管理公司內部控制辦法》(財金[2005]136號)) promulgated by the MOF and the CBRC on December 31, 2005, the internal control of AMCs consists of the following factors: (i) internal control environment, including a strong supervision and control culture, good corporate governance mechanism, well-structured organizational framework, reasonable and efficient incentive and restriction mechanism so as to provide necessary prerequisites for the effectiveness of internal control; (ii) risk identification, evaluation and control, including designated risk management institutions, all-round risk management system, systematic risk management rules, timely risk prevention of new business and continuous risk reporting; (iii) internal control measures, including clear-cut responsibilities, proper authorization system, strict keeping of records, vouchers and stamps management, independent legal review, effective crisis disposal; (iv) information communication and feedback, including managing information system, information communication and feedback mechanism, complete information data, proper information disclosure; and (v) supervision, evaluation and correction, including business inspection, evaluating, reporting and correcting mechanism for internal control.

According to the Basic Internal Control Norms for Enterprises (Cai Kuai [2008] No.7) (《企業內部控制基本規範》(財會[2008]7號) promulgated by the MOF, the CSRC, the NAO, the CBRC and the CIRC on May 22, 2008, large and medium-sized enterprises established in China shall establish internal control system and organize its implementation and use information technology to strengthen an internal control, set up information system adapted to the operation and management, promote the combination of an internal control process with the information system, realize the automatic control over business and matters, minimize or eliminate artificially-manipulated factors. According to the Notice on Matters Concerning the Acceleration of Construction of Internal Control System of Central Enterprises (Guo Zi Fa Ping Jia [2012] No.68) (《關於加快構建中央企業內部控制體系有關事項的通知》(國資發評價[2012]68號)) promulgated by the SASAC and the MOF on May 7, 2012, each central enterprise shall strive to establish a standardized and sound internal control system within two years, as required by the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines.

According to the Guidelines on Internal Audit for Banking Institutions (Yin Jian Fa [2006] No.51) (《銀行業金融機構內部審計指引》(銀監發[2006]51號)) promulgated by the CBRC on June 27, 2006 and effective as of July 1, 2006, AMCs may refer to and adopt such guidelines. Pursuant to the guidelines, an audit committee shall be established under the board of directors and the audit committee shall contain no less than three members with a majority of the members being non-executive directors. The chairman of the audit committee shall be an independent director. An internal audit department shall be established to audit the business operation and management acts of the whole system, and the internal auditors shall generally be staffed at 1% of the total number of employees, and an internal job rotation system shall be established. An independent and vertical internal audit management system shall be established with the board of directors or its special committees being responsible for the audit budget, the remunerations of members and the appointment and dismissal of major persons-in-charge.

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司並表監管指引(試行)》), the CBRC shall conduct supervision of AMCs on a financial statement consolidation basis and their affiliated legal-person institutions (refer to domestic and foreign subsidiaries controlled by AMCs and other institutions which shall be included in the scope of consolidated supervision as per those guidelines). Supervision on a financial statement consolidation basis refers to the all-round and continuous supervision over the capital and risks of the group based on single legal-person supervision, in order to identify, measure, monitor and evaluate the general risk conditions within the group. Subject to such guidelines, consolidated supervision is adopted in both qualitative and quantitative means. The qualitative supervision is mostly aimed to review and evaluate factors such as corporate governance, internal control and risk management of the group. The quantitative supervision is mostly aimed to identify, measure, monitor and analyze the management of capital adequacy and leverage of the group, as well as conditions such as large-sum risk, liquidity risk and major internal transaction, thereby having a quantitative evaluation of the risk conditions of the group based on the consolidation.

AMCs shall establish an internal control system supporting all-round risk management and sound internal control system and full-process risk control measures. Internal control system and full-process risk control measures shall at least include: (i) an effective internal authorization system; (ii) an approval system for business and risk management; (iii) a reporting system for risk monitoring and risk management; (iv) a major risk alarming and emergency response system; (v) a risk management accountability system; (vi) an internal audit and supervision system; (vii) a risk management assessment and evaluation system; (viii) a power balancing system for key posts; and (ix) a firewall and risk isolation system. AMCs shall report risk management conditions of the group every half a year to the CBRC, and submit relevant materials as required. In regards to major accidental risk events, AMCs shall establish corresponding major event reporting system and file at the CBRC.

According to the Notice on the Issuance of Off-site Supervision Information System for Financial Asset Management Companies (Provisional) (Yin Jian Ban Fa [2012] No.153) (《關於印發金融資產管理公司非現場監管報表指標體系(試行)的通知》(銀監辦發[2012]153號)) promulgated by the General Office of the CBRC on May 18, 2012, there are five monitoring indicators among supervision indicators, respectively being qualified capital, minimum capital, consolidated financial leverage ratio within the group, leverage ratio and liquidity ratio of AMCs. Among them: (i) the minimum capital within the group refers to the sum of minimum capital requirement for an AMC and each of its subsidiaries, calculated as per its shareholding proportion, deducts the amount payable according to law, rules and supervisory regulations. The minimum capital for an AMC is 12.5% of the risk weighted assets (including off-balance-sheet assets) and the weighting is determined mainly by factors including the risk level and degree of association. Currently, the CBRC is carrying out research to formulate a specific method for calculating the weighting of risk-weighted assets. The minimum capital for industries of securities, insurance, trust and leasing shall be calculated as per the supervision requirements by relevant supervisory authorities; (ii) the consolidated financial leverage ratio within the group and leverage ratio of the AMC shall not be lower than 6%; (iii) the liquidity ratio of the AMC shall not be lower than 15%.

According to the Supervisory Measures of Financial Asset Management Companies (《金融資產管理公司監管辦法》), the parent company and each affiliated entity of AMCs shall satisfy the capital requirements from their competent regulatory authorities, respectively, and for parent companies, specifically, a capital adequacy ratio no less than 12.5% shall be maintained. In addition, AMCs shall adopt fair and integral policies, rules, and procedures for capital management, capital planning, capital valuation, etc. With regard to risk management, parent companies shall establish an independent risk management committee, an independent audit committee, a risk management department and an internal control department, among other measures, and shall review the effectiveness of the group’s risk management framework regularly.

Information Disclosure

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司並表監管指引(試行)》), AMCs shall establish and improve the information disclosure system in respect of its consolidated statements. They shall also standardize disclosure procedures, define the internal management responsibilities and make public disclosure in accordance with relevant laws, regulations and regulatory requirements. AMCs shall follow the principles of authenticity, timeliness, completeness and consistency when disclosing the information of its consolidated statements to the public. They shall be legally responsible for false and misleading statements as well as material omissions. Information of the consolidated statements disclosed by the AMCs mainly includes basic information, capital information and risk management information of the companies. AMCs may also disclose other relevant information at their own discretion according to their actual situation.

According to the Supervisory Measures of Financial Asset Management Companies (《金融資產管理公司監管辦法》), parent company shall be the entity responsible for an AMC group's information disclosure practice. Information disclosed to the public by the group shall include aspects of corporate governance, financial position, risk management, material events, etc., and shall be genuine, accurate, complete, up-to-date, and fair. The group shall be legally liable for disclosing fraudulent and misleading information.

Other Provisions Regarding Institutional Regulation of Financial Asset Management Companies

Anti-money Laundering

In the capacity of financial institutions, AMCs shall comply with the requirements of laws and regulations in respect of anti-money laundering.

According to the Anti-money Laundering Law of the People's Republic of China (President Order No.56) (《中華人民共和國反洗錢法》(主席令第56號)) promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective from January 1, 2007, the relevant financial regulator under the State Council requires the financial institutions under its supervision and administration to establish and improve an internal control system of anti-money laundering.

According to the Provisions on Financial Institutions Anti-money Laundering (PBOC Order [2006] No.1) (《金融機構反洗錢規定》(中國人民銀行令[2006]第1號)) promulgated by the PBOC on November 14, 2006 and effective from January 1, 2007, financial institutions and their branch offices shall establish and improve an anti-money laundering internal control systems pursuant to the law, and set up an anti-money laundering department or designate an internal department in their branches to be responsible for anti-money laundering activities.

According to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (Order of the PBOC, the CBRC, the CSRC, the CIRC [2007] No.2) (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》(中國人民銀行、中國銀監會、中國證監會、中國保監會令[2007]第2號)) promulgated by the PBOC, CBRC, CSRC and CIRC on June 21, 2007 and effective from August 1, 2007, financial institutions shall establish, improve and implement client identification system and implement client identity information and a transaction archiving system.

According to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (PBOC Order [2006] No.2) (《金融機構大額交易和可疑交易報告管理辦法》(中國人民銀行令[2006]第2號)) promulgated by the PBOC on November 14, 2006 and effective from March 1, 2007, financial institutions shall set up a special position for anti-money laundering duty, assign a designated person to report large and doubtful transactions, formulate an internal management system and operating procedures for large and doubtful transactions according to such measures, and file with the PBOC.

According to the on the Supervisory and Administrative Measures of Financial Institutions Anti-money Laundering (Provisional) (Yin Fa [2014] No.344) (《金融機構反洗錢監督管理辦法(試行)》(銀發[2014]344號)) promulgated by the PBOC and effective from December 9, 2014, the PBOC and its branch offices shall be in charge of supervising financial institutions in terms of anti-money laundering, while such supervision may be refused or objected to by financial institutions to the extent that any official from the PBOC or its branch offices violates established procedures or exceeds her authority. In addition, each of the financial institutions under supervision shall designate a specific person to submit reports regularly on anti-money laundering practice and other information or materials to the PBOC or its branch offices. Financial institutions' obligations to report shall include submitting an annual report on anti-money laundering, as well as reporting to the PBOC or its branch offices promptly (no later than 10 business days) upon occurrence of certain events that relate to their anti-money laundering practice. A system of annual review and rating of financial institutions' anti-money laundering practice shall be established and maintained by the PBOC and its branch offices.

Special Fiscal and Tax Policies

The MOF and the SAT have issued a series of special fiscal and tax policies designated for AMCs, mainly including:

According to the Notice on Matters Concerning Related Tax Policies of China Cinda Asset Management Co., Ltd. and Other Three Financial Asset Management Companies (Cai Shui [2013] No.56) (《關於中國信達資產管理股份有限公司等4家金融資產管理公司有關稅收政策問題的通知》(財稅[2013]56號)) promulgated by the MOF and the SAT on August 28, 2013, after the restructuring of an AMC being approved by the State Council, the entity and its branches undertaking the AMC's rights and duties shall enjoy, by analogy the preferential tax policies stated in the Notice on Matters Concerning Tax Policies of China Cinda and Other Three Financial Asset Management Companies (Cai Shui [2001] No.10) (《關於中國信達等4家金融資產管理公司稅收政策問題的通知》(財稅[2001]10號)), the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No.21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策文替的通知》(財稅[2003]21號)) and the Notice on Matters Concerning China Cinda and the Other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No.94) (《關於中國信達等四家金融資產管理公司受讓或出讓上市公司股權免征證券(股票)交易印花稅有關問題的通知》(國稅發[2002]94號)), when acquiring, undertaking and disposing of policy distressed assets and distressed assets carved out by restructured banks. Policy distressed assets refer to the distressed assets of related state-owned banks acquired by AMC at book value within the scope and limit determined by the State Council. Distressed assets carved out by restructured banks refer to the distressed assets acquired by AMC from ICBC, CCB, BOC and BOCOM within the scope and limit of distressed assets set by the State Council.

The Notice on Matters Concerning Tax Policies of China Cinda and other Three Financial Asset Management Companies (Cai Shui [2001] No.10) (《關於中國信達等4家金融資產管理公司稅收政策問題的通知》(財稅[2001]10號)) promulgated jointly by the MOF and the SAT on February 22, 2001 has laid out provisions on tax preferential policies AMCs are entitled to in the acquisition, undertaking and disposal of distressed assets of state-owned banks.

According to the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No.21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策問題的通知》(財稅[2003]21號)) promulgated jointly by the MOF and the SAT and effective from February 21, 2003, an AMC, subject to the total capital amount verified by the MOF, during its take-over of assets of state-owned commercial banks will be exempted from deed tax and stamp duty during the transfer process.

According to the Notice on Matters Concerning China Cinda and the other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No.94) (《關於中國信達等四家

金融資產管理公司受讓或出讓上市公司股權免征證券(股票)交易印花税有關問題的通知》(國税發[2002]94號)) promulgated by the SAT, the receiving and transfer of a listed company's securities by AMCs within the scope of state-owned banks distressed assets acquired, managed and disposed of by them may be exempted from securities (stock) stamp duty upon request and approval.

Financing Management

Apart from obtaining capital contribution from shareholders and loans from commercial banks, AMCs, as financial enterprises, are allowed to conduct financing activities including interbank lending, issuance of financial bonds and asset securitization.

The engagement of AMCs in the aforesaid financing activities shall conform with the provisions generally applicable to such financing activities conducted by financial institutions within the territory of the PRC. For example, Administrative Measures for the Interbank Lending (PBOC Order [2007] No.3) (《同業拆借管理辦法》(中國人民銀行令[2007]第3號)) promulgated by the PBOC on July 3, 2007 and effective from August 6, 2007, Circular on Regulating the Interbank Business of Financial Institutions (Yin Fa [2014] No.127) (《關於規範金融機構同業業務的通知》(銀發[2014]127號)) jointly promulgated by the PBOC, the CBRC, and the CSRC and effective from April 24, 2014, Administrative Measures for the Issuance of Financial Bonds in the National Interbank Bond Market (PBOC Order [2005] No.1) (《全國銀行間債券市場金融債券發行管理辦法》(中國人民銀行令[2005]第1號)) promulgated by the PBOC on April 27, 2005 and effective from June l, 2005, Administrative Measures for the Pilot Securitization of Credit Assets (Circular of the PBOC and CBRC [2005] No.7) (《信貸資產證券化試點管理辦法》(中國人民銀行、中國銀監會公告[2005]第7號)) promulgated jointly by the PBOC, the CBRC and effective from April 20, 2005, Measures for Supervising and Administrating the Pilot Securitization of Credit Assets by Financial Institutions (Order of the CBRC [2005] No.3) (《金融機構信貸資產證券化試點監督管理辦法》(中國銀監會令[2005]第3號)) promulgated by the CBRC on November 7, 2005 and effective from December 1, 2005, Notice on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets (Yin Fa [2012] No.127) (《關於進一步擴大信貸資產證券化試點有關事項的通知》(銀發[2012]127號)) promulgated by the PBOC, CBRC and MOF and effective from May 17, 2012, and Circular on the Process of Filing and Registration for the Securitization of Credit Assets (Yin Jian Ban Bian Han [2014] No.1092) (《關於信貸資產證券化備案登記工作流程的通知》(銀監辦便函[2014]1092號)) promulgated by the CBRC and effective from November 20, 2014.

Supervision over the Management of Distressed Assets of Financial Asset Management Companies

Acquisition of Distressed Assets

Acquisition of Policy NPLs

From 1999 to 2000, AMCs acquired NPLs of state-owned banks subject to the scope and limit determined by the State Council in accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》). If the determined acquisition scope or limit is exceeded, it must be approved by the State Council as a special item; within the limit determined by the State Council, AMCs acquired relevant loan principal and corresponding receivable interests recorded in profit and losses at book value, and implemented free transfer as for the receivable interested not recorded in profit and losses; the purchase of NPLs by AMCs means the procurement of rights by original creditor over the debtor and the debtor, guarantor and relevant parties concerned for the original loan contract shall continue to perform obligations as contracted.

Apart from their capital, according to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), sources from which AMCs fund acquisitions of NPLs includes: (i) a portion of the refinancing transferred from PBOC to wholly state-owned commercial banks; and (ii) issuance of financial bonds.

Acquisition of Commercialized Distressed Assets

In accordance with the Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies (《金融資產管理公司商業化收購業務風險管理辦法》) which was attached to the Notice on Publication of Administrative Measures of Business Risks in Financial Asset Management Companies (Cai Jin [2004] No.40) (《關於印發<金融資產管理公司有關業務風險管理辦法>的通知》(財金[2004]40號)), AMCs are allowed to acquire distressed assets of financial institutions established within the territory of the PRC based on the market principles, and manage and dispose of the acquired assets to achieve cash recovery.

From 2004 to 2005, in order to support the shareholding reform on commercial banks and standardize the process of disposal of distressed assets, AMCs had acquired NPLs from commercial banks through a commercial tender process in line with the national standardized arrangement and in accordance with the Measures on Disposal of Doubtful Loans in the Process of Restructuring of the Bank of China and China Construction Bank (Cai Jin [2004] No.53) (《中國銀行和中國建設銀行改制過程中可疑類貸款處置管理辦法》(財金[2004]53號)) promulgated by the MOF and effective from June 4,2004.

In accordance with the Guidelines on Due Diligence in Disposal of Distressed Financial Asset (Yin Jian Fa [2005] No.72) (《不良金融資產處置盡職指引》(銀監發[2005]72號)), AMCs, prior to the acquisition of distressed financial asset, shall conduct in-depth diligence in respect of the status, ownership, market prospects of the distressed financial asset to be acquired and the feasibility of such acquisition. Acquisition procedures shall be established with specific division of acquisition work. Approval procedures shall be carried out in strict compliance with limits of authority and the approval department shall be independent from other departments and directly responsible to senior management. In addition, AMCs shall also verify the legality, authenticity, completeness and validity of the data, contracts, agreements and ownership certificates of the assets in satisfaction of debt and mortgages (pledges) in relation to the assets to be acquired, legal documents in relation to the litigation as well as other relevant materials within a reasonable period of time. Handover procedures shall also be completed in a timely manner to facilitate the receipt, management and maintenance of transferred assets.

According to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》), financial institutions can combine distressed assets (ten items or above) of certain size together, and transfer to AMCs. These measures have given specific provisions for the scope of batch transfer of distressed assets as well as its procedures.

Acquisition and Custody of distressed assets of non-financial enterprises

At present, China Cinda is the only one out of the Four AMCs having got the business qualification of operation of non-financial distressed assets in China. According to the approval of the MOF and the CBRC, China Cinda, starting from June 2010, has been permitted to engage in the purchase and custody of distressed assets business of non-financial enterprises.

At present, the CBRC has not introduced any special regulations regarding the acquisition and custody of distressed assets from non-financial enterprises. AMCs shall develop such business mainly according to the applicable laws and regulations, such as the Contract Law of the People's Republic of China (《中華人民共和國合同法》).

Distressed asset management and Disposal

The Guidelines on Due Diligence in Disposal of Distressed Financial Asset (《不良金融資產處置盡職指引》) specifies the due diligence requirements on performance of the AMCs in respect of management, preliminary investigation, method selection and application as well as pricing of the distressed assets disposal.

In addition to the aforesaid notice which sets out due diligence requirements on the performance of AMCs in respect of the disposal of distressed assets, AMCs shall also comply with another major regulation in respect of disposal of distressed assets, namely, the Administrative Measures of Assets Disposal by Financial Asset Management Companies (revised) (Cai Jin [2008] No.85) (《金融資產管理公司資產處置管理辦法(修訂)》(財金[2008]85號)) revised by the MOF and effective from July 9, 2008. Such measures and relevant provisions for management and disposal of distressed assets are given in detail as below:

Auditing Institutions and Approval

AMCs and their branch offices shall set up a special audit unit for disposal of assets, and review the asset disposal program. Except for programs that are in effect under the decisions, judgments and rules made by the People's Court or arbitral body, AMCs shall not dispose of these assets unless the program is approved by this special audit unit for asset disposal.

Implementation of the Disposal

AMCs may dispose of assets in forms such as debt recovery, lease, transfer, restructuring, asset exchange, entrusted disposal, DES, and asset securitization; and according to the law, through means of announcement, litigation, etc., to protect the rights of creditors and recover debts from the debtor and the guarantor.

The transfer of assets by AMCs, in principle, should be through public auction, including but not limited to, bidding, auction, offer or invitation to public bidding, public inquiry, etc. Without public auction for the disposal procedure, AMCs shall not transfer assets by way of agreement to non-state-owned assignees.

AMCs, during the entrusted disposal of assets, must ensure that recovery value being greater than disposal cost, namely the recovery value should be sufficient to pay the disposal fees and legal costs, notary fees, asset preservation charge, auction commission and other direct expenses incurred during the commissioned disposal, and there shall be balance.

AMCs shall establish asset preservation and recovery systems, and continue to retain the right of recourse for undisposed and partially disposed assets, and continue to collect the receivable entitlements over the remaining assets (including accrued interest, off-balance sheet interest receivable). After receiving assets in satisfaction, AMCs must safeguard the assets in satisfaction, complete the transfer procedures in a timely manner, and choose a proper time to dispose of the assets with the objective of maximizing recovery, and shall not deliberately delay or illegally use the assets for themselves. AMCs should strengthen the maintenance of assets in satisfaction and set up a regular clearance system to avoid depreciation of assets resulting from improper management.

Management of the Disposal

AMCs should establish and improve asset disposal project accounting, implement budget management for each asset disposal project, enhance plan management over the recovery of assets, disposal costs and profit and losses of disposal, and continuously track and monitor project progress; follow relevant provisions for management of national archives and strictly enforce archiving of asset disposal records. AMCs and any individual shall keep the asset disposal program and its results confidential.

Division of Disposal Authorizations

AMCs should take reasonable and prudent methodologies to determine the break-even point of disposal. For asset disposal projects with expected recovery value reaching or exceeding the break-even point, AMCs may, as the case may be, determine the authorization amount for branch offices based on the acquisition cost of the assets. For those not reaching the break-even point, AMCs may, as the case may be, determine the authorization amount for branch offices based on the estimated loss.

Appraisal of distressed Assets

During asset disposal, AMCs shall adhere to the principles of fairness and reasonableness, cost benefit and efficiency and, subject to the situation of each asset disposal project, determine the necessity of appraisal and specific appraisal methods.

During the disposal of credit assets, AMCs may engage an external independent company to conduct solvency analysis or take due diligence or internal appraisal methods to determine the asset value, without the need to file the asset appraisal procedure with the MOF.

When AMCs dispose of assets by means of DES or sale of equity assets (including those under the item of DES approved by the State Council) or sale of real estate, except listed companies tradable equity assets, an external independent evaluation entity must be assigned to assess the assets. Equity assets under the item of DES approved by the State Council shall be filed according to relevant provisions for the appraisal of national state-owned assets; other equity assets and real estate disposal projects do not need to be filed with the MOF, but should be internally filed by AMCs.

AMCs shall determine the discounted price or bottom price of assets to be disposed of with reference to external or internal valuation.

Methods of Sale of Equity Assets

When AMCs dispose of equity assets by means of sale, AMCs may transfer by direct agreement to the former state-owned investors or enterprises designated by the state-owned assets supervision and administration department where the transfer of unlisted company's equity assets (including those under the project of DES approved by the State Council) meets the following conditions: (i) special requirements on assignees due to national laws and administrative regulations; (ii) equity assets of core and key pro-military enterprises engaging in strategic weapons production, concerning national strategic security and involving in national core secrets; (iii) resource-based, monopoly-based equity assets related to national economic security and national welfare and the people's livelihood; (iv) other equity assets identified by relevant government departments as unsuitable for public transfer.

In addition to above circumstances for transfer by agreement, the transfer of equity assets under the DES item approved by the State Council and other unlisted company's equity assets with valuation exceeding RMB10 million shall be in accordance with procedures by relevant national provisions, made public in the lawfully established provincial or above trading market. The initial listing price shall not be lower than the asset appraisal result. When the transaction price is lower than 90% of the appraisal results, the transaction shall be suspended and internal disposal approval procedure for AMCs shall be re-performed.

Announcement for Disposal of Distressed Assets

According to the Administrative Measures of the Asset Disposal Announcement of Financial Asset Management Companies (revised) (Cai Jin [2008] No.87) (《金融資產管理公司資產處置公告管理辦法(修訂)》(財金[2008]87號)) as amended by the MOF and CBRC and effective from July 11, 2008, the asset scope applicable for the asset disposal announcement of AMCs includes the various purchased (including additional free transferred) distressed assets and other assets lawfully entitled to disposal rights, including but not limited to:

- Credit assets: NPLs acquired by AMCs and interests thereupon;
- Equity assets: equities of DES Companies held by AMCs and various equities of enterprises received from other forms such as asset replacement and assets in satisfaction of debt;
- Real assets: various real assets which AMCs are legally entitled to the ownership of and disposition, including foreclosed goods and those recovered by disposal of mortgage (pledge) loans; and
- Other equity assets: intangible assets, etc.

After the disposal program is formulated for assets within the scope of announcement, the asset disposal announcement shall be both made on the website and in newspaper.

Supervision and Inspection

AMCs shall establish a due diligence and post-disposal inspection system for asset disposal, and audit the asset disposal of branch offices on a regular or irregular basis.

In addition to the special regulations of the Administrative Measures of Asset Disposal by Financial Asset Management Companies (revised) (《金融資產管理公司資產處置管理辦法(修訂)》) mentioned above, AMCs shall, in the process of asset disposal, comply with the regulations regarding the management of state-owned financial assets such as the Administrative Measures of Transfer of State-owned Assets in Financial Enterprises (MOF Order No.54) (《金融企業國有資產轉讓管理辦法》(財政部令第54號)) promulgated by the MOF on March 17, 2009 and effective from May 1, 2009, the Interim Administrative Measures of Appraisal Supervision of State-owned Assets in Financial Enterprises (MOF Order No.47) (《金融企業國有資產評估監督管理暫行辦法》(財政部令第47號)) promulgated by the MOF on October 12, 2007 and effective from January 1, 2008, and the Notice of the Ministry of Finance on Issues Concerning the Supervision and Administration of Appraisal of State-owned Assets of Financial Enterprises (Cai Jin [2011] No.59) (《財政部關於金融企業國有資產評估監督管理有關問題的通知》(財金[2011]59號)) promulgated by the MOF and effective from June 16, 2011.

Other Relevant Regulations Regarding the Methods of Asset Disposal

According to the Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》) and Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》) attached with the Notice on Publication of Administrative Measures of Business Risks in Asset Management Companies (《關於印發<金融資產管理公司有關業務風險管理辦法>的通知》), AMCs may adopt either additional investment of assets in satisfaction of debt or commissioned agency to manage and dispose of distressed assets.

Additional Investment of Assets in Satisfaction of Debt

According to Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》), AMCs can, with the purpose of improving the recovery value of asset disposal, utilize cash capital funds to add necessary investment to the assets in satisfaction of debt resulting from policy and commercialized acquisition of NPLs and ultimately realize cash recovery.

Commissioned Agency

According to the Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), AMCs can accept the custody of distressed assets from an entrusting party, as agreed by both parties, to represent the entrusting party in the management and disposal of their assets. Regarding the management and disposal of distressed assets, the scope of the commissioned agency business, includes the management and disposal business of distressed assets entrusted by the MOF, PBOC, state-owned banks, and other financial institutions and enterprises.

Disposal of Assets by Using Foreign Funds

According to the Interim Provisions on Drawing Foreign Capital into the Asset Restructuring and Disposal by Financial Asset Management Companies (Order of the Ministry of Foreign Trade and Economic Cooperation, MOP and PBOC [2001] No.6) (《金融資產管理公司吸收外資參與資產重組與處置的暫行規定》(對外貿易經濟合作部、財政部、中國人民銀行令2001年第6號)) promulgated by the Ministry of Foreign Trade and Economic Cooperation, MOP and PBOC and effective from October 26, 2001, and the Notice on Strengthening Approval Management of Foreign Investment Disposal of Distressed Assets (Shang Zi Zi [2005] No.37) (《關於加強外商投資處置不良資產審批管理的通知》(商資字[2005]37號)) promulgated by the Ministry of Commerce and effective from April 29, 2005, drawing foreign capital into the asset restructuring and disposal by AMCs shall conform with the industrial policies for foreign investment guided by the state. Foreign investment enterprises for the purpose of drawing foreign capital for asset disposal should report to the Ministry of Commerce for approval, and each local commerce department and state-level economic and technological development zone should not arbitrarily approve the establishment of such enterprises.

Foreign Debt Administration during Disposal of Assets

According to the Notice on Regulating the Archival Filing Administration of Transferring Bad Claims to Foreign Parties by Domestic Financial Institutions (Fa Gai Wai Zi [2007] No.254) (《關於規範境內金融機構對外轉讓不良債權備案管理的通知》(發改外資[2007]254號)) promulgated by the NDRC and the SAFE on February 1, 2007 and effective from April 1, 2007, where a domestic enterprise bears foreign debts resulting from AMCs transferring of bad claims to an overseas investor, the domestic enterprise shall be subject to the administration of foreign debts. The AMC shall, within 20 working days after the signing of an agreement for transferring bad claims to foreign parties, report the situation to the NDRC for filing, and copy to the MOF and CBRC. The NDRC shall, within 20 working days after the receipt of complete filing materials, issue a filing confirmation to the AMC. The AMCs shall, within 15 working days after the receipt of the filing confirmation issued by the NDRC, report to the SAFE and deliver the relevant documents. After getting the approval and consent from the SAFE, the AMC shall complete receipt and settlement procedures in the designated branch of the SAFE, and the foreign investor subject to the transfer of distressed debts or its agent shall complete transfer filing registration procedures in the designated branch of the SAFE.

According to the Administrative Measures for Registration of Foreign Debts (Hui Fa [2013] No.19) (《外債登記管理辦法》(匯發[2013]19號)) and its attached Guidelines on the Administration of Registration of Foreign Debts (《外債登記管理操作指引》) promulgated by the SAFE on April

28, 2013 and effective from May 13, 2013, AMCs transferring domestic distressed assets to foreign parties shall, within 15 working days after the receipt of the filing or approval by the NDRC, apply for the approval by the SAFE regarding the balance of foreign exchange and the exchange management arrangement during the process of transfer of the distressed assets to foreign entities. All overseas income of AMCs obtained from the transfer of distressed assets to foreign entities shall be transferred back to China in full amount immediately. When handling the filing and registration of distressed asset foreign transfer, foreign investors shall state clearly the security of the distressed asset foreign transfer made by the guarantor for foreign investors and the detailed list of the security items. Such security shall be excluded from foreign security management and no examination and approval and no registration procedure as required by the foreign security management regulation are required.

According to the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (Hui Fu [2014] No. 2) (《國家外匯管理局關於進一步改進和調整資本專案外匯管理政策的通知》(匯發[2014]2號)) promulgated on January 10, 2014 and effective from February 10, 2014, the SAFE shall no longer conduct prior administration of the balance of foreign exchange and the exchange management arrangement involved in the disposal of distressed assets to overseas investors by AMCs. Receipt and settlement procedures of the income resulting from disposal of distressed assets shall be done by banks without the approval of the SAFE or its branches.

Lawsuits related to Acquisition, Management and Disposal of Distressed Assets

According to the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (Fa Shi [2001] No.12) (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》(法釋[2001]12號)) promulgated by the Supreme People's Court on April 11, 2001 and effective from April 23, 2001:

- After the accepting of state-owned bank's debt by an AMC, the People's Court, for cases already brought by the original creditor bank but pending prior to the transfer, the application made by the original creditor bank or AMC may be based as to change the subject of litigation claims into the AMC accepting the claims;

- The lawsuit brought by an AMC against the debtor should be governed by the People's Court at the domicile of the defendant. Where an original creditor bank has an agreement with the debtor regarding the jurisdiction, if not inconsistent with the law, this agreement remains in force;

- Where an original creditor bank publicizes credit transfer announcement or notification on national or provincial newspapers after accepting state-owned bank credits by an AMC, the People's Court can determine that the Creditor has performed the notification obligation stipulated in Clause 80.1 in the Contract Law of the People's Republic of China (《中華人民共和國合同法》);

- Where a debtor counterpleas that the original creditor bank does not perform notification obligation for the transfer during the case hearing, the People's Court may summon the original creditor bank to the court for investigation the transfer fact and order the bank to notify the debtor about the transfer fact;

- Where a debtor stamps on the credit transfer agreement or notification or signs to acknowledge the receipt of debt collection notice, limitation interruption will occur.

> Where an original creditor bank includes debt collection information in the credit transfer announcement or notification published on national or provincial newspaper, such announcement or notification can be served as the evidence of limitation interruption.

According to the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (Fa Han [2002] No.3) (《對<關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函>的答覆》(法函[2002]3號)) promulgated by the Supreme People's Court and effective from January 7, 2002, where the limitation interruption results from the publishing of credit transfer announcement or notification with collection information on the national or provincial newspaper by an AMC, it can be traced back to the date of the AMC accepting the transfer of credits of the original creditor bank; for credits undertaken, the AMC can obtain the evidence for limitation interruption by publishing collection announcement in the aforesaid newspaper.

According to the Notice on the Issues regarding the Lawful Protection of Financial Credits and Preventing Any Loss of State-owned Assets in Civil Trial and Enforcement (Fa [2005] No.32) (《關於在民事審判和執行工作中依法保護金融債權防止國有資產流失問題的通知》(法[2005]32號)) promulgated by the Supreme People's Court and effective from March 16, 2005 as well as Certain Opinions on Providing Judicial Safeguard and Legal Services to Maintain the All-round and Sustainable Development of National Financial Security and Economy (Fa Fa [2008] No.38) (《關於為維護國家金融安全和經濟全面協調可持續發展提供司法保障和法律服務的若干意見》(法發[2008]38號)) effective from December 3, 2008, it is required that the People's Court of each level to the largest extent protect financial credits and prevent any loss of state-owned assets in trial of bad financial credit dispute cases.

According to the Supplementary Notice on the Acquisition and Disposal of Distressed Assets by Financial Asset Management Companies (Fa [2005] No.62) (《關於金融資產管理公司收購、處置銀行不良資產有關問題的補充通知》(法[2005]62號)) promulgated by the Supreme People's Court and effective from May 30, 2005, where the distressed assets are disposed of by way of debt transfer after a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC accepts the transfer of NPLs, judicial interpretations issued by the Supreme People's Court can be applied, such as the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》) and the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (《對<關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函>的答覆》). Where a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC acquires and disposes of the NPLs, the corresponding security shall also be transferred without requiring the consent from the guarantor, and that the guarantor shall continue to undertake its guarantee responsibility to the transferee within the scope of original security.

According to the Notice on Issues Concerning the Trial of Claim Dispute Cases Involving the Separation of Self-established Companies from State-owned Commercial Banks (Fa [2008] No.130) (《關於審理國有商業銀行剝離其自辦公司的債權糾紛案件有關問題的通知》(法[2008]130號)) promulgated by the Supreme People's Court and effective from April 14, 2008, as for such cases already under procedure, the People's Court shall give guidance to the parties concerned for negotiation and adopt possible mediatory methods to solve disputes. If the disputes cannot be settled by mediation, and the transferee directly accepts the distressed debts from the AMC, the People's Court shall give a judgment to cancel the debt transfer contract between the AMC and the transferee. Where the transferee obtains the debts by reassignment, the People's Court shall give a judgment to cancel a series of debt transfer contracts between the AMC and the transferor as well as between the transferor and the transferee. After the debt transfer contract is ordered to be canceled, the transferee can claim loss compensation against the transferor in the limit of actual loss.

According to the Summary of the Symposium on the Trial of Cases Involving the Distressed Debt Transfer (Fa Fa [2009] No.19) (《關於審理涉及金融不良債權轉讓案件工作座談會紀要》(法發[2009]19號)) promulgated by the Supreme People's Court and effective from March 30, 2009, in a lawsuit where a transferee claims creditor's rights against a SOE debtor, the SOE debtor proposes a plea of nullity for distressed debt transfer contract on the ground that the distressed debt transfer induced damages on the state-owned assets, the People's Court shall advise the debtor to pursue the nullity of distressed debt transfer contract in the same People's Court separately. If no separate procedure is petitioned by the SOE debtor, the People's Court will not support its plea. If a separate procedure for the nullity of distressed debt transfer contract is petitioned by the SOE debtor, the People's Court shall terminate the hearing of transferor's claim for creditor's rights against the SOE debtor. After the nullity suit of distressed debt transfer contract is heard, two cases will be proceeded together.

According to the Notice of the Supreme People's Court on the Issue of the Validity of External Guarantee Contracts involved in the Trial of Cases of Utilization of Foreign Capitals by Financial Asset Management Companies in Disposing of Distressed Debts (Fa Fa [2010] No.25) (《關於審理金融資產管理公司利用外資處置不良債權案件涉及對外擔保合同效力問題的通知》(法發[2010]25號)) promulgated by the Supreme People's Court and effective from July 1, 2010, as for cases of disputes arising from using foreign capitals to dispose of distressed debts by AMCs before January l, 2005, if a party concerned can provide evidence to prove that the relevant formalities for approval or registration have been handled in accordance with the prevailing provisions, the People's Court shall not determine the security contract invalid on the ground that it is not approved by or registered with the competent authorities. As for such cases of disputes arising from AMCs which handled distressed debts by using foreign funds after January 1, 2005, if a party concerned can provide evidence to prove that an AMC has informed the original guarantor of the principal contract, a foreign investor or his agent has clearly stated the specific security in the materials submitted for handling the filing and registration of distressed assets transfer, and that the transfer of distressed assets is filed and registered upon the approval of a local foreign exchange authority, the People's Court shall not deem the security contract as invalid on the ground that the transfer is made without the consent of the guarantor or without the approval of or registration with the competent authorities.

Debt-to-Equity Swap

Examination and Approval of Debt-to-Equity Swap

Since 1999, AMCs have been converting distressed debt obtained by acquisition of NPLs of state-owned large- and medium-sized enterprises from banks into equities according to the procedures required under the relevant national policies and requirements. In accordance with Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), AMCs may convert the credit rights obtained by acquisition of NPLs of state-owned banks into the equity of the borrowing enterprises; the DES companies shall be recommended by State Economic and Trade Commission ("SETC") to the AMCs. AMCs shall independently evaluate the recommended enterprises, formulate the DES proposals and sign DES agreements with relevant enterprises. The proposals and agreements for DES shall be reviewed by the SETC, the MOF and the PBOC, and submitted to the State Council for approval before enforcement. However, pursuant to the Decision of the State Council on Cancellation and Power Delegation of a Batch of Administrative Approval Items (Guo Fa [2014] No.5), promulgated and implemented on January 28, 2014 (《國務院關於取消和下放一批行政審批項目的決定》(國發(2014)5號)), the approval of such proposals and agreements for DES is cancelled.

Management and Disposal of Debt-to-Equity Swap

In accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》) and the Circular of the General Office of State Council on Forwarding 'Opinions on Further Improvement of Debt-to-Equity Swap Work of State-owned Enterprises' of State Economic and Trade Commission, the Ministry of Finance and the People's Bank of China (Guo Ban Fa [2003] No.8) (《國務院辦公廳轉發國家經貿委、財政部、人民銀行<關於進一步做好國有企業債權轉股權工作意見>的通知》(國辦發[2003]8號)), promulgated and implemented on February 23, 2003, the enterprises implementing DES shall change the operation mechanism, establish standardized corporate governance structure and strengthen enterprise management in accordance with the requirements of modern enterprise system; AMCs, after DES, as the shareholders of the enterprises, may dispatch their personnel to participate in the board of directors and board of supervisors of the enterprises to legally exert their shareholder's rights. In the agreements and proposals for DES entered into by AMCs and existing enterprises, the terms under which the existing enterprise shall acquire the DES companies equities obtained by the AMC in full shall be abolished.

In accordance with the Notice of the General Office of the State Council on Transmitting the Opinions of the Ministry of Finance and Other Departments on Promoting and Regulating State-owned Enterprises' Debt-to-equity Swap (Guo Ban Fa [2004] No.94) (《國務院辦公廳轉發財政部等部門關於推進和規範國有企業債權轉股權工作意見的通知》(國辦發[2004]94號)), promulgated and implemented on December 30, 2004, existing state-owned investors of DES companies and AMCs shall establish new companies according to the proposals for DES approved by the State Council and in compliance with relevant laws and regulations such as the Company Law (《公司法》). Shareholders of the new companies shall standardize and improve corporate governance, and further specify and adjust the duties and authority of shareholders' meeting, board of directors, board of supervisors and senior management in accordance with the requirements of modern enterprise system. Shareholders of the new companies shall enjoy and exercise their rights according their shareholding.

In accordance with the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司並表監管指引(試行)》), DES companies held by AMCs in short term or on a transitional basis may be excluded from the scope of supervision of AMCs on a financial statement consolidation basis. AMCs shall formulate withdrawal plans for DES companies held on a transitional basis and submit the same to the CBRC for filing. DES companies which have not been withdrawn after the planned withdrawal period and under actual control shall be included in the scope of supervision on a financial statement consolidation basis.

In accordance with regulatory requirements by the MOF, DES equities and equities in satisfaction of debt converted from credit assets held by AMCs shall not be reduced during the listing of enterprises and shall proportionally reduce social insurance contribution payable by such equities. In addition to the above two kinds of equities, reduced holding of state-owned shares of enterprises invested by AMCs when listed at the domestic and/or overseas stock exchanges shall be subject to regulations stated in Interim Administrative Measures Concerning Reduced Holding of State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No. 22) (《關於減持國有股籌集社會保障資金管理暫行辦法》(國發[2001]22號)) promulgated by the State Council and effective from June 6, 2001. Implementation Measures on Transfer of Part of State-owned Shares Listed at the Domestic Stock Exchanges to National Social Security Fund (Cai Qi [2009] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) promulgated by the MOF, the SASAC, the CSRC and the NSSF and effective from June 19, 2009, and Notice on Further Clarifying Issues regarding the Transfer of State-owned Shares by Financial Enterprises (Cai Jin [2013] No.78) (《關於進一步明確金融企業國有股轉持有關問題的通知》(財金[2013]78號)), promulgated by the MOF, the SASAC, the CSRC and the NSSF and effective from August 14, 2013.

For further detailed provisions on the disposal of DES assets, please see relevant parts of Regulatory Overview-Management and Disposal of Distressed Assets.

Commercialized Debt-to-Equity Swap

Apart from converting the credit rights into equities as an investment according to the national policies and procedures as mentioned above, AMCs may also convert the credit rights held by them into equities in accordance with the negotiation with the debtors and relevant shareholders. Pursuant to Administrative Provisions on the Registration of the Registered Capital of Companies (State Administration for Industry and Commerce Order No.64) (《公司註冊資本登記管理規定》(國家工商行政管理總局令第64號)) promulgated on February, 20, 2014 by the State Administration for Industry and Commerce of the PRC and effective from March 1, 2014, the creditors may convert the credit rights owned by them legally in the limited liability companies or companies limited incorporated within the territory of China into equities, and increase the registered capitals to the companies.

Custody and Liquidation of Distressed Entities

In accordance with Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), besides the distressed asset management and disposal businesses entrusted by the MOF, the PBOC and state-owned banks and other financial institutions and enterprises, the major scope of commissioned agency businesses of AMCs also include winding up and liquidation of financial institutions approved by financial regulation authorities and other custody businesses approved by competent authorities.

In accordance with Regulations on Financial Management Issues Relevant with Custody Businesses of Financial Asset Management Companies (Cai Jin [2004] No.108) (《金融資產管理公司託管業務有關財務管理問題的規定》(財金[2004]108號)) promulgated by the MOF and effective from October 30, 2004, the custody businesses of AMCs belong to the scope of commissioned agency business; for custody businesses of AMCs entrusted after January 1, 2004, custody businesses and other businesses shall be distinguished strictly for the receiving of registration work of entrusted assets; entrusted assets shall be incorporated into off-balance sheet for computation after liquidation and recognition, to strengthen the internal control of custody businesses and effectively insulate financial risks. After signing the custody agreements, AMCs shall declare them with the MOP for filing.

AMCs may also participate in liquidation management of enterprise bankruptcy as custodians. In accordance with Regulations on Designation of Custodians for Hearing of Enterprise Bankruptcy Cases (Fa Shi [2007] No.8) (《關於審理企業破產案件指定管理人的規定》(法釋[2007]8號)) promulgated on April 12, 2007 by the Supreme People's Court of China and effective from June 1, 2007, if the liquidation team is designated as the custodian, the People's Court may designate relevant government departments, social agencies included into custodian register and AMCs as the members of liquidation team.

Investment and Asset Management Business

Investment by Equity Fund

Equity Investment

Pursuant to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司並表監管指引(試行)》), when AMCs make use of their capital for equity investment, entities with legal person status invested by and under actual control of AMCs shall be included in the scope of consolidated supervision. The CBRC is authorized to determine and adjust the scope of consolidated supervision according to the equity structural changes and the risk category of the AMCs. The investees shall also be included in the consolidated supervision if the investees are not controlled by the AMCs but on the basis of risk correlation their general risks may have material impacts on the financial condition and risk level of the AMCs, or the damages and loss incurred by their compliance risks and reputation risks have material impacts on the reputation of the AMCs.

AMCs may exclude the following organizations from the consolidated supervision, namely organizations which are closed or declared bankruptcy or in the liquidation procedure due to closure, investees which are intended to be sold within three years with AMCs holding their equity interest of 50% or above, overseas subsidiaries which are subject to the foreign exchange regulations of the places where they are located, other contingencies or restrictions on capital allocation, or DES companies which are held by AMCs in short term or on a transitional basis.

Pursuant to the Circular on Further Clarifying Issues regarding Asset Management in State-owned Financial Enterprises' Direct Equity Investment (Cai Jin [2014] No.31) (《關於進一步明確國有金融企業直接股權投資有關資產管理問題的通知》(財金[2014]31號)) promulgated by the MOF on June 6, 2014 and effective from July 6, 2014, state-owned financial enterprises may conduct direct equity investment through either their internal investment management teams or independent investment institutions. In evaluating the target enterprise, state-owned financial enterprises shall apply a valuation methodology generally accepted around the world, and may also engage a professional institution in its sole discretion to conduct such evaluation. Equity assets acquired from direct equity investment but not controlled by state-owned financial enterprises shall not fall within the scope of the financial institutions' state-owned assets that shall be registered. In addition, state-owned financial enterprises shall establish an effective exit mechanism in direct equity investment, such as IPO, merger and restructuring, transfer by agreement, and redemption.

Trust and Wealth Management Product Investment

In accordance with Circular on Standardization of Trust and Financing Product Investments of Financial Asset Management Companies (Yin Jian Fa [2011] No.92) (《關於規範金融資產管理公司投資信託和理財產品的通知》(銀監發[2011]92號)) promulgated by the CBRC and the MOF and effective from September 28, 2011, the AMCs which have carried out shareholding reform and are intending to engage in trust and financing product investments shall perform corresponding corporate governance procedures, while the companies that have not carried out shareholding reform shall report to the MOF for approval. AMCs shall pay close attention to the risk transmission and transfer that may be caused by trust and financing product investments conducted through their affiliates so as to strengthen risk isolation and prevent investment risks.

In accordance with Circular on Risk Alerts for Such Businesses as Trust Credit Enhancement and Future Acquisition by Financial Asset Management Companies (Yin Jian Si Fa [2012] No.4) (《關於金融資產管理公司開展信託增信及其遠期收購等業務風險提示的通知》(銀監四發[2012]4號)) promulgated by the CBRC and effective from January 17, 2012, without the approval of regulatory authorities, AMCs shall not perform such businesses as trust product guarantee and future acquisition of distressed assets, and this kind of project that has been signed shall be liquidated as soon as possible, and risk prevention and control work shall also be conducted.

Private Equity Asset Management

Management Authorities

In accordance with the Circular on Division of Duties of Private Equity Fund Management (《關於私募股權基金管理職責分工的通知》) published by the State Commission Office for Public Sector Reform, the CSRC is responsible for the supervision and administration of private equity funds and the implementation of appropriate supervision to protect investors' interests and rights while the NDRC is responsible for formulating the policy and measures to facilitate the development of private equity funds, and determining the standards and regulations for the government to invest in private equity funds through discussion with the competent departments.

Establishment, Capital Raising and Investment Areas

In accordance with the Provisional Measures on Supervision and Administration of Privately-offered Investment Funds (CSRC Order No. 105) (《私募投資基金監督管理暫行辦法》中國證監會令第105號)) promulgated by the CSRC and implemented since August 21, 2014, privately-offered investment funds shall follow the following provisions in the registration and filing, capital raising and investment areas:

*Registration and Filing All types of managers of privately-offered funds shall apply to the Asset Management Association of China ("**AMAC**") for registration and complete such procedure within certain time. Upon completion of fund raising, managers of all types of privately-offered funds shall complete filing formalities for the fund pursuant to the provisions of the AMAC.*

Capital Raising

Privately-offered fund managers and sellers shall not raise funds from organizations and individuals other than qualified investors, or conduct fund marketing to non-specific targets through public media such as newspapers, radio, television, and Internet, or by way of seminar, report session, analysis session, notices, flyers, SMS, WeChat, blog and email.

Privately-offered fund managers and sellers shall not guarantee against loss of investment principal or commit to minimum investment return.

A privately-offered fund manager who undertakes sale of the privately-offered fund on its own shall adopt survey or other method to assess the risk identification ability and risk threshold of the investors; the investors shall undertake in writing that they satisfy the criteria of qualified investor; and a risk disclosure letter shall be prepared and signed by the investors. Where a privately-offered fund manager entrusts the sale of the privately-offered fund to a seller, the privately-offered fund seller shall adopt the assessment and confirmation measures stipulated above. Guidelines for the contents and format of the survey for investor's risk identification ability and risk threshold, and the risk disclosure letter, shall be formulated by the AMAC in accordance with the characteristics of different types of privately-offered funds.

A privately-offered fund manager who undertakes the sale of the fund on its own or entrusts the sale of the fund to a seller shall conduct risk rating of the privately-offered fund on its own or entrust a third party organization to conduct the risk rating, and shall market the privately-offered fund to investors who possess the corresponding risk identification ability and risk threshold. Investors shall complete the risk identification ability and risk threshold survey truthfully, provide undertaking of assets or income truthfully, and be responsible for the veracity, accuracy and integrity thereof. Investors who provide false information or undertaking shall bear the corresponding liability.

Investors shall ensure that the investment funds are sourced legitimately, and shall not invest in privately-offered funds using funds of others pooled illegally.

Qualified Investors

- Privately-offered funds shall be raised from qualified investors, and the cumulative number of investors of a single privately-offered fund shall not exceed the specific quantity stipulated by the Securities Investment Fund Law (《證券投資基金法》), the Company Law (《公司法》), the Partnership Enterprise Law (《合夥企業法》);

- Qualified investors of privately-offered funds shall mean organizations and individuals that possess the corresponding risk identification ability and risk threshold, whose investment in a single privately-offered fund is not less than RMB1 million, and that comply with the following relevant standards: (1) organizations with net assets of not less than RMB10 million; or (2) individuals with financial assets of not less than RMB3 million or whose average income for the past three years is not less than RMB500,000;

- The following investors shall be deemed as qualified investors: (1) pension funds such as social security funds, enterprise annuities, and community funds such as charity funds; (2) investment plans established pursuant to the law and filed with the AMAC; (3) privately-offered fund managers investing in privately-offered funds managed by them and their employees; (4) any other investors stipulated by the CSRC.

Investment Areas

Stock, equities, bonds, futures, options, fund units and other investment targets agreed in an investment contract..

Investment Operation

A fund contract and articles of association or partnership agreement ("**fund contract**") shall be formulated and executed for the fund raising of a privately-offered fund. The fund contract shall comply with the relevant provisions of the Securities Investment Fund Law (《證券投資基金法》). The fund contract for the fund raising of other types of privately-offered funds shall specify the rights and obligations of the parties with reference to the relevant provisions of the Securities Investment Fund Law (《證券投資基金法》).

Unless otherwise stipulated in the fund contract, a privately-offered fund shall be placed in escrow by an escrow agent. Where the fund contract stipulates that the privately-offered fund will not be placed in escrow, measures and dispute resolution mechanism for protection of the security of the privately-offered fund's assets shall be specified in the fund contract.

A privately-offered fund manager who manages various types of privately-offered funds shall adhere to the principle of specialized management; where the fund manager manages various privately-offered funds that may result in tunneling or conflict of interests, it shall establish a mechanism for precaution against tunneling and conflict of interests.

Privately-offered fund managers, escrow agents, sellers, as well as other private offering service organizations and their employees undertaking privately-offered fund businesses shall not mix their own assets or others' assets with the fund's assets in investment activities, treat various fund assets under their management unfairly, or encroach or misappropriate fund assets.

Privately-offered fund managers and custodians shall, pursuant to the contractual agreement, disclose to investors the fund's investments, assets and liabilities, distribution of investment income, expenses and performance payment borne by the fund, possible conflict of interests and any other significant information that may compromise the legitimate rights and interests, and shall not conceal information or provide false information. Information disclosure rules shall be separately formulated by the AMAC.

Record-keeping

In accordance with the Measures on Manager Registration and Recording-keeping of Private Investment Fund (Provisional) (Zhong Ji Xie Fa [2014] No.1) (《私募投資基金管理人登記和基金備案辦法(試行)》(中基協發[2014]1號)) promulgated by the Asset Management Association of China and implemented since February 7, 2014, private investment fund managers shall apply for record-keeping through the private investment fund record-keeping system within 20 working days after completing capital subscription and such record shall indicate the category of private investment fund in accordance with its major investment direction. The record also shall include the name of the fund, capital, investors and fund agreements and other basic information.

If private investment fund's record-keeping documents are in compliance with requirements, Asset Management Association of China shall, within 20 working days after the provision of such documents by private investment fund, finish the record-keeping procedure through publication of basic information of such private investment fund on the website. The information of private investment fund published on the website includes name of such private investment fund, establishment time, record-keeping time, major investment area, fund manager and fund custodian and etc. According to such measures, private equity fund is one kind of private investment fund.

Disclosure of Information

Private investment fund managers shall, within ten working days after the end of each quarter, update information regarding private equity funds managed by them, including subscription scale, paid-in contribution scale, number of investors, major investment direction and etc.

Private investment fund managers shall, within 20 working day following the end of each year, update basic information concerning private investment fund managers, shareholders or partners, senior management and other employees, private investment funds managed by them and etc.

Private investment fund managers shall provide the audited annual financial report through private investment fund record-keeping system before the end of April of each year.

Real Estate Business

Establishment and Qualification

In accordance with the Administrative Regulations on Urban Real Estate Development and Operation (Order of the State Council No.248) (《城市房地產開發經營管理條例》(國務院令第248號)) revised by State Council and effective from January 8, 2011, the establishment of real estate development enterprises shall not only comply with the incorporation conditions of enterprises specified by relevant laws and administrative rules, but also shall have registered capital of RMB1 million or above and a specified number of full-time technicians and full-time accountants engaging in real estate and architectural engineering sectors.

In accordance with Administrative Regulations on Qualifications of Real Estate Development Enterprises (Order of the Ministry of Construction No.77) (《房地產開發企業資質管理規定》(建設部令第77號)) promulgated by Ministry of Construction and effective from March 29, 2000, real estate enterprises shall be divided into four qualification levels as per enterprise conditions. The enterprises passing qualification examination will be issued with qualification certificates of corresponding levels by qualification examination departments. The real estate enterprises failing to obtain real estate development qualification certificates shall not engage in real estate development and operation.

Business Operation

In accordance with the relevant regulations, when engaging in the real estate development project within the territory of China, the enterprises shall obtain approvals or permissions from the relevant competent department, such as land use right certificates, land planning licenses, construction project planning licenses and the construction licenses, to fulfill the condition for sale or presale of commodity housing.

Real Estate Regulations

To stabilize housing prices, the State Council and relevant ministries and commissions issued a series of policies and measures to strengthen the real estate market regulation, including: (i) Circular on Promoting Land Saving and Intensive Use (Guo Fa [2008] No.3) (《關於促進節約集約用地的通知》(國發[2008]3號)) promulgated by the State Council and implemented on January 3, 2008; (ii) Circular on Resolutely Suppressing the Soaring of Housing Prices in Some Cities (Guo Fa [2010] No.10) (《關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) promulgated by the State Council and effective from April 17, 2010; (iii) Circular on Issues of Further Improvement of Real Estate Regulation (Guo Ban Fa [2011] No.1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)) promulgated by the General Office of the State Council and effective from January 26, 2011; (iv) Circular on Issues Relating to Further Regulation of Real Estate Market (Guo Ban Fa [2013] No.17) (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)) promulgated by the General Office of the State Council and effective from February 26, 2013.

Financial Services

Securities Business

Presently, the CSRC is the industry regulatory authority of securities companies and the businesses engaged by them. Securities companies are regulated by the CSRC mainly in accordance with the following laws, regulations and nonnative documents: Securities Law (《證券法》), Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), Trial Provisions on Establishment of Subsidiaries by Securities Companies (《證券公司設立子公司試行規定》), Provisions on Regulation of Subsidiaries of Securities Companies (《證券公司分支機構監管規定》), Administrative Measures for Qualifications of Securities Practitioners (《證券業從業人員資格管理辦法》), Measures for the Supervision and Administration of Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》) Rules for Governance of Securities Companies (《證券公司治理準則》), Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》), Provisions on Classified Regulation of Securities Companies (《證券公司分類監管規定》), Regulations on Risk Disposal of Securities Companies (《證券公司風險處置條例》), Administrative Measures of Risk Control Indices of Securities Companies (《證券公司風險控制指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Securities Companies (《證券公司風險資本準備計算標準的規定》), and Circular on Matters Regarding Information Publication by Securities Companies (《證券公司資訊公示有關事項的通知》), etc.

Industry Access

In accordance with the Securities Law (President Order [2014] No.14) (《證券法》(主席令2014年第14號)) amended by National People’s Congress of PRC on August 31, 2014, the incorporation of a securities company shall be examined and approved by the CSRC and the establishment of a securities company shall meet the following requirements: (i) an articles of association that meets relevant laws and administrative rules shall be formulated; (ii) the major shareholders have sustainable profitability, enjoy good credit standing, without major law or rule—breaking record in the last three years and with net assets of no less than RMB200 million; (iii) where a securities company engages in the operation of securities brokerage, securities investment consultation, financial advisory business relating to the activities of securities trading or securities investment, its minimum registered capital shall be RMB50 million. Where a securities company engages in one of the business of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB100 million. Where a securities company engages in two or more businesses of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB500 million. The registered capital of a securities company shall be paid-in capital; and (iv) the directors, supervisors and senior management thereof have the qualification for their appointment and its practitioners have the qualification to engage in the securities business.

Restriction on Shareholding by Foreign Investor

According to the Rules on Establishment of Foreign-invested Securities Companies (CSRC Order No.86) (《外資參股證券公司設立規則》(中國證監會令第86號)) revised and promulgated by CSRC on October 11, 2012 and Working Guidelines for the Examination and Approval Concerning the Administrative Licensing of Securities Companies No.10—Share Increase and Changes in Equity Interests of Securities Companies (Ji Gou Bu Bu Han [2010] No.505) (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》(機構部部函[2010]505號)) promulgated by the CSRC and effective from September 19, 2010, a foreign investor's shareholding percentage of or percentage of interests in a foreign-invested securities company shall not exceed 49% in the aggregate (including direct holding and indirect control), and the shareholding in securities companies held indirectly by foreign investors shall not exceed 5%. A foreign investor may be exempted from such restriction when meeting all of the following requirements: (i) the foreign investor indirectly holds equity interest in a securities company through investing a listed company; (ii) the largest shareholder, controlling shareholder or de facto controller of the listed company is a Chinese investor; (iii) if there is a change in the shareholding structure of the listed company in the future and the foreign investor indirectly controls the equity interest of the securities company by holding the controlling interests in the listed company, thereby violating the PRC opening-up policy, the matter shall be rectified within a specified period, and the relevant equity interest shall carry no voting right if the matter is not rectified after the period; and (iv) the foreign investor shall not establish any joint venture securities company with a domestic securities company or make strategic investment in a listed securities company when indirectly owning not less than 5% of the equity interest in one or more domestic securities companies.

Business Scope

In accordance with the provisions of Securities Law (《證券法》) and with the approval of the CSRC, a security company may engage in some or all of the following activities: (i) securities brokerage; (ii) securities investment consultation; (iii) financial advisory relating to securities trading or securities investment; (iv) securities underwriting and sponsorship; (v) proprietary trading of securities; (vi) securities asset management; and (vii) other securities businesses.

A securities company shall obtain a special business qualification permit before engaging in margin financing and securities lending business, sales of securities investment funds business, public offering securities investment fund management business and direct investment business.

Regulation and Administration

In accordance with the Provisions on the Classified Regulation of Securities Companies (CSRC Notice [2010] No.17) (《證券公司分類監管規定》(中國證監會公告[2010]17號)) promulgated by the CSRC on May 26, 2009 and revised on May 14, 2010, securities companies are divided into five categories, including 11 levels-A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of securities companies. Based on the classified regulation principle, the CSRC requires each category of securities companies to comply with corresponding risk control index standards and calculation ratio for risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Measures for the Risk Control Indexes of Securities Companies (CSRC Order No.55) (《證券公司風險控制指標管理辦法》(中國證監會令第55號)) implemented by the CSRC on November 1, 2006 and revised on June 24, 2008, if a securities company engages in the securities brokerage business, its net capital shall be not less than RMB20 million. If a securities company engages in any of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall be not less than RMB50 million. If a securities company engages in the brokerage business and concurrently in any one of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities businesses, its net capital shall not be less than RMB100 million. If a securities company engages in two or more of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall not be less than RMB200 million.

A securities company shall consistently conform to the risk control index standards as follows: (i) The proportion of the net capital to the sum of all risk capital reserves shall not be less than 100%; (ii) The proportion of the net capital to the net assets shall not be less than 40%; (iii) The proportion of the net capital to the liabilities shall not be less than 8%; and (iv) The proportion of the net assets to the liabilities shall not be less than 20%.

Futures Business

At present, the CSRC is the regulatory authority of futures companies and relevant businesses engaged by them. Futures companies are regulated by the CSRC mainly in accordance with the following laws, regulations and nonnative documents: Regulations on Administration of Futures Trading (《期貨交易管理條例》), Administrative Measures of Futures Practitioners (《期貨從業人員管理辦法》), Provisions on Regulating Issues Concerning Holding Controlling Shares or Holding Shares in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》), Provisions on Classified Regulation of Futures Companies (《期貨公司分類監管規定》), Administrative Measures for Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》), Administrative Measures of Risk Regulation Indexes of Futures Companies (《期貨公司風險監管指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Futures Companies (《關於期貨公司風險資本準備計算標準的規定》), Administrative Provisions on Information Publication of Futures Companies (《期貨公司資訊公示管理規定》) and Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), etc.

Industry Access

In accordance with the Regulations on Administration of Futures Trading (the State Council Order No.627) (《期貨交易管理條例》(國務院令第627號)) promulgated by the State Council on March 6, 2007 and revised on July 18, 2013, and the Supervisory and Administrative Measures for Futures Companies (CSRC Order No.110) (《期貨公司監督管理辦法》(中國證監會令第110號)) promulgated by the CSRC and effective from October 29, 2014, the establishment of a futures company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (i) its minimum registered capital shall be RMB30 million; (ii) its directors, supervisors and senior management have obtained the qualifications for assuming their posts and there are at least three senior management with the qualifications for assuming their posts, and its employees have obtained the futures practicing qualifications and there are at least 15 employees with the futures practicing qualifications; (iii) it has its articles of association conforming to the laws and administrative regulations; (iv) its main shareholders and actual controllers have a sustainable profit-making capacity and a good reputation, and none of them has any record of serious law and rule violation in the last three years; (v) the business premises and operational facilities are qualified; and (vi) it has integral risk management and internal control systems.

Restriction on Shareholding by Foreign Investor

In accordance with the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), a foreign shareholder who holds 5% or more of the shares in a futures company shall satisfy, in addition to the criteria stipulated in the Industry Access section above, the following criteria: (1) it is a legally existing financial institution established pursuant to the laws of the country or region where it is located; (2) its financial indicators and control indicators during the past three years comply with the provisions of the laws of the country or region where it is located and the requirements of the regulatory authorities; (3) the country or region where it is located has proper futures laws and a supervision and administration system, and the futures regulatory authorities of the country or region have entered into a regulatory memorandum of understanding with the CSRC, and maintain effective regulatory cooperative relations; and (4) the cumulative percentage of shares or interests held by foreign investor(s) in a futures company (including direct and indirect ownership) shall not exceed the commitments made by the China's futures industry to external parties or Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan for opening up of the futures industry.

In accordance with the Catalogue of Industries for Guiding Foreign Investment (2011 Revision) (Order of the NDRC and the MOC No.12) (《外商投資產業指導目錄(2011修訂)》(國家發改委、商務部令第12號)), futures companies shall be controlled by Chinese investors.

Scope of Business

In accordance with the Regulations on Administration of Futures Trading (《期貨交易管理條例》) and Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), a futures company shall be subject to the licensing system. The CSRC will grant licenses in accordance with the business types of commodity futures and financial futures. A futures company established under the above-mentioned conditions may engage in commodity futures brokerage business, and shall obtain corresponding business qualification to engage in any other futures business. Besides domestic futures brokerage, a futures company may apply to engage in overseas futures brokerage, futures investment consultation and other futures businesses as prescribed by the futures regulatory institution of the State Council.

Regulation and Administration

In accordance with Provisions on Classified Regulation of Futures Companies (CSRC Notice [2011] No.9) (《期貨公司分類監管規定》(中國證監會公告[2011]9號)) promulgated by the CSRC and effective from April 12, 2011, futures companies are divided into five categories, including II levels-A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of futures companies. Based on the classified regulation principle, the CSRC requires each category of futures companies to comply with corresponding risk control index standards and calculation ratio of risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Administrative Measures of Risk Regulation Indexes of Futures Companies (CSRC Notice [2013] No.12) (《期貨公司風險監管指標管理辦法》(中國證監會公告[2013]12號)) promulgated by the CSRC on February 21, 2013 and effective from July 1, 2013, a futures company shall always comply with the following risk regulation indexes: (i) its net capital shall not be less than RMB15 million; (ii) the proportion of its net capital to its risk capital reserves shall not be less than 100%; (iii) the proportion of its net capital to net assets shall not be less than 40%; (iv) the proportion of its current assets to current liabilities shall not be less than 100%; (v) the proportion of its liabilities to net assets shall not be more than 150%; (vi) it complies with the specified requirement of minimum settlement reserves.

Trust Business

At present, the CBRC is the regulatory authority of trust companies and the businesses engaged by them. Trust companies are regulated by the CBRC mainly in accordance with the following laws, regulations and normative documents: Trust Law (《信託法》), Administrative Measures of Trust Companies (《信託公司管理辦法》), Guidelines for Governance of Trust Companies (《信託公司治理指引》), Guidelines on Supervisory Rating and Classified Regulation of Trust Companies (《信託公司監管評級與分類監管指引》), Administrative Measures of Net Capital of Trust Companies (《信託公司淨資本管理辦法》), Notice on the Publication of Matters of Standard Calculation of Net Capital of Trust Companies (《關於印發信託公司淨資本計算標準有關事項的通知》), Guidelines on Business Cooperation between Banks and Trust Companies (《銀行與信託公司業務合作指引》), Administrative Measures of Trust Companies' Trust Plans of Assembled Funds (《信託公司集合資金信託計畫管理辦法》), Interim Measures on Administration of Information Disclosure of Trust Investment Companies (《信託投資公司資訊披露管理暫行辦法》), and Guiding Opinions on Supervision and Administration of Trust Companies' Risk (《關於信託公司風險監管的指導意見》), etc.

Industry Access

In accordance with the Trust Law (President Order No.50) (《信託法》(主席令第50號)) promulgated by the Standing Committee of the National People's Congress on April 28, 2001 and effective from October 1, 2001, and Administrative Measures of Trust Companies (CBRC Order [2007] No.2) (《信託公司管理辦法》(中國銀監會令2007年第2號)) promulgated by the CBRC on January 23, 2007 and effective from March 1, 2007, the establishment of a trust company shall be subject to the approval by the CBRC and after approval, will a finance license be issued. A trust company shall also comply with the following conditions: (i) its articles of association complies with the provisions of the Company Law (《公司法》) and the provisions of the CBRC; (ii) the shareholders shall satisfy the shareholding qualification stipulated by the CBRC; (iii) its minimum registered capital shall be RMB300 million or the equivalent of freely convertible currency and the registered capital shall be paid in capital; (v) it has directors and senior management satisfying the appointment qualification set by the CBRC and other staff relevant with trust businesses.

Restriction on Shareholding by Foreign Investor

In accordance with Implementation Measures for the Matters relating to Administrative Licensing for Non-bank Financial Institutions (《非銀行金融機構行政許可事項實施辦法》) and the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》) promulgated by the CBRC, the shareholding of a single foreign institution in trust companies shall not exceed 20%. However, no specific restriction on the aggregate and indirect shareholding of trust companies by foreign investors is set out under such measures.

Scope of Business

In accordance with Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies may apply to engage in part or all of the following business activities in RMB or foreign currencies: (i) fund trusts; (ii) trusts of movable property; (3) real estate trusts; (4) securities trusts; (5) trusts of other property or property rights; (vi) acting as the promoter of an investment fund or a fund management company and engaging in fund investment business; (vii) enterprise asset restructuring, mergers and acquisitions, project financing, corporate finance, financial consulting, etc.; (viii) entrusted securities underwriting business as approved by relevant departments of the State Council; (ix) mediation, advising, credit investigation business among others; (x) bailment and safe deposit locker facility business; and (xi) any other business stipulated by laws and rules or approved by the CBRC.

In addition, the own assets operations of trust companies may include interbank deposit, interbank loan, loan, leasing, investment and other businesses. The investment business activities shall be restricted to equity investments in financial enterprises, investments in financial products and investments in fixed assets for individual use. Subject to the regulations of the CBRC, trust companies shall not use their own assets for industrial investment. Trust companies shall not engage in debt business other than interbank loan and the balance of interbank borrowing shall not exceed 20% of their respective net assets subject to the regulations of the CBRC. Trust companies shall provide guarantee to third parties. However, the provision of guarantee by trust companies to third parties shall not be more than 50% of their respective net assets.

Regulation and Administration

In accordance with the Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies shall allocate 5% of their after-tax profit to the trust compensation reserves annually; but the trust companies may cease making further allocations to the trust compensation reserves when the total amount accumulated thereunder reaches 20% of the company's registered capital. The trust compensation reserves of a trust company shall be deposited at a domestic commercial bank with good standing and of a certain scale, or used for the purchase of low-risk, high-liquidity securities such as treasury bonds.

In accordance with the Administrative Measures of Net Capital of Trust Companies (CBRC Order [2010] No.5) (《信託公司淨資本管理辦法》(中國銀監會令2010年第5號)) promulgated by the CBRC and effective from August 24, 2010, the net capital of a trust company shall be subject to supervision by the CBRC and calculated in accordance with the following formula: net capital = net assets - risk deductions of various assets - risk deductions of contingent liabilities - other risk deductions determined by the CBRC. The net capital of a trust company shall be not less than RMB200 million. A trust company shall always comply with the following risk control indices: (i) its net capital shall not be less than 100% of the sum of the various risk capitals; (ii) its net capital shall not be less than 40% of the net assets.

In accordance with the Guiding Opinions on Supervision and Administration of Trust Companies' Risk (Yin Jian Ban Fa [2014] No.99) (《關於信託公司風險監管的指導意見》(銀監辦發[2014]99號)) promulgated by the CBRC and effective from April 8, 2014, trust companies shall conduct risky projects properly and enhance their precaution and control measures against potential risk. As to related transactions, trust companies shall report to the regulatory authority beforehand on a case-by-case basis, and shall not engage in businesses with the features of shadow banking, such as fund pool of non-standardized financing. In addition, trust companies shall also establish long-term mechanisms for risk precaution and control, including delay in incentive compensation payment, restriction on dividend distribution, or refund of distributed dividend.

Financial Leasing Business

At present, the CBRC is the regulatory authority of financial leasing companies and the businesses engaged by them. Financial leasing companies are regulated by the CBRC mainly in accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》) and relevant laws, regulations and normative documents.

Industry Access

In accordance with Administrative Measures of Financial Leasing Companies (CBRC Order [2014] No.3) (《金融租賃公司管理辦法》(中國銀監會令2014年第3號)) promulgated by the CBRC and implemented on March 13, 2014, the establishment of a financial leasing company shall comply with the following conditions: (i) the articles of association satisfies the provisions of the Company Law (《公司法》) and regulations by the CBRC; (ii) the capital contributors satisfy the regulations by the CBRC; (iii) the minimum registered capital shall be RMB100 million or the equivalent of freely convertible currency and the registered capital shall be paid in capital; (iv) the directors and senior management satisfy the appointment qualification, and no less than 50% of employees have worked in financial leasing and other finance industries for more than three years; (v) it has established effective corporate governance, internal control and risk management systems; (vi) it has established an information technology structure that corresponds to its business operation and regulatory requirements, a requisite, secured and compliant information system that supports its business operation, and technologies and measures to ensure business continuity; (vii) it has business premises, security and protection measures and other facilities that correspond to its business operation; and (viii) it shall satisfy any other prudential criteria stipulated by the CBRC.

Restriction on Shareholding by Foreign Investor

According to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》) promulgated by the CBRC, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. However, no specific restriction on the aggregate and indirect shareholding of financial leasing companies by foreign investors is set out under such measures and the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》).

Scope of Business

In accordance with Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), a financial leasing company may engage in part or all of the following businesses in RMB or foreign currencies with the approval by the CBRC: (i) financial leasing business; (ii) transferring and purchasing leased properties; (iii) fixed-income securities investment; (iv) accepting lease deposit from lessees; (v) accepting fixed deposits of three months or more from non-bank shareholders; (vi) interbank lending; (vii) taking loans from a financial institution; (viii) overseas borrowings; (ix) transfer and disposal of leased properties; (x) economic consulting.

Regulation and Administration

In accordance with Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), financial leasing companies shall implement an asset quality classification system pursuant to the regulatory requirements, formulate a reserve system pursuant to the relevant provisions and promptly make adequate reserve for asset impairment losses on the basis of accurate classification to strengthen its ability to weather the risk. No profits shall be distributed before reserve is fully made. In addition, financial leasing companies shall comply with the following major regulatory indices: (i) the ratio of the net capital to the risk-weighted assets shall not be lower than minimum requirement set by the CBRC; (ii) the balance of financing to a single lessee shall not exceed 30% of the net capital; (iii) the balance of financing to one group shall not exceed 50% of the net capital of the financial leasing company; (iv) the balance of financing to one affiliate shall not exceed 30% of the net capital of the financial leasing company; (v) the balance of financing to all affiliates shall not exceed 50% of the net capital of the financial leasing company; (vi) the balance of financing to one shareholder and all its affiliates shall not exceed the capital contribution made by such shareholder and provisions regarding ratio of financing to one affiliate shall apply; and (vii) the balance resulting from interbank borrowing shall not exceed 100% of the net capital of the financial leasing company. Subject to the approval by the CBRC, the requirements on the ratio of financing to a single lessee and the ratio of financing to one group may be appropriately adjusted for specific industries.

Securities Investment Fund Business

At present, the CSRC is the regulatory authority of securities investment fund management companies and the businesses engaged by them. Securities investment fund management companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), Interim Provisions on Administration of Subsidiary Companies of Securities Investment Fund Management Companies (《證券投資基金管理公司子公司管理暫行規定》), Interim Measures on Administration Regarding Risk Reserves by Publicly Raised Securities Fund Management Companies (《公開募集證券投資基金風險準備金監督管理暫行辦法》), Guidelines for Governance of Securities Investment Fund Management Companies (Provisional) (《證券投資基金管理公司治理準則(試行)》), Guiding Opinions on Internal Control of Securities Investment Fund Management Companies (《證券投資基金管理公司內部控制指導意見》), Administrative Measures of Post-holding of Senior Management of Securities Investment Fund Management Companies (《證券投資基金管理公司高級管理人員任職管理辦法》), Administrative Measures of Information Disclosure of Securities Investment Fund (《證券投資基金資訊披露管理辦法》), Administrative Measures of Sales of Securities Investment Fund (《證券投資基金銷售管理辦法》), Guiding Opinions on Fair Trading Rules of Securities Investment Fund Management Companies (《證券投資基金管理公司公平交易制度指導意見》) and Administrative Measures of the Publicly Raised Securities Investment Fund Entrustment Business (《公開募集證券投資基金運作管理辦法》).

Industry Access

In accordance with the Securities Investment Fund Law (President Order No.71) (《證券投資基金法》(主席令第71號)) revised by the Standing Committee of the National People's Congress on December 28, 2012 and effective from June 1, 2013, and the Administrative Measures of Securities Investment Fund Management Companies (CBRC Order No.84) (《證券投資基金管理公司管理辦法》(中國證監會令第84號)) revised and adopted by the CSRC on September 20, 2012 and effective from November 1, 2012, the establishment of a securities investment fund management company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (i) its articles of association complies with the laws and regulations; (ii) its registered capital shall not be less than RMB100 million and shall be paid in capital; (iii) its substantial shareholders shall have good track record, good financial situation and good social reputation in operating financial businesses or management of financial institutions and their scale of assets shall reach the standards required by the State Council and there is no record of violations in the last three years; (iv) the number of qualified employees is in compliance with the statutory requirement; and (v) its directors, supervisors and senior management shall meet corresponding employment qualifications.

Restriction on Shareholding by Foreign Investor

In accordance with the Administration Measures for the Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) promulgated by the CSRC, shareholding or equity interest directly or indirectly held by foreign investors in sino-foreign fund management joint ventures shall not exceed 49% in aggregate. Pursuant to the Regulations on Issues Regarding the Implementation of Administration Measures of Securities Investment Fund Management Companies (CSRC Notice [2012] No. 26) (《關於實施<證券投資基金管理公司管理辦法>有關問題的規定》(證監會公告[2012]26號)), promulgated by the CSRC on September 20, 2012 and effective from November 1, 2012, in calculation of the proportion of foreign interests in a sino-foreign fund management joint venture, in principle, the foreign shareholding in the domestic shareholders of the joint venture, if any, shall be multiplied by their shareholding in the joint venture plus the shareholding directly held by foreign shareholders of such joint venture. In the event of the following two situations, calculation shall be carried out as follows: (i) if the domestic shareholder (including the de facto controller) conducts overseas listing or additional shares issuance, the additional foreign equity interest in such domestic shareholder shall not be consolidated with that of the foreign shareholders in the joint venture; and (ii) if the domestic shareholder (including the de facto controller) is an A share listed company with QFIIs holding its shares, the foreign equities held by the QFIIs in such domestic shareholder shall not be consolidated with the foreign shareholding in such joint venture, except that the QFIIs hold shares of the domestic shareholder or de facto controller which results in the transfer of controlling rights of such domestic shareholder to foreign investors.

Scope of Business

In accordance with the Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and the Provisional Administrative Measures of Asset Management of Selected Customers of Fund Management Companies(CSRC Order No. 83) (《基金管理公司特定客戶資產管理業務試點辦法》(證監會令第83號)) and subject to the relevant conditions and approval by the CSRC, fund management companies may engage in the following businesses: (i) management of publicly-raised securities investment funds; (ii) asset management for selected customers; (iii) special asset management by subsidiaries; (iv) provision of investment consultation for QFIIs, domestic insurance companies and other selected entities which are legally established and operated; (v) management of investment of social security fund; (vi) investment management of annuity funds; (vii) management of overseas equity investment portfolio by using funds raised in China as a QDII; and (viii) other businesses provided by laws and regulation and approved by the CSRC.

Regulation and Administration

Pursuant to the Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), the establishment of fund management companies and the qualifications of senior management of fund management companies shall be supervised by the CSRC in accordance with the relevant laws, administrative rules and the regulations of the CSRC and the principle of prudent regulation. Off-site and on-site inspections on the corporate governance, internal control, operations, risk profile and relevant business activities of fund management companies shall also be conducted by the CSRC.

In addition to the above-mentioned regulations, for securities investment fund management business, the CSRC has amended the Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) in accordance with laws and regulations in respect of securities investment funds to reflect the development of the fund management industry in recent years. The CSRC has also drafted the Administrative Measures of Fund Managers of Publicly-raised Securities Investment Fund (《公開募集證券投資基金管理人管理辦法》) and the related regulations for public consultation, which have not been promulgated and taken effect officially.

Insurance Business

The CIRC is the regulatory authority of the insurance companies and insurance business engaged by them. The CIRC regulates insurance companies in the areas of industry access, operation, corporate governance and risk control mainly in accordance with the following laws, regulations and normative documents: Insurance Law (《保險法》), Provisions on the Administration of Insurance Companies (《保險公司管理規定》), Administrative Measures of Shareholdings of Insurance Companies (《保險公司股權管理辦法》), Guidance on the Governance of Insurance Companies (Provisional) (《關於規範保險公司治理結構的指導意見(試行)》), the Opinions on Regulating the Bylaws of Insurance Companies (《關於規範保險公司章程的意見》), the Basic Rules for the Internal Control of Insurance Companies (《保險公司內部控制基本準則》), the Guidelines for the Compliance Management of Insurance Companies (《保險公司合規管理指引》), Guidance on the Risk Control of Insurance Companies (Provisional) (《保險公司風險管理指引(試行)》), Provisional Administrative Measures of Connected Transactions of Insurance Companies (《保險公司關聯交易管理暫行辦法》), Administrative Provisions on Solvency of

Insurance Companies (《保險公司償付能力管理規定》), Administrative Measures of Fixed Subordinated Debts of Insurance Companies, (《保險公司次級定期債務管理辦法》), Administrative Measures of Controlling Shareholder of Insurance Companies (《保險公司控股股東管理辦法》), Measures for Classified Management of Business Scope of Insurance Companies (《保險公司業務範圍分級管理辦法》) and Disclosure of Information of Insurance Companies (《保險公司資訊披露管理辦法》).

Industry Access

In accordance with the Insurance Law (President Order No.14) (《保險法》(主席令第14號)) amended by the Standing Committee of the National People's Congress on August 31, 2014 and the Administrative Provisions of Insurance Companies (CIRC Order No.1 of 2009) (《保險公司管理規定》(中國保監會令2009年第1號)) promulgated by the CIRC on September 25, 2009 and effective from October 1, 2009, the establishment of an insurance company shall be examined and approved by the CIRC and subject to the following conditions: (i) its substantial shareholders shall have sustainable profitability and good reputation and have no major records of violations in the last three years and their net asset shall not be less than RMB200 million; (ii) its articles of association draft shall comply with the Insurance Law (《保險法》) and Company Law (《公司法》); (iii) investors promise to make contribution or subscribe to the shares and its proposed registered capital shall not be less than RMB200 million and shall be paid-in capital; (iv) its directors, supervisors and senior management shall have the requisite expertise and experience in the relevant business.

Restriction on Shareholding by Foreign Investor

The Administrative Measures of Shareholding of Insurance Companies (CIRC Order [2014] No.4) (《保險公司股權管理辦法》(中國保監會令2014年第4號)) promulgated by the CIRC on May 6, 2010 and revised on April 15,2014 shall govern the insurance companies where the duly registered foreign investment or shareholding of such companies shall not exceed 25% of its registered capital. However, no specific restriction on the indirect shareholding of insurance companies by foreign investors is set out under such measures.

Scope of Business

In accordance with the Insurance Law (《保險法》), an insurance company shall not concurrently engage in both life and health insurance business and property insurance business. However, an insurance company engaged in property insurance business may engage in short-term health insurance and accident insurance business if so approved by the CIRC. Subject to approval by the CIRC, an insurance company may engage in ceding in and out reinsurance business, and may also engage in any other insurance-related business approved by the CIRC.

In accordance with the Measures for Classified Management of Business Scope of Insurance Companies (Bao Jian Fa [2013] No.41) (《保險公司業務範圍分級管理辦法》(保監發[2013]41號)) promulgated by the CIRC and effective from May 2, 2013, the business scope of property insurance companies and life and health insurance companies is divided into basic category and extended category. The basic category for a property insurance company covers automobile insurance, corporate/family property insurance and engineering insurance, liability insurance, vessel/cargo insurance, short-term health/accident insurance, and the extended category covers agricultural insurance, special risk insurance, credit guarantee insurance, and investment insurance. The basic category of a life and health insurance company covers general insurance, health insurance, accident insurance, participating insurance, universal insurance, and the extended category covers investment-linked insurance and variable annuities. Thus the access qualifications corresponding to various businesses are determined. For the basic category, the registered capital requirements are specified. For extended category, three types of condition indices as financial condition, risk management capacity and compliance management are specified.

Regulation and Administration

In accordance with the Provisions on Administration of Insurance Companies (《保險公司管理規定》), the ClRC shall supervise and administer insurance institutions by way of on-site and off-site supervision. The CIRC shall regard an insurance company as an important object for supervision and administration when it falls into any one of the four following circumstances: serious violation of law; insolvency; unusual financial condition; or other circumstances as specified by the CIRC.

In accordance with Administrative Provisions on Solvency of Insurance Companies (CIRC Order [2008] No. 1) (《保險公司償付能力管理規定》(中國保監會令2008年第1號)) promulgated by the CIRC on July 10, 2008 and effective from September 1, 2008, the proportion of actual capital to minimum capital of an insurance company, namely solvency margin ratio, shall be not less than 100%. The CIRC classifies insurance companies into three categories based on their solvencies: companies of inadequate solvency category, i.e., insurance companies whose solvency margin ratio is less than 100%; companies of adequate solvency category I, i.e., insurance companies whose solvency margin ratio is between 100% and 150%; and companies of adequate solvency category II, *i.e.*, insurance companies whose solvency margin ratio is higher than 150%.

The CIRC shall, in light of different circumstances, take one or more of the below supervisory measures against a company of inadequate solvency category: (i) ordering it to increase its capital or restrict the distribution of dividends to its shareholders; (ii) limiting the remunerations and position—related consumption of its directors and senior management; (iii) limiting its commercial advertisements; (iv) restricting its establishment of more branches, limiting its business scope, ordering it to stop carrying out new business, ordering it to assign the insurance businesses or ordering it to cede insurance business; (v) ordering it to auction its assets or restricting its purchase of fixed assets; (vi) restricting its use of capital; (vii) adjusting its persons-in-charge and relevant managerial personnel; (viii) taking it over; and (ix) taking other supervisory measures the CIRC deems necessary. The CIRC may require a company of adequate solvency category I to submit and implement a plan on the prevention of inadequate solvency. Where there is any significant solvency risk in a company of adequate solvency category I or of adequate solvency category II, the CIRC may require it to make a rectification or take necessary regulatory measures against it.

In accordance with the Overall Framework of the Solvency Supervision System II of the PRC (《中國第二代償付能力監管制度體系整體框架》) promulgated by the CIRC and effective on May 3, 2013, the solvency supervision system II comprises three parts: system characteristics, regulatory elements and regulatory basis. The regulatory elements include quantitative capital requirements, qualitative regulatory requirements and market discipline mechanism. The regulatory basis relates to solvency administration of insurance companies.

DIRECTORS

The particulars of our directors as of the date of this offering memorandum are set forth in the following table:

Name	Age	Position/Title (Responsibility)
HOU Jianhang	58	Chairman of the Board Executive Director (responsible for the business strategy and overall development of the Company) Chairman of Strategy and Development Committee
ZANG Jingfan	59	Executive Director President (responsible for the business operation and management of the Company) Member of Strategy and Development Committee
LI Honghui	50	Non-executive Director Member of Strategic Development Committee Member of Audit Committee Member of Risk Management Committee
SONG Lizhong	55	Non-executive Director Member of Strategic Development Committee Member of Nomination and Remuneration Committee
XIAO Yupin	54	Non-executive Director Chairman of Risk Management Committee Member of Strategy and Development Committee
YUAN Hong	50	Non-executive Director Member of Strategy and Development Committee Member of Related Party Transaction Control Committee
LU Shengliang	47	Non-executive Director Member of Strategy and Development Committee Member of Risk Management Committee
LI Xikui	70	Independent non-executive Director Chairman of the Nomination and Remuneration Committee Member of Strategy and Development Committee Member of Audit Committee
QIU Dong	57	Independent non-executive Director Chairman of Related Party Transaction Control Committee Member of Nomination and Remuneration Committee
CHANG Tso Tung, Stephen	66	Independent non-executive Director Member of Strategy and Development Committee Member of Audit Committee
XU Dingbo	51	Independent non-executive Director Chairman of Audit Committee Member of Risk Management Committee Member of Related Party Transaction Control Committee

Executive Directors

Mr. Hou Jianhang, aged 58, has been executive Director of the Company since June 2010, and the executive Director and Chairman of the Board of the Company since May 2011. He was accredited as a senior economist by CCB in May 1993. Mr. Hou had held various positions successively with CCB (listed on Hong Kong Stock Exchange, stock code: 00939; and the SSE, stock code: 601939), including deputy director and director of the Planning Department from June 1989 to February 1995, deputy branch general manager of CCB's Shandong Branch from February 1995 to March 1997, general manager of the Credit Management Department from March 1997 to March 1999, and general manager of the Credit Risk Management Department from March 1999 to April 1999. Mr. Hou joined the Company as director of the Creditors' Rights Management Department in April 1999. He served as Vice President of the Company from September 2000 to June 2010, and as President of the Company from June 2010 to May 2011. Mr. Hou graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1979 with a major in infrastructure finance.

Mr. Zang Jingfan, aged 59, has been executive Director and President of the Company since May 2011. He was accredited as a senior economist by PBOC in September 1994. Mr. Zang served as deputy branch general manager and branch general manager of PBOC's Liaoyuan Branch from July 1984 to September 1994, deputy branch general manager of PBOC's Jilin Branch and deputy director of SAFE's Jilin Bureau from September 1994 to November 1998, deputy branch general manager of the PBOC's Shenyang Branch from November 1998 to July 2003, and head of the Preparation Team and director of the CBRC Heilongjiang Branch from July 2003 to October 2005. He was also director of the Cooperative Finance Supervision Department of the CBRC from October 2005 to June 2010. Mr. Zang joined the Company in June 2010 and worked as Chairman of the Board of Supervisors from June 2010 to May 2011. Mr. Zang graduated from Shaanxi Institute of Finance and Economics (currently known as Xi'an Jiaotong University) in July 1999 with a master's degree in currency banking.

Non-executive Directors

Mr. Li Honghui, aged 50, has been non-executive Director of the Company since August 2014. Mr. Li served as the officer, associate chief officer and chief officer of the General Office of the Department of Industry and Communication Financing (工業交通財務司), deputy head of the General Information Division of the Department of Industry and Communication, deputy head of the Industry Division and Industry Division I of the Economic and Trade Department, deputy head and head of the Planning and Investment Division, head of the General Office, head of the Environment and Resources Division of the Economic Construction Department and deputy director of the Investment Appraisal and Censoring Centre under the MOF from August 1990 to June 2014. Mr. Li obtained a bachelor's degree in industrial accounting from Hunan College of Finance and Economics (currently known as Hunan University) in September 1987, a master's degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in August 1990, and a doctoral degree in economics, majoring in accounting, from the Graduate School of the Finance Science Institute of the MOF in August 1998.

Mr. Song Lizhong, aged 55, has been non-executive Director of the Company since August 2014. Mr. Song served as the officer, associate chief officer and chief officer of Division II of the Bureau of Retired Veteran Cadres, deputy director and director (chief officer level) and deputy director- general of the CPC Branch Office of the Bureau of Retired Cadres under the MOF from September 1989 to June 2005, temporary post of the deputy head of the Department of Finance of Ningxia Hui Autonomous Region from June 2005 to August 2007, and the deputy head of the Bureau of Retired Cadres of the MOF from August 2007 to June 2014. Mr. Song graduated from the Faculty of Chinese of Renmin University of China (with an associate degree) in Chinese language in July 1987, and graduated from the Correspondence Institute of Central Communist Party School (with an undergraduate degree) in economic management in December 1999.

Ms. Xiao Yuping, aged 54, has been non-executive Director of the Company since June 2010. She was admitted to practice PRC law in April 1989, and was accredited as a senior economist by PBOC in November 1999. Ms. Xiao joined PBOC in July 1986 and from December 1999 to June 2010 served successively as deputy director of General Affairs Division of

Department of Treaty and Law, deputy director of Financial Creditors' Right Management Office of Department of Treaty and Law (deputy director level), deputy director of Legal Affairs Division, director of Department of Banking Institutional Risk and Disposal of Financial Stability Bureau, director of Department of Risk Supervision and Evaluation of Banking Industry and deputy inspector of Financial Stability Bureau. She also served as a visiting scholar at the Los Angeles Branch and New York Branch of Korea First Bank from April 1996 to April 1997. Ms. Xiao graduated from Peking University in July 1986 with a bachelor's degree in law. She received "National Financial Labor-Day Medal" (全國金融五一勞動獎章) from the National Committee of China Financial Labor Union (中國金融工會全國委員會) in April 2007.

Ms. Yuan Hong, aged 50, has been non-executive Director of the Company since June 2013. She was accredited as an economist by Heilongjiang Branch of PBOC in December 1993. Ms. Yuan was an officer of Heilongjiang Branch of PBOC (Foreign Exchange Bureau) from July 1987 to August 1994 (on secondment to Office of Financial Institutions, Foreign Exchange Business Department of SAFE from October 1990 to August 1994), deputy principal officer and principal officer of Office of Financial Institutions, Management and Inspection Department of SAFE from August 1994 to August 1998. She also served successively as principal officer of Policy Bank Regulatory Office of Bank Regulatory First Division, Policy Bank Regulatory Second Office and Policy Bank Regulatory First Office of PBOC from August 1998 to September 2003. Ms. Yuan was an assistant consultant and deputy director of Policy Bank Regulatory First Office of Third Bank Regulatory Department, director of Off-site Regulatory Office of Fourth Bank Regulatory Department, director of Second Off-site Regulatory Office of Fourth Bank Regulatory Department, and an associate counsel of Fourth Bank Regulatory Department of CBRC from September 2003 to June 2013. Ms. Yuan served as a part-time supervisor of the board of supervisors of the Agricultural Development Bank of China from January 2009 to June 2013 and a part-time supervisor of the board of supervisors of Export-Import Bank of China from June 2009 to June 2013. Ms. Yuan graduated from Nankai University in July 1987 with a bachelor's degree in economics.

Mr. Lu Shengliang, aged 47, has been non-executive Director of the Company since June 2012. He was accredited as a deputy researcher by Chinese Academy of Social Sciences ("**CASS**") in August 1997. Mr. Lu served successively as associate researcher, deputy researcher and deputy director of the Finance, Trade and Economy Research Institution of CASS from August 1992 to May 2001. He also served successively as director of the Secretariat Office, director of the General Affairs Division of the Equity and Assets Department, and deputy director of the Equity and Assets Department (Industrial Investment Department) of the NSSF since May 2001. Mr. Lu has also served as non-executive director of AVIC International Holding Corporation from January 2010 to July 2014, and non-executive director of China UnionPay Company Limited from February 2011 to August 2014. Mr. Lu graduated from Zhongnan University of Economics and Law in July 1987 with a bachelor's degree in economics, and graduated from CASS Graduate School with a master's degree and a doctoral degree in economics in July 1990 and July 1999, respectively.

Independent Non-executive Directors

Mr. Li Xikui, aged 70, has been independent non-executive Director of the Company since June 2010. He was accredited as a researcher of CCB's head office by CCB in January 1993, and receives special allowance from the State Council. Mr. Li successively served as deputy director, deputy department director, vice president of head office, and director of the Research Institute of

CCB from August 1982 to January 1994. He worked as vice general manager of Shougang Group and president of Hua Xia Bank Co., Limited from January 1994 to February 2000. He served as vice president of China Galaxy Securities Co., Ltd. from February 2000 to February 2006, chairman of the board of directors of Galaxy Fund Management Co., Ltd from February 2006 to April 2010, and independent non-executive director of Chiho-Tiande Group Limited from July 2010 to December 2014. Mr. Li graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1970, and graduated from the Finance Science Institute of the MOF with a master's degree in economics in July 1982.

Mr. Qiu Dong, aged 57, has been independent non-executive Director of the Company since June 2010. He is a PhD supervisor, representative of the 10th NPC, expert entitled to Government Special Allowance by the State Council and distinguished guest professor of Changjiang Scholars Program. Mr. Qiu served successively as professor, vice president and president of Dongbei University of Finance and Economics from January 1985 to March 2005. From March 2005 to March 2009, he was a professor of Central University of Finance and Economics. Mr. Qiu currently is an independent non-executive director of Agricultural Bank of China Limited (listed on the Hong Kong Stock Exchange, stock code: 01288, and listed on the SSE, stock code: 601288). He is also the chairman of the academic committee of the National Accounting Research Institute of Beijing Normal University, member of the National Appraisal Group of Philosophy, Social Science and Planning, member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council, member of the Advisory Committee of NBSC, vice president of the National Accounting Society of China, vice president of the Statistical Education Society of China, vice president of the China Association of Market Information and Research; vice chairman of the National Statistical Teaching Material Editing and Censoring Committee, member of Selection Committee for Science and Technology Progress Award on Statistics of China; an adjunct PhD supervisor of Tianjin University of Finance and Economics, an adjunct professor of Zhejiang Gongshang University, Jinan University, Zhongnan University of Economics and Law, Shanxi University of Finance and Economics, Zhejiang University of Finance and Economics, Southwest University of Finance and Economics, and member of Editorial Board of Statistical Research. Mr. Qiu graduated from Dongbei University of Finance and Economics in November 1990 with a doctoral degree in economics.

Mr. Chang Tso Tung, Stephen, aged 66, has been independent non-executive Director of the Company since June 2013 and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chang has been practising as a certified public accountant in Hong Kong for about 30 years and has extensive experience in accounting, auditing and financial management. Mr. Chang was the deputy chairman of Ernst & Young Hong Kong and China until his retirement at the end of 2003. Mr. Chang is also a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Education Development Foundation (Overseas). Mr. Chang has served as independent non-executive director of Kerry Properties Limited (listed on Hong Kong Stock Exchange, stock code: 00683) since December 2012. Mr. Chang served as independent director of China World Trade Center Co., Ltd (listed on the SSE, stock code: 600007) from December 2004 to November 2010, and independent non- executive director of China Pacific Insurance (Group) Co., Ltd (listed on Hong Kong Stock Exchange, stock code: 02601) from June 2007 to May 2013. Since September 2014, Mr. Cheung has served as independent non-executive director and chairman of the audit committee of Hua Hong Semiconductor Ltd. (listed on Hong Kong Stock Exchange, stock code: 01347). Since October 20, 2014, Mr. Cheung has served as independent director, chairman of the nomination and remuneration committee and member of the audit committee of the board of directors of China Life Insurance Co. Ltd. (listed on Hong Kong Stock Exchange, stock code: 02628; and the SSE, stock code: 601628). Mr. Chang graduated from the University of London in August 1973 with a bachelor's degree in science.

Mr. Xu Dingbo, aged 51, has been independent non-executive Director of the Company since June 2013 and is a member of the American Accounting Association. Mr. Xu was a teaching assistant in the University of Pittsburgh and the University of Minnesota and an assistant professor in The Hong Kong University of Science & Technology from 1986 to 2003, and was an adjunct professor in Peking University from April 1999 to April 2009. Mr. Xu joined China Europe International Business School in January 2004. He currently serves as the Essilor Chair Professor of Accounting, Associate Dean and member of Management Committee, and has also served as a member of Financial Budget Committee since October 2009. Mr. Xu has been appointed as independent non- executive Director and chairman of the Audit Committee of The People's Insurance Company (Group) of China Limited (listed on Hong Kong Stock Exchange, stock code: 01339) since September 2009. From December 2009 to November 2011, Mr. Xu served as independent non- executive Director and chairman of the Audit Committee of Sanjiang Shopping Club Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601116). Mr. Xu has served as independent director and chairman of the Audit Committee of DongyiRisheng Home Decoration Group Limited Company since December 2010. Since December 2012, Mr. Xu has served as independent director and chairman of the Audit Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600420). Mr. Xu has served as independent director of Sany Heavy Industry Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600031) since January 2013 and as chairman of the Audit Committee since July 2013. Mr. Xu graduated from Wuhan University in July 1983 and October 1986 with a bachelor's degree in science and a master's degree in economics, respectively. Mr. Xu graduated from the University of Minnesota in October 1996 with a doctoral degree in accounting.

SUPERVISORS

The particulars of our supervisors as of the date of this offering memorandum are set forth in the following table:

Name	Age	Position/Title (Responsibility)
GONG Jiande	51	Chairman of the board of supervisors Shareholder Representative Supervisor
LIU Yanfen	61	External Supervisor
LI Chun	57	External Supervisor
WEI Jianhui	52	Employee Representative Supervisor
GONG Hongbing	48	Employee Representative Supervisor

Mr. Gong Jiande, aged 51, has served as deputy secretary of the Party Committee of the Company since September 2014 and has been Shareholder Representative Supervisor and Chairman of the Board of Supervisors of the Company since Feburary 2015. Mr. Gong served as 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 held various positions such as department cadre, research consultant, deputy director and director of the organization department of the CPC Central Financial Work Committee from October 2000 to July 2003, the secretary to the Discipline Supervisory Committee (deputy director level) of the CBRC, the chairman of the labor union (deputy director level) of the CBRC, the member of Discipline Supervisory Committee (during which he worked for the central financial inspection team) of the CBRC, general deputy secretary to the Party Committee (director level) of the CBRC, member of the informatization panel of the CBRC, head of the government sourcing administration office of the CBRC, deputy chairman of the Research Institute of the Party Construction of the government authorities and deputy director of the Chamber of Financial Street from July 2003 to September 2014. Mr. Gong graduated from the Party School of the Central Committee of C.P.C. majoring in economic management in December 1996, and graduated from the postgraduate program of the Party School of the Central Committee of C.P.C. in July 2007.

Ms. Liu Yanfen, aged 61, has been External Supervisor of the Company since February 2015 and is a senior accountant and certified public accountant of the PRC. Ms. Liu joined Bank of China (listed on the Hong Kong Stock Exchange, stock code: 3988; listed on the Shanghai Stock Exchange, stock code: 601988) in 1982. She served as the general manager of the financial and accounting department of the head office of Bank of China from June 1998 to February 2007, as general manager of the Singapore branch of Bank of China from June 2007 to December 2011, and as chief auditor of Bank of China from December 2011 to November 2014. Prior to the above, Ms. Liu had held various positions such as the general manager of China Dongfang Trust and Investment Company and deputy general manager of the financial and accounting department of the head office of Bank of China. Ms. Liu graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) with a bachelor's degree in 1982 and obtained a master's degree in finance from Wuhan University in 1999.

Mr. Li Chun, aged 57, has been External Supervisor of the Company since February 2015 and is the founding partner and executive partner of Grandall Law Firm, the managing partner of the Hong Kong office of Grandall Law Firm, the president and chief researcher of the Grandall Research Institute. Mr. Li served as solicitor of Changchun Law Firm, deputy director of Jilin Institute of Law of Chinese Academy of Social Sciences, general manager of Jilin Economic and Legal Consultation Centre, chief legal adviser of China Merchants Shekou Industrial Zone Ltd., deputy general manager and chief legal counsel of Shenzhen Property Rights Exchange, president of Shenzhen Lawyers Association, vice president of Guangdong Lawyers Association, member of the first session of the Listing Committee of Shenzhen Stock Exchange, Secretary- general to Lawyer Development Strategy Special Committee of All China Lawyers Association. Mr. Li concurrently holds the positions as chief executive and chief researcher of China Private Funds and Risk Investment Legal Consultation Centre, honorable president of Shenzhen Lawyers Association, adjunct professor and researcher of Peking University, Renmin University of China, East China University of Political Science and Law and Shenzhen University. He has participated in the drafting and consultation process for the PRC Company Law and PRC Securities Law. At present, he is the independent director of Shangdong Airlines Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 200152), Shenzhen Laibao Hi-Tech Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002106) and EDAN Instruments, INC. (listed on the Shenzhen Stock Exchange, stock code: 300206). Mr. Li graduated from Jilin University in July 1996 and obtained his master degree from the Legal Department.

Mr. Wei Jianhui, aged 52, has been Employee Representative Supervisor of the Company since June 2013. He was accredited as an economist by CCB in November 1993. Mr. Wei worked as senior staff member of Hebei Branch Office of CCB from April 1990 to February 1992, vice president of Baoding Central Sub-branch of CCB from February 1992 to February 1993, and secretary of deputy director level, deputy director and director of the General Office of CCB's Hebei Branch from February 1993 to November 1999. Mr. Wei joined the Company in November 1999 and served as director assistant and deputy director of Shijiazhuang office until January 2008, director of Haikou office from April 2008 to July 2010, general manager of Hainan branch from July 2010 to December 2010, and deputy director (department general manager level) of the President Office of the Company from December 2010 to June 2011. He has served as deputy director of the labor union, director of the Supervisory Office and general manager of the General Office of the Company since June 2011. Mr. Wei graduated from Hebei Banking School in October 1983, Correspondence College of Renmin University of China in June 1988 majoring in economics of capital construction, and graduated from the Law Department, Graduate School of Chinese Academy of Social Sciences in April 1998 majoring in economic law.

Ms. Gong Hongbing, aged 48, has been Employee Representative Supervisor of the Company since July 2014, and was accredited as senior political worker by the Company in 2000. From August 1988 to August 1999, Ms. Gong served as the officer, associate chief officer and chief officer of the personnel department of Yantai branch and the personnel division of Shandong branch of CCB. Ms. Gong joined the Company in August 1999 and served as the senior deputy manager and senior manager of the general office, general management department and policy and business department of Jinan Branch of the Company, and the senior manager of the Human Resources Department of the Company until January 2010. Ms. Gong served as an assistant to general manager of the Administration Division and assistant to the director of the Board of Directors' Office of the Company from January 2010 to June 2012, deputy general manager of the General Office of the Company from June 2012 to March 2014, and has served as the deputy director of the Labor Union and deputy general manager of the General Office of the Company since March 2014. Ms. Gong graduated from Harbin Senior Finance College majoring in bank management in July 1988 and graduated from Shangdong Branch of the Central Party School majoring in economics and management in 2002. She obtained a master's degree in business administration from Beijing Jiaotong University in June 2008.

SENIOR MANAGEMENT

The particulars of our senior management as of the date of this offering memorandum are set forth in the following table:

Name	Age	Position/Title (Responsibility)
ZANG Jingfan	59	President (responsible for the business operation and management of the Company)
CHEN Xiaozhou	52	Member of the senior management (responsible for the investment and asset management business of the Company)
YANG Junhua	58	Member of the senior management (responsible for the general affairs of the Head Office of the Company)
XIAO Lin	60	Vice President (responsible for labor union, supervision and operation support of the Company)
ZHUANG Enyue	54	Vice President (responsible for the custody, liquidation and restructuring business, as well as client development of the Company)
LI Yuejin	57	Vice President (responsible for DES Asset management and information technology of the Company)
WU Songyun	50	Vice President (responsible for distressed debt asset management of the Company)
GU Jianguo	52	Vice President (responsible for budget planning and performance evaluation of Company Branches as well as asset/liability management and financial/ accounting of the Company)
LIU Ligeng	50	Member of Senior Management, Chairman of the labor union
ZHANG Weidong	48	Assistant to President, Board Secretary (responsible for investor relationship management of the Company)
LUO Zhenhong	49	Chief Risk Officer (responsible for the risk management of the Company)

Mr. Zang Jingfan, please see "— Executive Directors".

Mr. Chen Xiaozhou, aged 52, has been a member of Senior Management of the Company since September 2000, and is responsible for the investment and asset management business of the Company. He was accredited as a senior economist by CCB in December 1995. Mr. Chen had held various positions successively in CCB, including director of Projects Financing Division of International Business Department from October 1994 to June 1996, director of Agency Industry Financing Division of International Department from June 1996 to March 1997, and deputy general manager of the Business Department of Head Office from March 1997 to April 1999. Mr. Chen joined the Company in April 1999 and had served successively as director of Investment Banking Department until September 2000, Assistant to the President from September 2000 to February 2003, Vice President from February 2003 to January 2006, Vice President and chairman of the board of directors of Well Kent International Group Co., Ltd. from January 2006 to December 2008. He has been the chairman of the board of directors of Well Kent International Group Co., Ltd. since December 2008, and chairman of Cinda Hong Kong from April 2011 to January 2015. Mr. Chen worked as chairman and executive director of Silver Grant International Industries Limited (listed on Hong Kong Stock Exchange, stock code: 00171) since February 2006, and served as chairman and non-executive director since September 2006. He worked as executive director and chairman of Cinda International (listed on Hong Kong Stock Exchange, stock code: 00111) from December 2008 to January 2015. Mr. Chen graduated from Hangzhou University in July 1983 with a bachelor's degree in economics, the Graduate School of Finance Research Institute of PBOC in November 1988 with a master's degree in economics, and the University of New South Wales in Australia in November 2002 with a master's degree in business.

Mr. Yang Junhua, aged 58, has been a member of Senior Management of the Company since September 2005, and is responsible for the general affairs of the Head Office of the Company. He was accredited as a senior economist by CCB in December 1992. Mr. Yang had held various positions successively in CCB, including director of Construction & Economics Division of Shaanxi Branch from April 1989 to May 1993 (during which he also served as director of Property & Credit Department from May 1989 to June 1992), general manager of Central Sub-branch of Weinan District from May 1993 to March 1994, and vice general manager of Shaanxi Provincial Branch from March 1994 to August 1999. Mr. Yang joined the Company in August 1999 and had served successively as director of Xi'an office from August 1999 to September 2005, Vice President from September 2005 to December 2007, Vice President and President of Happy Life from December 2007 to March 2008, President of Happy Life from March 2008 to March 2011, and chairman of the board of directors of Happy Life from March 2011 to July 2013. Mr. Yang graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1982 with a bachelor's degree in economics, University of International Business and Economics in June 2005 with an EMBA degree, and University of Science and Technology of China in December 2011 with a doctoral degree in management.

Mr. Xiao Lin, aged 60, has been a member of Senior Management of the Company since February 2007, and is responsible for the general affairs of the Head Office of the Company. Mr. Xiao was accredited as senior political engineer (高級政工師) by CCB in November 1997. Mr. Xiao had held various positions in CCB prior to joining the Company, including officer of Cadre System Division under the Human Resources Department from January 1991 to November 1992, organizer of deputy director level of Cadre System Division under the Human Resources Department from November 1992 to January 1995, and director of Cadre System Management Division under the Staff Education Department and deputy general manager of Staff Education Department from January 1995 to April 1999. Mr. Xiao joined the Company in April 1999 and served as director and general manager of the Human Resources Department until August 2007, the director of Labor Union from August 2007 to January 2014, the Vice President from June 2013 to December 2014, and has served as the secretary of Disciplinary Committee since February 2007. Mr. Xiao graduated from the Department of Chemistry of Sichuan University in October 1977, and graduated from University of International Business and Economics in December 2006 with an EMBA degree.

Mr. Zhuang Enyue, aged 54, has been Vice President of the Company since March 2007. He was accredited as a researcher by the National Audit Office in October 1997 and receives government special allowance from the State Council. Mr. Zhuang had held various positions successively in the National Audit Office, including deputy director of Directing Bureau from July 1990 to April 1994, director of the Second Scientific Research Office from April 1994 to January 1997, deputy director of Scientific Research Centre from January 1997 to July 1998, and deputy director of Economic and Trading Section from October 1999 to March 2001. Mr. Zhuang was the vice president of Nanjing Audit University from July 1998 to October 1999, supervisor of deputy director level of the board of supervisors and deputy office director of ICBC from March 2001 to November 2001, and supervisor of director level and office director of ICBC from November 2001 to July 2003. Mr. Zhuang was appointed as the Supervisor of director level of the Board of Supervisors of the Company from July 2003 to March 2007, and executive director of the Company from May 2011 to June 2013. Mr. Zhuang graduated from the Department of Management of Shanghai Maritime University in July 1983 with a bachelor's degree in accounting, and graduated from Renmin University of China in July 1990 with a master's degree in economics.

Mr. Li Yuejin, aged 57, has been Vice President of the Company since February 2011. He was accredited as a senior economist by CCB in December 1995. Mr. Li had held various positions successively in CCB, including chief of the Credit Planning Department and deputy general manager of Dongying Branch, Shandong Province from November 1989 to September 1996, deputy general manager of Zibo Branch from September 1996 to November 1997 and branch general manager of Tai'an Branch from November 1997 to December 1999. Mr. Li joined the Company in December 1999, and had served as deputy director of Jinan office from December 1999 to March 2006, director of Xi'an office from August 2006 to July 2010, general manager of Shaanxi Branch from July 2010 to August 2010, and general manager of Shandong Branch from August 2010 to January 2011. Mr. Li graduated from Shandong University in July 1999 majoring in currency banking, and graduated from Peking University in July 2007 with an EMBA degree.

Mr. Wu Songyun, aged 50, has served as Vice President of the Company since June 2013. He was accredited as a senior economist by CCB in December 1997. Mr. Wu had held various positions successively in CCB, including officer in the Construction and Economic Department from July 1986 to August 1994, officer in the Second Credit Department from August 1994 to April 1996, and deputy director of the Credit Management Department and deputy director of Credit Risk Management Department from April 1996 to April 1999. Mr. Wu joined the Company in April 1999 and had served successively as senior manager and deputy director of the Creditors' Rights Management Department until February 2005, general manager of the Asset Management Department from February 2005 to April 2009, general manager of the Assets Operation Department from April 2009 to September 2011, and Assistant to the President from February 2011 to June 2013. Mr. Wu graduated from Tianjin University in July 1986 with a bachelor's degree in engineering and graduated from Tsinghua University in January 2012 with an EMBA degree.

Mr. Gu Jianguo, aged 52, has served as Vice President of the Company since June 2013. He was accredited as a senior accountant by CCB in March 1997. Mr. Gu had served successively as deputy manager of Securities Department, president assistant as well as manager of the Finance and Accounting Department of China Cinda Trust Investment Company from April 1994 to January 1998. From January 1998 to March 1999, he worked as deputy general manager of the Accounting Department of CCB. He worked as executive director and deputy general manager of Well Kent International Group Co., Ltd. from March 1999 to March 2002. Mr. Gu served as executive director and general manager of Well Kent International Group Co., Ltd. from March 2002 to

February 2011, and served as Assistant to the President of the Company from February 2011 to June 2013. He was the executive director of Cinda International Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 00111) from December 2008 to December 2012. He is the executive director of Silver Grant International Industries Limited (listed on Hong Kong Stock Exchange, stock code: 00171), the director of China Guangdong Nuclear Industrial Investment Fund Management Company, and the independent director of CCB Principal Asset Management Co., Ltd. Mr. Gu had served as the chairman of the supervisory board of Hong Yuan Securities Co., Ltd (listed on SZSE, stock code: 000562) and independent director of Shanghai Tongda Venture Capital Co. Ltd. (listed on the SSE, stock code: 600647). Mr. Gu obtained a bachelor's degree in engineering from Zhejiang Institute of Technology (currently known as Zhejiang University of Technology) in July 1984 and a master's degree in economics from Zhejiang University in January 1991, respectively. He also received a doctoral degree in economics from the Research Institute for Fiscal Science of the MOF in July 1994.

Mr. Liu Ligeng, aged 50, has been the chairman of the labor union of the Company since January 2014. He was accredited as an economist by the PBOC in June 1993. Mr. Liu had served as an officer and deputy head of the Education Division, Human Resources Division and Staff Training Division of the PBOC from July 1988 to September 2003 and 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. He graduated from Beijing Normal University in July 1988 with a bachelor's degree in education and obtained a postgraduate diploma from Hunan College of Finance and Economics (currently known as Hunan University) in July 1998.

Mr. Zhang Weidong, aged 48, has been Assistant to the President of the Company since June 2013. He has served as the Board Secretary of the Company since February 2011 and was accredited as a senior economist by the Company in December 1999. He served as officer of the Real Estate Credit Department and secretary of the Youth League Committee of CCB from July 1992 to April 1999. Mr. Zhang joined the Company in April 1999, and served as senior manager of the President Office, senior manager of the Review Committee, deputy director and general manager of the Asset Appraisal Department from May 1999 to February 2006, and general manager of the Market Development Department from February 2006 to November 2008. He has also served successively as director of the Reorganization Leading Panel Office, the Strategic Investors Introduction and Listing Leading Panel Office and the Listing Preparation Leading Panel Office since November 2008 and general manager of the Investment and Financing Department from April 2009 to September 2011. Mr. Zhang has been the general manager of the Strategic Development Department and the director of the Financial Risk Research Center since September 2013. He graduated from Tongji University in July 1989 with a bachelor's degree in engineering, and graduated from Renmin University of China in June 1992 with a master's degree in economics.

Mr. Luo Zhenhong, aged 49, has been the Chief Risk Officer of the Company since October 2013. Mr. Luo had worked consecutively in CCB's Inner Mongolia Branch and CCB's head office from July 1988 to April 1999. Mr. Luo joined the Company in April 1999 and had served successively as senior manager, deputy general manager and general manager of Legal Department of the Company until April 2009. Since April 2009, Mr. Luo has served as the general manager of the Legal & Compliance Department of the Company. Mr. Luo was vice president of the Banking Law Division of China Law Society from October 2008 to November 2012, and has worked as vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in law in July 1988, a master's degree in law in July 2002, and an EMBA degree in July 2012.

BOARD COMMITTEES

Strategy and Development Committee

We have established a Strategy and Development Committee with written terms of reference. The Strategy and Development Committee consists of nine directors, namely Mr. Hou Jianhang, Mr. Zang Jingfan, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong, Mr. Lu Shengliang, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. Mr. Hou Jianhang currently serves as the Chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to, the following:

(i) to review the general strategic development plan of the Company and make suggestions to the Board;

(ii) to consider and approve the information technology development plan and other special development plans;

(iii) to review the annual operation plan and the fixed asset investment budget for approval by the Board;

(iv) to review the major restructuring and adjustment proposals and make suggestions to the Board;

(v) to review major investment and financing proposals and make suggestions to the Board;

(vi) to review the major merger and acquisition proposals and make suggestions to the Board;

(vii) to review and assess the comprehensiveness of the Company's corporate governance and make suggestions to the Board; and

(viii) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Audit Committee

We have established an Audit Committee with written terms of reference. The Audit Committee consists of five directors, namely Mr. Xu Dingbo, Ms. Wang Shurong, Mr. Yin Boqin, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. Mr. Xu Dingbo currently serves as the Chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

(i) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(ii) to review the financial information and relevant disclosure of the Company;

(iii) to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;

(iv) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of the internal audit department of the Company and formulate medium-to-long term audit plans, annual working plan and internal audit system of the Company as authorized by the Board, and make suggestions to the Board;

(v) to propose the appointment or dismissal of an external accounting firm; to supervise the work of the external accounting firm; and to evaluate the audit report of the external accounting firm to ensure that the accounting firm undertakes its audit responsibilities;

(vi) to facilitate communications and monitor relationship between the internal audit department of the Company and the external accounting firm;

(vii) to monitor the non-compliance of the Company in respect of the preparation of financial reports and internal control; and

(viii) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Risk Management Committee

We have established a Risk Management Committee with written terms of reference. The Risk Management Committee consists of five directors, namely Ms. Xiao Yuping, Mr. Xu Zhichao, Ms. Wang Shurong. Mr. Lu Shengliang and Mr. Xu Dingbo. Ms. Xiao Yuping currently serves as the Chairman of the Risk Management Committee. The primary duties of the Risk Management Committee include, but are not limited to, the following:

(i) to examine the general risk management strategy and risk management policies of the Company according to overall strategic development plan, and supervise their implementation and effectiveness;

(ii) to review overall risk management reports of the Company and supervise the deployment, structure, working procedures and effectiveness of the risk management departments; and to evaluate the risk exposure of the Company and make suggestions and report to the Board on the risk management of the Company;

(iii) to supervise the risk control of the senior management in respect of credit, market and operation risks;

(iv) to formulate and amend the compliance policies of the Company, evaluate and oversee the Company's level of compliance and make suggestions to the Board; and

(v) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Nomination and Remuneration Committee

We have established a Nomination and Remuneration Committee with written terms of reference. The Nomination and Remuneration Committee consists of three directors, namely Mr. Li Xikui, Ms. Wang Shurong and Mr. Qiu Dong. Mr. Li Xikui currently serves as the Chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee include, but are not limited to, the following:

(i) to formulate procedures and standards for the election of directors and senior management and submit the proposed procedures and standards to the Board for approval;

(ii) to nominate to the Board the candidates for directors, presidents and secretary to the Board;

(iii) to preliminarily examine the eligibility of candidates for directors and senior management;

(iv) to nominate candidates for chairmen and members of the special committees of the Board (other than the chairman of the strategic development committee);

(v) to review and make recommendation on the composition of the Board;

(vi) to organize and formulate the remuneration plan of directors and senior management for approval of the Board and propose remuneration distribution plan according to the performance appraisal of directors and senior management for approval of the Board; and

(vii) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Related Party Transaction Control Committee

We have established a Related Party Transaction Control Committee with written terms of reference. The Related Party Transaction Control Committee consists of three directors, namely Mr. Qiu Dong, Ms. Yuan Hong and Mr. Xu Dingbo. Mr. Qiu Dong currently serves as the director of the Related Party Transaction Control Committee. The primary duties of the Related Party Transaction Control Committee include, but are not limited to, the following:

(i) to identify related parties of the Company and report to the Board and the board of supervisors and promptly inform the relevant parties of the Company;

(ii) to review management rules for related party transactions, oversee its implementation and make suggestions to the Board;

(iii) to conduct preliminary review on related party transactions to be approved by the Board or shareholders' general meeting and submit to the Board for approval;

(iv) to consider and approve related party transactions and other matters thereof as authorized by the Board;

(v) to maintain records of related party transactions;

(vi) to consider and approve the annual management report on related party transactions and report to the Board; and

(vii) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

As of December 31, 2014, according to the register we maintain in accordance with Section 336 of the SFO, the following parties had shares or interests or short positions in the shares of the Company:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of Share	Nature of interest	Approximate % of interest of the total issued Share capital of our Company	Approximate % of the relevant class of shares of our Company
MOF	Beneficial owner	24,596,932,316	Domestic Shares	Long position	67.84%	100%
NSSF	Beneficial owner	2,914,843,174	H Shares	Long position	8.04%	25.00%
UBS AG	Beneficial owner	1,751,348,017	H Shares	Long position	4.83%	15.02%
	Beneficial owner	1,568,253,515	H Shares	Short position	4.33%	13.45%
	Person holding a security interest in shares	67,812,696	H Shares	Long position	0.19%	0.58%
	Interest of controlled corporation	1,312,903,969	H Shares	Long position	3.62%	11.26%
	Interest of controlled corporation	2,655,770	H Shares	Short position	0.01%	0.02%
UBS Group AG(1)	Person holding a security interest in shares	67,812,696	H Shares	Long position	0.19%	0.58%
	Interest of controlled corporation	3,064,251,986	H Shares	Long position	8.45%	26.28%
	Interest of controlled corporation	1,570,909,285	H Shares	Short position	4.33%	13.47%

Notes:

(1) UBS Group AG holds 96.64% equity interest in UBS AG and is deemed to be interested in 3,132,064,682 H Shares (long position) and 1,570,909,285 H Shares (short position).

Except as disclosed above, no other parties were recorded in the register of the Company required to be maintained under Section 336 of the SFO as having shares or interests or short positions in the shares of the Company as of December 31, 2014.

DESCRIPTION OF THE NOTES AND THE GUARANTEES

1 General

The particular terms of any Notes sold will be described in an accompanying supplement to this Offering Memorandum (a "Pricing Supplement"). The terms and conditions set forth in this "Description of the Notes and the Guarantees" will apply to each Note unless otherwise specified in the applicable Pricing Supplement and in such Note.

Notes issued by China Cinda Finance (2015) I Limited (the "KW Notes Issuer" and such notes, the "KW Notes") will be issued pursuant to an Indenture dated as of April 13, 2015, among the KW Notes Issuer, China Cinda (HK) Holdings Company Limited (the "HK Guarantor") and The Bank of New York Mellon, as trustee (the "Trustee"), as amended, supplemented and/or restated from time to time (the "KWN Indenture"). The KW Notes will be guaranteed by the HK Guarantor (such guarantee, the "HK Guarantee"). In addition, the KW Notes will have the benefit of the Keepwell Deed dated as of April 13, 2015 (the "Keepwell Deed") and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking dated as of April 13, 2015 (the "Deed of Undertaking"), each among China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (the "Company"), the HK Guarantor, the KW Notes Issuer and the Trustee.

Notes issued by China Cinda Finance (2015) II Limited (the "Guaranteed Notes Issuer" and such notes, the "Guaranteed Notes") will be issued pursuant to an Indenture dated as of April 13, 2015, initially among the Guaranteed Notes Issuer and the Trustee, as amended, supplemented and/or restated from time to time (the "GN Indenture"). Prior to the issuance of any such Guaranteed Notes, the Company will execute and deliver a supplemental indenture to the GN Indenture, a form of which is attached thereto as an exhibit, through which the Company will become a party to the GN Indenture and will guarantee the Guaranteed Notes (such guarantee, the "PRC Guarantee").

The terms of the Notes will be subject to all the provisions contained in the relevant Indenture and the conditions set out in the relevant Note (as modified and supplemented by the applicable Pricing Supplement, the "Conditions").

The Pricing Supplement for each Note will supplement the Conditions and may specify other terms and conditions, which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of the relevant Note. The holders of Notes issued in bearer form, or the registered holders of Notes issued in registered form, as the case may be (the "holders") will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the relevant Indenture, as well as the Keepwell Deed and the Deed of Undertaking and the PRC Guarantee, as the case may be. Copies of the Notes, the Indentures, the PRC Guarantee, the Keepwell Deed and the Deed of Undertaking will be available for inspection at the Corporate Trust Office of the Trustee.

For a description of the terms of the Guarantees, see the section "The Guarantees" below. For a description of the terms of the Keepwell Deed and the Deed of Undertaking, see the section "Keepwell Deed and Deed of Undertaking" below.

As used herein, the KW Notes and the Guaranteed Notes are collectively referred to as the "Notes", and each, a "Note", as applicable; the KW Notes Issuer and the Guaranteed Notes Issuer are collectively referred to as the "Issuers", and each, an "Issuer", as applicable; the "Guarantor" means the HK Guarantor with respect to the KW Notes (but only to the extent such notes are outstanding) and/or the Company with respect to the Guaranteed Notes (but only to the extent such notes are outstanding), as the case may be; the "Guarantee" means either the HK Guarantee with respect to the KW Notes or the PRC Guarantee with respect to the Guaranteed Notes, as applicable; and the KWN Indenture and the GN Indenture are collectively referred to as "Indentures", and each, an "Indenture", as applicable. All capitalized terms otherwise used in this "Description of the Notes and the Guarantees" but not defined herein shall have the meanings assigned to them in the relevant Indenture and in the relevant Pricing Supplement.

The Notes will be direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer, and rank *pari passu* with all other unsecured and unsubordinated obligations of such Issuer (other than obligations preferred by applicable law) and senior in priority of payment and in all other respects to all other Indebtedness (as defined below) of such Issuer that is designated as subordinate or junior in right of payment to the Notes.

Registered Notes will be issued in fully registered form, without coupons. Registered Notes may be issued in certificated form (the "Certificated Securities"), or may be represented by one or more registered global securities (each, a "Registered Global Security") held by or on behalf of the Depositary. Certificated Securities will be available only in the limited circumstances set forth in the relevant Indenture. The Registered Notes, and transfers thereof, will be registered as provided in each of the Indentures. Any person in whose name a Registered Note is registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Registered Note regardless of any notice of ownership, theft, loss or any writing thereon.

Bearer Notes will be issued in bearer form, with Coupons (and, where appropriate, Talons) attached, except in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in the Conditions are not applicable. Installment Notes will be issued with one or more Receipts attached. Bearer Notes may be issued in definitive form ("Definitive Bearer Notes"), or may be represented by one or more global securities, which may be Temporary Global Notes held by or on behalf of the Depositary. Interests in a Temporary Global Note will be exchangeable for interests in a Permanent Global Note or Definitive Bearer Notes on or after the Exchange Date upon certification as provided therein. Definitive Bearer Notes will be available only in the limited circumstances set forth in the Indentures. Any holder of any Bearer Note, Receipt, Coupon or Talon may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Bearer Note, Receipt, Coupon or Talon regardless of any notice of ownership, theft, loss or any writing thereon. Title to the Bearer Notes and any Coupon will pass by delivery.

Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single series or tranche of Notes may comprise of both Bearer Notes and Registered Notes.

2 **The Guarantees**

(a) The HK Guarantee: The KW Notes will be guaranteed by the HK Guarantor. Under the KWN Indenture, the HK Guarantor will irrevocably and unconditionally guarantee the due and punctual payment of the principal of and interest on, and all other amounts payable under (including any Additional Amounts payable in respect of) the KW Notes when and as the same shall become due and payable, whether on the stated maturity, upon acceleration, by call for redemption or otherwise. The HK Guarantor has (i) agreed that its obligations under the HK Guarantee will be as if the HK Guarantor were principal obligor and not merely surety, and will be enforceable irrespective of any invalidity, irregularity or unenforceability of the KW Notes or the KWN Indenture (other than in respect of the HK Guarantee) and (ii) waived the HK Guarantor's right to require the Trustee to pursue or exhaust its legal or equitable remedies against the KW Notes Issuer prior to exercising its rights under the HK Guarantee.

(b) The PRC Guarantee: The Guaranteed Notes will be guaranteed by the Company. Prior to the issuance of any Guaranteed Notes, the Company will execute a supplement to the GN Indenture, a form of which is attached thereto as an exhibit, and become a party to the GN Indenture. The Company will register or cause to be registered with the State Administration of Foreign Exchange of PRC ("SAFE") the GN Indenture in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定), in addition to other matters in order to comply with all applicable PRC laws and regulations in relation to the PRC Guarantee

Under the GN Indenture, as supplemented by the supplemental indenture attached in form thereto as an exhibit, the Company will irrevocably and unconditionally guarantee the due and punctual payment of the principal of and interest on, and all other amounts payable under (including any Additional Amounts payable in respect thereof) the Guaranteed Notes when and as the same shall become due and payable, whether at the stated maturity, upon acceleration, by call for redemption or otherwise. The Company will have (i) agreed that its obligations under the PRC Guarantee will be as if the Company were principal obligor and not merely surety, and will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Guaranteed Notes or the GN Indenture (other than in respect of the PRC Guarantee) and (ii) waived the Company's right to require the Trustee and the holders to pursue or exhaust their legal or equitable remedies against the Guaranteed Notes Issuer prior to exercising their rights under the PRC Guarantee.

The Guarantees will not be discharged with respect to any Note except by payment in full of the principal thereof, interest thereon and all other amounts payable thereunder (including any Additional Amounts payable in respect thereof). Moreover, if at any time any amount paid under a Note is rescinded or must otherwise be restored, the rights of the holder of the Note under the Guarantees will be reinstated with respect to such payment as though such payment had not been made. All payments under the Guarantees will be made in U.S. Dollars.

3 **Principal and Interest**

The relevant Issuer, for value received, will promise to pay to the holder of a Note on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption to the holder under the Conditions and (unless the Note does not bear interest under the Conditions) to pay to the holder interest in respect of such Note from the Interest Commencement Date in arrears at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and Additional Amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

3A. ***Type of Notes***

A Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Installment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement. Details of such Interest, Redemption and/or Payment Basis not set out in this "Description of the Notes and the Guarantees" will be set out in the Pricing Supplement.

3B. ***Interest and Calculations***

(a) Interest on Fixed Rate Notes: Each Fixed Rate Note will bear interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3B(j).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note will bear interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3B(j). Such Interest Payment Date(s) is either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in the Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of Condition 3B(b)(iii)(A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the Pricing Supplement;

(y) the Designated Maturity is a period specified in the Pricing Supplement; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of this Condition 3B(b)(iii)(A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11:15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then as of 2:30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Pricing Supplement as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Pricing Supplement.

(y) if the Relevant Screen Page is not available or if, Condition 3B(b)(iii)(B)(x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if Condition 3B(b)(iii)(B)(x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide in writing the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11:15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference

Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if Condition 3B(b)(iii)(B)(y) applies and fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as provided in writing to the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11:15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11:15 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent (in writing) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market as at 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, the Euro-zone inter bank market as at 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, the Hong Kong inter bank market as at 11:00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, the Hong Kong inter bank market as at 11:15 a.m. (Hong Kong time), as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 3B(b)(iii)(B)(z), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.

(c) Zero Coupon Notes: Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortization Yield (as described in Condition 9(b)(i)).

(d) Dual Currency Notes: In the case of Dual Currency Notes, if the rate or amount of interest is to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

(e) Partly Paid Notes: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.

(f) Accrual of Interest: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 3B to the Relevant Date (as defined in Condition 5).

(g) Margin, Maximum/Minimum Rates of Interest, Installment Amounts and Redemption Amounts and Rounding:

(i) If any Margin is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3B(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 3B(g)(ii).

(ii) If any Maximum or Minimum Rate of Interest, Installment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Installment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to the Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) Maximum or Minimum Rate of Interest: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. If the relevant Pricing Supplement does not specify any Minimum Rate of Interest and the Rate of Interest as determined by the Calculation Agent according to this Condition 3B is a negative value, the Rate of Interest shall be zero percent per annum.

(i) Calculations: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(j) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Installment Amounts: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, (subject to being provided the required quotations in writing by the Reference Banks) make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Installment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Installment Amount to be notified (in writing) to the Trustee, the Issuer, the Guarantor, each of the paying agents, the holders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3B(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 3B(i) but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties. None of the Trustee or the paying agents shall be responsible for calculating or verifying the Early Redemption Amount.

(k) Definitions: For the purposes of this Condition 3B, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the location of the relevant paying agent; and

(b) in the case of:

(i) a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center for such currency; and/or

(ii) euro, a day on which the TARGET System is operating (a "TARGET Business Day"); and/or

(iii) Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) a currency and/or one or more Financial Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Financial Center(s) or, if no currency is indicated, generally in each of the Financial Centers.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual — ISDA" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" = is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" = is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1"= is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2"= is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" = is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" = is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" = is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" = is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1"= is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2"= is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" = is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" = is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" = is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" = is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" = is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" = is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" = is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" = is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "Actual/Actual-ICMA" is specified in the Pricing Supplement:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"Determination Date" means the date(s) specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollar or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollar nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Pricing Supplement.

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the Pricing Supplement.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement.

"Rate of Interest" means the rate or rates of interest payable from time to time in respect of the Note specified in the Pricing Supplement or calculated or determined in accordance with the Conditions and/or the provisions of the Pricing Supplement.

"Redemption Amount" means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, each as specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

"Redemption Date" means the Optional Redemption Date specified in the applicable Pricing Supplement or such other date set for redemption of the Notes pursuant to Condition 9.

"Reference Banks" means, (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (iii) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter bank market, and (iv) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter bank market, in each case selected by the Issuer and notified in writing to the Calculation Agent or as specified in the Pricing Supplement.

"Reference Rate" means the rate specified as such in the Pricing Supplement.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

"Specified Currency" means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on November 19, 2007 or any successor thereto.

(l) Calculation Agent: The Issuer and the Guarantor shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is Outstanding (as defined in the relevant Indenture). Where more than one Calculation Agent is appointed in respect of the Notes, references in the Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer and the Guarantor shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place.

In particular, the Issuer may procure that the definition of "Business Day" and "Financial Center" in Condition 3B shall be amended so as to be a day on which TARGET System is operating, and that, if interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non leap year divided by 365)) or on any other basis which is customary and which the Issuer deems appropriate.

4 **Payments**

(a) Registered Notes: Principal of (and premium, if any, on) the Notes will be payable against surrender of such Notes at the specified office of the applicable paying agent in the Place of Payment, (A) in the case of a currency other than Renminbi, by transfer to an account in the Specified Currency maintained by the holder with, a bank in New York City (or, the Financial Center set out in the Pricing Supplement) and (B) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong. Payment of interest (including Additional Amounts (as defined below)) on Registered Notes will be made to the persons in whose name such Registered Notes are registered, in the case of a currency other than Renminbi, at the end of the fifteenth day preceding the date on which interest is to be paid or, in the case of Renminbi, at the end of the fifth day preceding the date on which interest is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Registered Notes upon any transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date; provided that if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the persons in whose names such Registered Notes are registered as of a subsequent record date established by the Issuer by notice, as provided in Condition 15, by or on behalf of the Issuer to the holders not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest.

Payment of interest on Certificated Securities will be made (A) in the case of a currency other than Renminbi, (i) by a check in the Specified Currency drawn on a bank in New York City (or, the Financial Center set out in the Pricing Supplement) mailed to the holder at such holder's registered address or (ii) upon application by the holder of at least the amount specified in the Pricing Supplement in principal amount of Certificated Securities to the registrar not later than the relevant Record Date, by wire transfer in immediately available funds to an account maintained by the holder with a bank in New York City (or, the Financial Center set out in the Pricing Supplement) and (B) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Payment of interest on a Registered Global Security will be made (A) in the case of a currency other than Renminbi, (i) by a check in the Specified Currency drawn on a bank in New York City delivered to the Depositary at its registered address or (ii) by wire transfer in immediately available funds in the Specified Currency to an account maintained by the Depositary with a bank in New York City (or, the Financial Center set out in the Pricing Supplement) and (B) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

(b) Bearer Notes: Each paying agent acting through its specified office outside the United States, its territories and possessions shall make payments of principal and interest in respect of Bearer Notes in accordance with the terms of the Indenture applicable to such Bearer Notes; *provided, however*, that:

(i) if any Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon is presented or surrendered for payment to any paying agent and such paying agent has delivered a replacement therefor or has been notified that the same has been replaced, such paying agent should promptly notify the Issuer of such presentation or surrender and shall not make payment against the same until it is so instructed by the Issuer and has received the amount to be so paid;

(ii) a paying agent should not be obliged (but shall be entitled) to make payments of principal or interest in respect of the Bearer Notes, if it is not able to establish that the Trustee or the paying agent has received (whether or not at the due time) the full amount of any payment due to it;

(iii) the relevant paying agent should cancel or procure the cancellation of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together, in the case of early redemption, with such unmatured Receipts or Coupons or unexchanged Talons as are attached to such Definitive Bearer Note at the time of such redemption), Receipt, Coupon or Talon, against surrender of which it has made full payment and should (if such paying agent is not the Trustee) deliver or procure the delivery of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together with, as aforesaid, such unmatured Receipts or Coupons or unexchanged Talons as are attached to or surrendered with the relevant Bearer Notes), Receipt, Coupon or Talon so cancelled by it to, or to the order of, the Trustee; or

(iv) in the case of payment of interest, principal or, as the case may be, any other amount against presentation of a Temporary Global Note, the relevant paying agent should note or procure that there is noted on the schedule thereto (or, in the absence of a schedule, on the face thereof) the amount of such payment and, in the case of payment of principal, the remaining principal amount of the relevant Bearer Note (which shall be the previous principal amount less the principal which has then been paid).

Payments of principal and interest on Bearer Global Notes will be made in a manner specified in the relevant Bearer Global Notes against presentation or surrender, as the case may be, of such Bearer Global Note at the office of the relevant paying agent outside of the United States. Notwithstanding anything to the contrary, no payment of interest shall be made on a Temporary Global Note that is issued in compliance with the D Rules except to the extent that certification of non-U.S. beneficial ownership has been properly received in accordance with the D Rules prior to such payment. The holder of a Temporary Global Note will not be entitled to collect any payment due on or after the Exchange Date unless, upon due presentation of the Temporary Global Note in accordance with the terms of the Temporary Global Note, exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused. A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Note by the relevant paying agent and such record will be prima facie evidence that the payment in question has been made absent manifest error.

Payments of principal and interest on Definitive Bearer Notes will be made against presentation or surrender, as the case may be, of such Definitive Bearer Note at the office of the relevant paying agent outside of the United States. Payments of interest in respect of Definitive Bearer Notes will be made only against surrender of Coupons and payments of principal will be made only against surrender of Receipts, in each, at the office of the relevant paying agent outside of the United States. All payments of principal and interest on Definitive Bearer Notes will be made (A) in the case of a currency other than Renminbi, by a check payable in the Specified Currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System and (B) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong. Notwithstanding the provisions of this Condition 4(b), if payments of interest and/or principal on a Bearer Note will be made in U.S. Dollars, such payments may be made in the United States if:

(1) the Issuer has appointed paying agents with specified offices outside the United States with the reasonable expectation that such paying agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(2) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(3) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Notes by the relevant paying agent and such record will be prima facie evidence that the payment in question has been made, absent manifest error.

No paying agent should exercise any Lien, right of set-off or similar claim against any person to whom it makes any payment under Condition 4 in respect thereof, nor shall any commission or expenses be charged by it to any such person in respect thereof.

If a paying agent makes any payment in accordance with Condition 4, it should notify the Trustee of the amount so paid by it, the serial number of the relevant Temporary Global Note, Permanent Global Note or Definitive Bearer Note against presentation or surrender of which payment of principal or interest was made and the number of Coupons by maturity against which payment of interest was made.

If at any time and for any reason a paying agent makes a partial payment in respect of a Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon presented for payment to it, such paying agent should endorse thereon a statement indicating the amount and date of such payment.

(c) Unless another Business Day Convention is specified in the Pricing Supplement in any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Notes shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(d) Interest in respect of any period of less than one year shall be calculated on the basis of the Day Count Fraction specified in the Pricing Supplement.

(e) All monies paid by or on behalf of the Issuer to the Trustee or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Note and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of the Issuer by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of the Issuer. The holder or holders of such Note or Notes shall thereafter look only to the Issuer for the payment that such holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease.

(f) If the Issuer at any time defaults in the payment of any principal of, or interest (including Additional Amounts) on, the Notes, the Issuer will pay interest on the amount in default (to the extent permitted by law in the case of interest on interest), calculated for each day until paid, at the rate per annum specified in the Pricing Supplement, together with Additional Amounts, if applicable.

5 Taxation; Additional Amounts

All payments of principal and interest in respect of the Notes and/or the Guarantees will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong, the PRC or any other jurisdiction in which the Guarantor or the Issuer, as the case may be (or any successor to the Guarantor or the Issuer, as the case may be) is tax resident, in each case including any political subdivision, territory or possession thereof, any authority therein having power to tax or any area subject to its jurisdiction or any jurisdiction from or through which any payment is made by the Guarantor or the Issuer (each, a "Relevant Taxing Jurisdiction") unless such Taxes are required by law to be withheld or deducted. If any deduction or withholding for any Taxes of the applicable Relevant Taxing Jurisdiction shall at any time be so required, the Guarantor or the Issuer, as the case may be, shall pay such additional amounts ("Additional Amounts") as will result (after deduction of such taxes, duties, assessments or governmental charges and any additional taxes, duties, assessments or governmental charges payable in respect of such Additional Amounts) in receipt by each holder of a Note of such amounts as would have been received by such holder with respect to such Note or Guarantee, as applicable, had no such withholding or deduction been required; *provided, however*, that no Additional Amounts shall be payable in respect of any Note:

(i) to a holder (or to a third party on behalf of a holder) who is liable to such Taxes in respect of such Note by reason of his having some connection with the Relevant Taxing Jurisdiction other than the mere holding of the Note; or

(ii) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such Additional Amounts on surrender of such Note for payment on the last day of such period of 30 days; "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes; or

(iii) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting the Note (where presentation is required) to another paying agent; or

(iv) with respect to any Taxes that would not have been imposed but for the failure of the holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the holder to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of the Note, if compliance is required as a precondition to relief or exemption from the tax, duty assessment or governmental charge; or

(v) with respect to any withholding or deduction that is imposed or levied on a payment pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(vi) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other similar governmental charge; or

(vii) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the U.S. Internal Revenue Code and the U.S. Treasury regulations, thereunder ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or guidance enacted or issued in any jurisdiction with respect thereto; or

(viii) with respect to any Taxes payable otherwise than by deduction or withholding from payments under or with respect to any Note or Guarantee; or

(ix) with respect to any combination of taxes, duties, assessments or other governmental charges referred to in the preceding items (i) through (viii) above.

In addition, Additional Amounts will not be paid with respect to any payment of the principal of or any interest on any Note or under the Guarantees to any holder of a Note who is a fiduciary, a partnership, a limited liability company or person other than the sole beneficial owner of such payment to the extent that such payment would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, a member or shareholder of that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member, shareholder or beneficial owner been the holder.

Whenever in the Indenture or in the Conditions there is mentioned, in any context, the payment of principal or interest in respect of any Note or Guarantee, such mention shall be deemed to include the payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the Indenture.

6 Covenants

The covenants and provisions set forth below in this Condition 6 (other than 6D(iv)) shall only apply to an Issuer and the applicable Guarantor to the extent that there are outstanding Notes issued by such Issuer.

6A. *Limitation on Liens*

The relevant Guarantor and relevant Issuer will not, and will not permit any of their respective Subsidiaries (other than any Listed Subsidiary of the relevant Guarantor) to, create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the relevant Guarantor or relevant Issuer or any Subsidiary thereof (or any guarantees or indemnity in respect thereof) outside of the PRC without, in any such case, making effective provision whereby the Notes and the relevant Guarantee will be secured either at least equally and ratably with such Relevant Indebtedness or by such other Lien as shall have been approved by the holders of the Notes as provided in the applicable Indenture, for so long as such Indebtedness will be so secured.

The foregoing restriction will not apply to:

(i) any Lien which is in existence on or prior to the date of the relevant Indenture;

(ii) any Lien arising or already arisen automatically by operation of law, or for taxes, assessments or governmental charges which is promptly discharged or disputed in good faith by appropriate proceedings;

(iii) any Lien existing on any property or asset prior to the acquisition thereof by the relevant Issuer, relevant Guarantor, any Guarantor Subsidiary of the relevant Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(iv) any right of set-off or combination of accounts arising in favor of any bank or financial institution as a result of the day-to-day operation of banking arrangements;

(v) any Lien either over any asset acquired after the date of the relevant Indenture which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the relevant Guarantor's Subsidiary after the date of the relevant Indenture which is in existence at the date on which it becomes the relevant Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased); provided that any such Lien was not incurred in anticipation of such acquisition or of such company becoming the relevant Guarantor's Subsidiary;

(vi) any Lien created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the date of the relevant Indenture; *provided, however,* that (a)(i) any such Lien shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired) and; (ii) to the extent that such Lien shall secure any other property or asset, the principal amount of the debt encumbered by such Lien shall not exceed the cost of the applicable acquisition, development or improvement and (b) any such Lien shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

(vii) any Lien pursuant to any order of attachment, execution, enforcement, distraint or similar legal process arising in connection with court proceedings; *provided, however*, that such process is effectively stayed, discharged or otherwise set aside within 30 days;

(viii) any Lien created or outstanding in favor of the relevant Guarantor, relevant Issuer or a wholly-owned Subsidiary thereof;

(ix) any easement, right-of-way, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of the relevant Guarantor or any of its Subsidiaries;

(x) any Lien in favor of any government or any subdivision thereof, securing the obligations of the relevant Guarantor or any of its Subsidiaries under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

(xi) any Lien on any loan extended by a Finance Subsidiary to the relevant Guarantor, relevant Issuer or any of their Subsidiaries;

(xii) any Lien on the Capital Stock of any Finance Subsidiary incorporated after the date of the relevant Indenture, to the extent that the credit support arrangements contemplated with respect to the Relevant Indebtedness to which such Lien relates is substantially identical to the credit support arrangements contained in the Bitronic Bond Offering (as certified by an Independent Investment Bank and notified in writing to the Trustee); and *provided, however,* that the Company complies with its obligations under Clause 5(i) or (iii) of the Keepwell Deed;

(xiii) any Lien securing reimbursement obligations with respect to letters of credit and similar instruments;

(xiv) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or asset covered thereby; or

(xv) any Lien in respect of Indebtedness of the relevant Guarantor or relevant Issuer with respect to which the relevant Guarantor or relevant Issuer has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the relevant Guarantor and relevant Issuer in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

6B. ***Limitation on Consolidation, Merger and Sale of Assets***

Neither the relevant Guarantor nor relevant Issuer may consolidate with or merge into any other Person in a transaction in which the relevant Guarantor or Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

(i) any Person formed by such consolidation or into which the relevant Guarantor or relevant Issuer, as the case may be, is merged or to whom the relevant Guarantor or Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation (which, in the case of the Issuers, is the HK Guarantor or is a Person 100% of the equity of which is directly owned by the HK Guarantor and which has elected to be treated as a disregarded entity for U.S. federal income tax purposes) validly existing under the laws of the jurisdiction of its organization and such Person expressly assumes by an indenture supplemental to the Indenture all the obligations of the relevant Guarantor or relevant Issuer under the applicable Indenture, the Notes or the Guarantee, as the case may be;

(ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) any such Person not organized and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong or any successor jurisdiction (in the case of the HK Guarantor), the PRC or any successor jurisdiction (in the case of the Company) or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental indenture that its jurisdiction of organization or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Taxing Jurisdictions; and

(iv) if, as a result of the transaction, any property or asset of the relevant Guarantor or any of its Subsidiaries would become subject to a Lien that would not be permitted under Condition 6A, the relevant Guarantor, Issuer or such successor Person takes such steps as shall be necessary to secure the Notes at least equally and ratably with the Indebtedness secured by such Lien or by such other Lien as shall have been approved by holders of the Notes pursuant to the applicable Indenture.

6C. ***Preservation of Corporate Existence***

For so long as any Notes remains outstanding, the relevant Issuer and the applicable Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect their corporate existence and that of each of their Subsidiaries and the corporate rights (charter and statutory) and corporate licenses of the Issuer and each such Subsidiary, except where a failure to do so, singly or in the aggregate, would not have a material adverse effect upon the financial condition, prospects, results of operations or business of the Issuer, Guarantor and its or their Subsidiaries (if any) taken as a whole.

6D. ***Limitation on the Issuers' Activities***

For so long as the Notes are outstanding:

(i) each Issuer will conduct no business or any other activities other than the offering, sale or issuance of the Notes (including any further securities issued in accordance with Condition 16), the lending of the proceeds thereof to the HK Guarantor or a company controlled by the Company, directly or indirectly, and located in a jurisdiction outside the PRC, the maintenance of the Issuer's corporate existence and any other activities in connection therewith;

(ii) each Issuer will not issue any Capital Stock other than the issuance of its ordinary shares to the HK Guarantor;

(iii) neither the relevant Guarantor nor the relevant Issuer will commence or take any action to cause a winding-up or liquidation of such Issuer;

(iv) the HK Guarantor will maintain 100% equity ownership of each Issuer;

(v) each Issuer has elected or will elect to be treated as a disregarded entity for U.S. federal income tax purposes effective on or before the original issue date of the Notes, and none of the relevant Issuer or the relevant Guarantor will take any action that is inconsistent with an Issuer being treated as a disregarded entity; and

(vi) none of the Issuers will issue Notes with a term of more than thirty years or Notes that are treated as equity for U.S. federal income tax purposes.

6E. ***Provision of Reports***

So long as any of the Notes remain outstanding, the relevant Issuer and relevant Guarantor will deliver to the Trustee the following documents in the English language:

(i) as soon as they are available, but in any event within 180 calendar days after the end of the fiscal year of the relevant Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of independent accountants; and

(ii) as soon as they are available, but in any event within 135 calendar days after the end of the first semi-annual fiscal period of the relevant Guarantor, copies of its unaudited financial statements (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the relevant Guarantor, together with a certificate signed by the person then authorized to sign financial statements on behalf of the relevant Guarantor, to the effect that such financial statements are true in all material respects and present fairly the financial position of the relevant Guarantor, as at the end of, and the results of its operations for, the relevant semi-annual period;

provided however, that if at any time the capital stock of the relevant Guarantor is listed for trading on a recognized stock exchange, the relevant Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the relevant Guarantor are filed with any recognized exchange on which the relevant Guarantor's capital stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in clauses (i) and (ii) above.

Each Issuer shall deliver to the Trustee as soon as possible, and in any event within 10 days after the Issuer becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and an Officer's Certificate setting forth the details thereof and the action the Issuer is taking or proposes to take with respect thereto (if any).

To the extent any Notes are issued, the relevant Guarantor will agree in the relevant Indenture that, so long as any such Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act of 1933 (the "Securities Act"), the relevant Guarantor, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the U.S. Exchange Act of 1934 (the "Exchange Act") or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, will furnish, upon the request of any holder of a relevant Note or of a beneficial interest in a relevant Note, such information as is specified in paragraph (d)(4) of Rule 144A, to such holder or beneficial owner or to a prospective purchaser of a relevant Note or a beneficial interest in a relevant Note who is a qualified institutional buyer within the meaning of Rule 144A, in order to permit compliance by the holder or beneficial owner with Rule 144A in connection with the resale of the relevant Note or beneficial interest in the relevant Note in reliance on Rule 144A.

7 **Keepwell Deed and Deed of Undertaking**

The KW Notes Issuer and the HK Guarantor will agree in the KWN Indenture to apply all funds received by either of them as a result of the performance of the Company's obligations under the Keepwell Deed and the Deed of Undertaking towards payment and discharge of their respective obligations under the KW Notes, the HK Guarantee and the KWN Indenture, in each case in accordance with the terms of the Keepwell Deed and the Deed of Undertaking.

Under the terms of the KWN Indenture, holders of the KW Notes (or the Trustee or any successor trustee under the KWN Indenture) may bring an action to enforce their rights against the KW Notes Issuer, the HK Guarantor and the Company under the Keepwell Deed and the Deed of Undertaking, subject to compliance with and in accordance with the provisions under Condition 8 below.

Upon the occurrence of any Event of Default (as defined below), the Trustee shall give to the Company (with a copy to the KW Notes Issuer and the HK Guarantor) a notice in writing in accordance with the KWN Indenture notifying the Company of its obligations to purchase and/or to invest under the Deed of Undertaking.

The KWN Indenture will contain provisions that will permit the Company to, without requiring any consent from any holder of the KW Notes, (a) provide an irrevocable and unsubordinated guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of the KW Notes or (b) make offers to exchange the KW Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the KW Notes as certified by an Independent Investment Bank and notified in writing to the Trustee. Upon compliance with such provisions, the provisions of the KWN Indenture referring to the "Keepwell Deed" and the "Deed of Undertaking" shall be deemed to be replaced with references to such guarantees or new securities, and the Keepwell Deed and the Deed of Undertaking shall cease to have effect.

8 **Events of Default**

Each of the following shall constitute an "Event of Default" under the relevant Indenture for each series of Notes:

(i) failure to pay principal of, or premium on, if any, any Note after the date such amount is due and payable, upon optional redemption, acceleration or otherwise;

(ii) failure to pay interest on any Note within 30 days after the due date for such payment;

(iii) failure by the relevant Issuer or relevant Guarantor to comply with its obligations under the covenants described under Condition 6B;

(iv) (x) with respect to the KW Notes, failure to perform any other covenant or agreement of the Company, the HK Guarantor or the KW Notes Issuer in the KWN Indenture, the Keepwell Deed or the Deed of Undertaking, as applicable (other than those referred to paragraphs (i), (ii) and (iii) above and (viii) below), and (y) with respect to the Guaranteed Notes, failure to perform any other covenant or agreement of the Company or the Guaranteed Notes Issuer in the GN Indenture (other than those referred to paragraphs (i), (ii) and (iii) above and (viii) below), and in each case, such failure continues for 60 days after there has been given, by registered or certified mail, to the Company, the HK Guarantor or the relevant Issuer, as the case may be, by the relevant Trustee or by the holders of at least 25% in aggregate principal amount of the Notes of that series then outstanding (with a copy to the relevant Trustee) a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" under the applicable Indenture;

(v) the applicable Guarantee shall cease to be in full force or effect or the relevant Guarantor shall deny or disaffirm its obligations under such Guarantee;

(vi) (a) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Company, the HK Guarantor, any Issuer or any Principal Subsidiary, (b) acceleration of the maturity of any Indebtedness of the Company, the Guarantor, any Issuer or any Principal Subsidiary following a default by the Company, the HK Guarantor, such Issuer, or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 calendar days after receipt by the relevant Trustee of the written notice from the Company, the HK Guarantor or the relevant Issuer as provided in the relevant Indenture, or (c) failure to pay any amount payable by the Company, the HK Guarantor, any Issuer or any Principal Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 calendar days after receipt by the Trustee of written notice as provided in the relevant Indenture; *provided, however*, that no such event set forth in clause (a), (b) or (c) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds 0.5% of the Total Assets of the Company (or its equivalent in any other currency);

(vii) failure by the Company, the HK Guarantor, any Issuer or any Principal Subsidiary to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organization for Economic Cooperation and Development, aggregating in excess of 0.5% of the Total Assets of the Company (or its equivalent in other currencies), which judgments are not paid, discharged or stayed for a period of 60 days, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(viii) (x) with respect to the KW Notes, the Keepwell Deed or the Deed of Undertaking is not (or is claimed by the Company not to be) in full force and effect or the Company is in breach of its obligations thereunder; or the Keepwell Deed or the Deed of Undertaking is modified, amended or terminated, other than strictly in accordance with their respective terms, and (y) with respect to the Guaranteed Notes, the PRC Guarantee is not (or is claimed by the Company not to be) in full force and effect or the Company is in breach of its obligations thereunder; or the PRC Guarantee is modified, amended or terminated, other than strictly in accordance with its terms;

(ix) (x) a decree or order is entered (i) for relief in respect of the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary in an involuntary case of winding-up or bankruptcy proceeding under applicable law or (ii) adjudging the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary bankrupt or insolvent, or (y) in connection with the bankruptcy or insolvency of the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary, a decree or order is entered seeking a reorganization, a winding up, an arrangement, an adjustment or a composition, with creditors, of or in respect of the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary under applicable law, or (z) a decree or order is entered appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary or of all or substantially all of their respective properties, or ordering the winding up or liquidation of any of their affairs, and in each case, any such decree or order remains unstayed and in effect for a period of 60 consecutive days; except in each case, for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganization, merger or consolidation of a Principal Subsidiary whereby the assets or undertakings of such Principal Subsidiary are vested in or otherwise transferred to the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary;

(x) the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganization or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary files a petition or answer or consent seeking reorganization or relief under applicable bankruptcy, insolvency, reorganization or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Company, the HK Guarantor, the relevant Issuer or any Principal Subsidiary or of all or substantially all of its respective property, or makes an assignment for the benefit of creditors, or takes corporate action in furtherance of any such action; except in each case, for the purposes of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation of a Principal Subsidiary whereby the assets or undertakings of such Principal Subsidiary are vested in or otherwise transferred to the Company, the HK Guarantor, any Issuer or any Principal Subsidiary;

(xi) (x) a distress, attachment, execution, any other legal process is levied, enforced or sued out on or against, or (y) any mortgage, charge, pledge, lien or other encumbrance, present or future, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), in each case with respect to, all or substantially all of the property, assets or revenues of the Company, the HK Guarantor, the relevant Issuer or any of the Principal Subsidiaries, as the case may be, and is not discharged or stayed within 60 days;

(xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (x) to enable the relevant Issuer, the HK Guarantor and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the relevant Indenture, the Keepwell Deed (other than with regard to the performance and compliance with the obligations thereunder) and the Deed of Undertaking (other than with regard to the performance and compliance with the obligations thereunder), as applicable, (y) to ensure that those obligations are legally binding and enforceable and (z) to make the Notes, the relevant Indenture, the Keepwell Deed and the Deed of Undertaking, as applicable, admissible in evidence in the courts of New York and Hong Kong (as the case may be) is not taken, fulfilled or done; or

(xiii) it is or will become unlawful for any of the Company, the Guarantor and the relevant Issuer to perform or comply with any one or more of their respective obligations under any of the Notes, the relevant Indenture, the Keepwell Deed or the Deed of Undertaking, as applicable.

If an Event of Default (other than an Event of Default described in clause (ix) above) with respect to the Notes of that series shall occur and be continuing, either the holders of at least 25% in aggregate principal amount of the Notes of that series then outstanding by notice as provided in the relevant Indenture or the Trustee (subject to receiving indemnification and security satisfactory to it and upon instructions of at least 25% in aggregate principal amount of Notes of that series then outstanding) may declare the Notes of that series to be due and payable immediately at their Early Redemption Amount together (if applicable) with any accrued and unpaid interest thereon. If an Event of Default in clause (ix) above with respect to the Notes of that series shall occur, the Notes of that series will automatically, and without any action by the Trustee or any holder of Notes of that series, become immediately due and payable at their Early Redemption Amount together (if applicable) with any accrued and unpaid interest thereon. After any such acceleration but before a judgment or decree based on acceleration has been obtained, the holders of at least a majority in aggregate principal amount of the Notes of that series then outstanding may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal or premium, have been cured or waived as provided in the relevant Indenture. For information as to waiver of defaults, see Condition 21.

Subject to the provisions of the relevant Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under an Indenture at the written request or direction of any of the holders of Notes of any series unless such holders shall have offered to the Trustee security and/or indemnity satisfactory to the Trustee. Subject to certain provisions, including those requiring security and/or indemnification of the Trustee, the holders of a majority in aggregate principal amount of the Notes of a series then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes, including in each case on behalf of the holders of KW Notes under the Keepwell Deed and the Deed of Undertaking, as the case may be. However, the Trustee may refuse to follow any direction that conflicts with applicable law or the relevant Indenture, that may involve the Trustee in personal liability or cause it to expend or risk its own funds or otherwise incur any financial liability in following such direction and may take any other action that is not inconsistent with any such direction received from holders. No holder of any Notes of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the relevant Indenture, the Keepwell Deed or the Deed of Undertaking, as the case may be, or for the appointment of a receiver or a trustee, or for any other remedy thereunder unless:

(i) such holder has previously given to the relevant Trustee written notice of a continuing Event of Default with respect to the Notes of that series;

(ii) the holders of at least 25% in aggregate principal amount of the Notes of that series then outstanding have made written request, and such holder or holders have offered to the relevant Trustee indemnity and/or security satisfactory to the relevant Trustee against any fees, costs, liabilities or expenses to be incurred in compliance with such request, to institute such proceeding as trustee; and

(iii) the relevant Trustee has failed to institute such proceeding, and has not received from the holders of a majority in aggregate principal amount of the Notes of that series then outstanding a written direction inconsistent with such request, within 60 days after such notice, request and offer of indemnity and/or security satisfactory to it.

However, such limitations do not apply to a suit instituted by a holder of a Note, including for the avoidance of doubt any suit instituted by a holder of a Note under the Keepwell Deed, the Deed of Undertaking or the PRC Guarantee, as the case may be, for the enforcement of the right to receive payment of the principal of or interest on such Note on or after the applicable due date specified in such Note.

Neither the Company, the HK Guarantor nor any of their respective Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any Notes of any series for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes of that series unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes of that series that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

The relevant Trustee need not do anything to ascertain whether any Event of Default with respect to any series of Notes has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the relevant Trustee may assume that no such event has occurred and that each of the Company, the HK Guarantor and the relevant Issuer is performing all their respective obligations under the relevant Indenture and such Notes and relevant Guarantee, the Keepwell Deed and Deed of Undertaking, as the case may be, unless a Responsible Officer or the Trustee has received written notice of the occurrence of such event or facts establishing that the Company, the HK Guarantor or such Issuer, as the case may be, is not performing all of its obligations under the relevant Indenture and such Notes and relevant Guarantee, the Keepwell Deed and Deed of Undertaking, as the case may be.

9 **Redemption**

(a) Redemption by Installments and Final Redemption:

(i) unless previously redeemed, purchased and cancelled each Note that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(ii) unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the Pricing Supplement, is its nominal amount) or, in the case of a Note falling within Condition 9(a)(i) above, its final installment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 9(c) or upon it becoming due and payable as provided in Condition 8 shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.

(B) Subject to the provisions of Condition 9(b)(i)(C) below, the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortized Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date, compounded annually).

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 9(c) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 9(b)(i)(B) above, except that such Condition shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 9(b)(i)(C) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 8.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 9 or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Early Redemption Amount on the Final Redemption Amount.

(c) Redemption for Taxation Reasons:

Each series of Notes may be redeemed, at the option of the Issuer thereof, in whole but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), upon notice as described below, at their Early Redemption Amount (as described in Condition 9(b)), together with accrued interest (if any) to the date fixed for redemption and Additional Amounts, if any, if, as a result of any change in or amendment to the laws of a Relevant Taxing Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the, or announcement of any, official interpretation or official application of such laws, regulations or rulings, which change or amendment or announcement (i) in the case of the Guarantor or the Issuer becomes effective on or after the issue date of the relevant Notes and (ii) in the case of any successor to the Guarantor or the Issuer that is organized or tax resident in a jurisdiction that is not a Relevant Taxing Jurisdiction as of the original issue date of the Notes becomes effective on or after the date such successor assumes the Guarantor's or the Issuer's obligations, as applicable, under the Notes, the relevant Guarantee and the relevant Indenture,

(1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes as described above under Condition 5; or

(2) the Guarantor is or would be unable, for reasons outside its control, on the next succeeding due date for a payment with respect to the Notes to procure payment by the Issuer thereof, and with respect to a payment due or to become due under the Guarantee, the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts as described above under Condition 5; or

(3) any payment to the Issuer by the Guarantor or any wholly-owned subsidiary of the Company to enable the Issuer to make payment of interest or Additional Amounts, if any, on the Notes is or would be when paid to the Issuer before the next succeeding due date for a payment on the Notes subject to withholding or deduction for taxes imposed by a Relevant Taxing Jurisdiction or any authority therein or thereof having power to tax,

and such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or the Issuer, as the case may be.

Notice of redemption of the Notes of any Series as provided above shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption. Notice having been given, the Notes of such series shall become due and payable on the date fixed for redemption and will be paid at the redemption price, together with accrued interest to the date fixed for redemption and any Additional Amounts, at the place or places of payment and in the manner specified in the notice. From and after the date fixed for redemption, if moneys for the redemption of such Notes shall have been made available as provided in the Indenture for redemption on the date fixed for redemption, the Notes shall cease to bear interest, and the only right of the holders of the Notes shall be to receive payment of the redemption price and interest accrued (if any) to the date fixed for redemption.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Guarantor or a surviving person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the date fixed for redemption an Officers' Certificate stating that a change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, the Guarantor or such surviving person, as the case may be, taking reasonable measures available to it.

The Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

(d) Repurchase Upon a Change of Control Triggering Event

Unless previously redeemed under "Redemption" above, upon a Change of Control Triggering Event, the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest (if any) on the principal amount of Notes being repurchased to but excluding the date of repurchase (a "Change of Control Offer").

Within 30 days following any Change of Control Triggering Event, the Issuer will be required to give written notice to holders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given (the "Change of Control Purchase Date").

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Notes properly tendered and not withdrawn under its offer.

A holder will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of new Notes, representing the portion not repurchased, in an amount of less than the minimum Specified Denomination as set out in the Pricing Supplement.

The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred unless a Responsible Officer of the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so. Neither the Trustee nor any Agent shall be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so.

(e) Redemption at the Option of the Issuer:

If Call Option is specified in the Pricing Supplement, the Issuer may, on giving not less than 20 nor more than 30 days' irrevocable notice to the holders (or such other notice period as may be specified in the Pricing Supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount (which may be the Early Redemption Amount (as described in Condition 9(b)) together with interest (if any) accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 9(e).

In the case of a partial redemption, the notice to holders shall, in the case of Bearer Notes, also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, specify the nominal amount of Registered Notes selected and the holder(s) of such Registered Notes, to be redeemed, which shall have been selected as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and if the Notes are held through any clearing system, in compliance with the requirements of the clearing systems; or

(2) if the Notes are not held through any clearing system, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate unless otherwise required by law.

(f) Redemption at the Option of Holders:

If Put Option is specified in the Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount (which may be the Early Redemption Amount (as described in Condition 9(b)) together with interest (if any) accrued to the date fixed for redemption.

To exercise such option the holder must deposit a duly completed option exercise notice in the form obtainable from any paying agent, the registrar or any transfer agent (as applicable) within the notice period with the registrar or any transfer agent at its specified office, in the case of Definitive Notes together with the relevant Definitive Note representing such Note(s). No Note so deposited and option exercised may be withdrawn without the prior consent of the Issuer.

(g) Redemption of Partly Paid Notes:

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 9 and the provisions specified in the Pricing Supplement.

(h) Repurchase Upon Occurrence of SAFE Noncompliance Event in the context of Guaranteed Notes:

In the context of issuance of Guaranteed Notes, upon completion by the Company of registration of the PRC Guarantee with the SAFE, the Company will be required to deliver an officer's certificate in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the SAFE and certifying that such copy is true and correct (such registration and delivery of an officer's certificate attaching the certificate of registration referred to collectively as the "SAFE Completion Event"). If, on the date that is 60 Beijing Business Days after the closing date of each offering of Guaranteed Notes, the SAFE Completion Event shall not have occurred (such nonoccurrence, a "SAFE Noncompliance Event"), the Guaranteed Notes Issuer will be required to make an offer to repurchase all of the Guaranteed Notes issued under such offering at a price in cash equal to 100% of the principal amount of the Guaranteed Notes repurchased, plus accrued and unpaid interest on the principal amount of the Guaranteed Notes being repurchased to but excluding the date of repurchase (a "SAFE Noncompliance Offer").

Within 10 calendar days following a SAFE Noncompliance Event, the Guaranteed Notes Issuer will be required to give written notice of the SAFE Noncompliance Offer to holders of the relevant Guaranteed Notes offering to repurchase all of the Guaranteed Notes of that series on the date specified in the notice, which date will be no earlier than 25 calendar days and no later than 35 calendar days from the date such notice is given. See "Risk Factors — Risks Relating to the Guaranteed Notes — The Guaranteed Notes Issuer may not be able to redeem the relevant Series of the Guaranteed Notes upon the occurrence of a SAFE Noncompliance Event."

A holder of the Guaranteed Notes will have no right to require the Guaranteed Notes Issuer to repurchase portions of the Guaranteed Notes if it would result in the issuance of new Guaranteed Notes, representing the portion not repurchased, in an amount of less than the minimum Specified Denomination as set out in the Pricing Supplement.

10 Certain Definitions

For the purposes of this "Description of the Notes and the Guarantees", the terms defined below have the following meanings:

"Bitronic Bond Offering" means the offering of CNY2,000,000,000 4.0 per cent. Bonds due 2014 issued on December 12, 2012, by Bitronic Limited, a wholly owned subsidiary of the Company, as further described in an Offering Memorandum dated December 5, 2012.

"Capital Stock" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

"Change of Control" means the occurrence, at any time, of any of the following:

(i) the Company ceasing to own and control, directly or indirectly 100.0% of the Voting Shares of the HK Guarantor; or

(ii) the HK Guarantor ceasing to own and control directly 100.0% of the Voting Shares of any Issuer; or

(iii) the government of the PRC or Persons controlled by the government of the PRC ceasing to Control the Company.

"Change of Control Triggering Event" means a Change of Control, *provided, however*, that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Bank that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the relevant Guarantor obtains fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained.

"Control" means directly or indirectly (i) owning and controlling at least 50.1% of the Voting Shares of the Company; or (ii) nominating or appointing a majority of the members of the Company's board of directors or other equivalent or successor governing body; or (iii) possessing the ability or power to direct the management policies of the Company.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at 101 Barclay Street, New York, NY 10286, United States of America, attention: Global Corporate Trust — China Cinda Finance (2015) I Limited and China Cinda Finance (2015) II Limited.

"Specified Corporate Trust Office" means The Bank of New York Mellon, Hong Kong Branch located at Level 24, Three Pacific Place, 1 Queen's Road East, Hong Kong, facsimile: +852 2295 3283, attention: Corporate Trust — China Cinda Finance (2015) I Limited and China Cinda Finance (2015) II Limited.

"Finance Subsidiary" means any Person who is wholly-owned by the HK Guarantor and who does not engage in any business activity except (1) the incurrence of Indebtedness to Persons other than the Company, the HK Guarantor, the Issuers or any of their respective Subsidiaries, (2) the ownership of shares of another Finance Subsidiary, (3) activity related to the establishment or maintenance of that Person's corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1), (2) or (3) (but for the avoidance of doubt does not include the Issuer).

"Guarantor Subsidiary" means a Subsidiary of the Guarantor.

"Indebtedness" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person.

"Independent Investment Bank" means one of the Reference Treasury Dealers appointed by the Guarantor and notified to the Trustee in writing.

"Investment Grade" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any United States nationally recognized rating agency or agencies, as the case may be, which shall have been designated by the relevant Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be.

"Lien" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind.

"Listed Subsidiary" means any Subsidiary of the Company or the HK Guarantor, as the case may be, the shares of which are at the relevant time listed on any stock exchange, and any Subsidiary of such Listed Subsidiary.

"Officer" means the General Manager, the Chief Financial Officer, any Deputy General Manager or any director of any Issuer or any Guarantor, as the case may be.

"Officer's Certificate" means a certificate signed by an Officer of any Issuer or any Guarantor, as the case may be.

"Opinion of Counsel" means an opinion (in form and substance acceptable to the Trustee) of independent legal advisers of recognized international standing that is acceptable to the Trustee.

"Person" means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Principal Subsidiary" at any time shall mean a Subsidiary of the Company (other than a Listed Subsidiary):

(i) as to which one or more of the following conditions is/are satisfied:

(a) its net profit or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 10% of the consolidated net profit of the Company (before taxation and exceptional items); or

(b) its net assets or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority interests in Subsidiaries) are at least 10% of the consolidated net assets of the Company (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Company and the then latest consolidated financial statements of the Company, provided that: (1) in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (2) if, in the case of a Subsidiary of the Company which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the accounts of a Subsidiary of the Company (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Company then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Company requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the audited consolidated accounts of the Company and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Subsidiary of the Company which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above).

A certificate of the auditors of the Company as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"Rating Agencies" means (i) Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("S&P"); (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("Moody's"); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("Fitch"); and (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any United States nationally recognized securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be.

"Rating Date" means, in connection with a Change of Control Triggering Event, that date which is 90 calendar days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by any Person or Persons to effect a Change of Control.

“Rating Decline” means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by any Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(i) in the event the Notes are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or

(ii) in the event the Notes are (a) on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the relevant Guarantor in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the relevant Guarantor, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the relevant Guarantor by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

“Relevant Indebtedness” of any Person means (i) any present or future indebtedness that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance; and (ii) all Relevant Indebtedness of others guaranteed by such Person.

“Responsible Officer” means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the relevant Indenture.

“Subsidiary” means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person.

“Total Assets” means the consolidated total assets of the Company and its subsidiaries calculated by reference to the then latest financial statements of the Company (which can be internal financial statements).

“U.S. Internal Revenue Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Voting Shares” means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

11 Replacement, Exchange and Transfer of Notes

(a) Upon the terms and subject to the conditions set forth in the applicable Indenture, in case any Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Issuer thereof will execute, and upon the request of the Issuer, the Trustee or the registrar, as applicable, shall authenticate and deliver, a new Note bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and in substitution for the apparently destroyed, lost or stolen Note. In every case, the applicant for a substitute Note shall furnish to the Issuer thereof and to the Trustee or the registrar, as applicable, such security and/or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of the Issuer or the Trustee or the registrar, as applicable, harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substitute Note, the holder of such Note, if so requested by the Issuer thereof, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and counsel to the Trustee) connected with the preparation and issuance of the substitute Note.

(b) Upon the terms and subject to the conditions set forth in the applicable Indenture, and subject to Condition 11(e), a Definitive Note or Notes may be exchanged for an equal aggregate principal amount of Certificated Securities in the Specified Denominations, and a beneficial interest in the Registered Global Security may be exchanged for Certificated Securities in the Specified Denominations or for a beneficial interest in another Registered Global Security by the holder or holders surrendering the Note or Notes for exchange at the Corporate Trust Office of the Trustee or at the office of a transfer agent, together with a written request for the exchange. Definitive Notes will only be issued in exchange for interests in a Registered Global Security pursuant to each Indenture. The exchange of the Notes will be made by the transfer agent.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Condition 11(e), a Certificated Security may be transferred in whole or in a smaller Specified Denomination by the holder or holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee or at the office of a paying agent accompanied by an executed instrument of transfer substantially as set forth in an exhibit to each Indenture. The registration of transfer of the Notes will be made by the registrar.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Condition 11 will be borne by the relevant Issuer, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, transfer tax or other governmental charge or insurance charge that may be imposed in relation thereto, which will be borne by the holder.

(e) The transfer agent and the registrar may decline to accept any request for an exchange or registration of transfer of any Registered Note during the period of 15 days preceding the due date for any payment of principal of or interest on the Registered Notes.

12 Trustee

For a description of the duties and the immunities and rights of the Trustee under the relevant Indenture, reference is made to such Indenture, and the obligations of the relevant Trustee to the holder of a Note are subject to such immunities and rights.

13 Paying Agents; Transfer Agents; Registrar

The Issuers have initially appointed the paying agents, transfer agents and registrar. The Issuers may at any time appoint additional or other paying agents, transfer agents and, with respect to Registered Notes, registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Notes are Outstanding the Issuers will maintain in London and, with respect to Registered Notes, New York City (i) a paying agent, (ii) an office or agency where the Notes may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) with respect to Registered Notes, a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar will act will be promptly given in the manner described in Condition 15.

14 Enforcement

Subject to provisions of each Indenture regarding the absolute right to payment of principal and interest as described therein, no holder shall have any right to institute any proceeding with respect to the relevant Indenture or the Notes or any remedy thereunder, unless the Trustee (i) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such holder and a request to act by holders of at least 25% in aggregate principal amount of outstanding Notes; (ii) has been offered indemnity and/or security satisfactory to it; and (iii) has not received from the holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request; *provided, however* that such limitations do not apply to a suit instituted by a holder for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in Condition 8(ii)).

15 Notices

Notices to holders of Notes will be in writing in the English language and will be mailed to them (or the first named of joint holders) by first class mail (or, if first class mail is unavailable, by airmail) at their respective addresses in the register and will be deemed to have been given on the fourth Business Day after the date of mailing. So long as and to the extent that the Notes are represented by global notes and such global notes are held by DTC, Euroclear or Clearstream (as the case may be), in lieu of mailing, notices to owners of beneficial interests in the global notes may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream (as the case may be) for communication by it to entitled account holders.

16 Further Issues of Notes

The Issuer with respect to a series of Notes may, without the consent of the holders thereof, create and issue additional Notes with the same terms and conditions as such Notes (or that are the same except for the amount of the first interest payment and for the interest paid on the Notes prior to the issuance of the additional Notes). Such Issuer may consolidate such additional Notes with the outstanding Notes to form a single series, *provided* that:

(i) in the case of Registered Notes where the outstanding or additional Notes were or are issued in reliance on Rule 144A, such additional Notes will not have the same CUSIP number, ISIN number, Common Code or other identifying number as the outstanding Notes of the relevant series unless such additional Notes are fungible with the outstanding Notes of that series for U.S. federal income tax purposes; and

(ii) in the case of Bearer Notes issued in accordance with the D Rules that are initially represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Bearer Notes, such consolidation can only occur following the exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership.

17 **No Sinking Fund**

The Notes will not be subject to any sinking fund.

18 **Authentication**

A Note shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or the registrar.

19 **Governing Law; Agent for Service; Submission to Jurisdiction; Waiver of Immunity**

(a) The Notes will be governed by and construed in accordance with the laws of the State of New York.

(b) Each of the relevant Issuer and Guarantor will irrevocably submit to the non-exclusive jurisdiction of any New York State or United States Federal Court located in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to the applicable Indenture, the Guarantee or any Note. Each of the relevant Issuer and the Guarantor will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts has been brought in an inconvenient forum. To the extent that each of the relevant Issuer and Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, each of the relevant Issuer and Guarantor will irrevocably waive such immunity in respect of its obligations under the applicable Indenture, the Guarantee and any Note. The relevant Issuer and the Guarantor will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on each of the relevant Issuer and the Guarantor and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which each of the relevant Issuer and the Guarantor, as the case may be, is subject by a suit upon such judgment or in any manner provided by law; provided that service of process is effected upon each of the relevant Issuer and Guarantor, as the case may be, in the manner specified in the following paragraph or as otherwise permitted by law.

(c) As long as any of the Notes remain Outstanding, each of the relevant Issuer and Guarantor shall at all times have an authorized agent in New York City upon whom process may be served in any legal action or proceeding arising out of or relating to such Indenture, the Guarantee or any Note. Service of process upon such agent and written notice of such service mailed or delivered to each of the relevant Issuer and Guarantor, as the case may be, shall to the fullest extent permitted by law be deemed in every respect effective service of process upon each of the relevant Issuer and Guarantor in any such legal action or proceeding. Each of the Issuers and the HK Guarantor will appoint National Corporate Research, Ltd. as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 10E, 40th Street, 10th Floor, New York, NY 10016, U.S.A. (or at such other address or at the office of such other authorized agent as each of the Issuers and the HK Guarantor, as the case may be, may designate by written notice to the Trustee from time to time).

20 Purchases of Notes by the Issuers

Each Issuer may at any time purchase or acquire any of the Notes issued by it in any manner and at any price. The Notes which are purchased or acquired by an Issuer may, at such Issuer's discretion, be held, resold or surrendered to the Trustee for cancellation.

21 Amendment, Supplement and Waiver

Each Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of any Issuer and the rights of the holders under the applicable Indenture and the Notes at any time by such Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the Notes at the time outstanding. Each Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Notes at the time outstanding, on behalf of the holders of all Notes, to waive compliance by the Issuer with certain provisions of the Indenture and the Notes and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the holders of the Notes shall be conclusive and binding upon such holders and upon all future holders of the Notes and of any Notes issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon the Notes. Subject to the foregoing, each Indenture and the Notes may be amended by any Issuer and the Trustee, without the consent of any holder, for the purpose of, among other things, curing any ambiguity, omission, defect or inconsistency, adding guarantees with respect to the Notes or to secure the Notes or making any change that does not adversely affect the rights of any holder of the Notes.

No reference herein to the Indenture and no provision of the Note or of this Indenture shall alter or impair the obligation of each Issuer, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest and Additional Amount on the Notes issued by it at the times, place, and rate, and in currency, herein prescribed.

22 Transfers

(a) Restricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if (1) the owner of a beneficial interest in a Restricted Global Security wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Note through a beneficial interest in the Unrestricted Global Security, (x) upon receipt by the registrar, as transfer agent, of:

(i) instructions from the holder of the Restricted Global Security directing the Custodian and registrar to credit or cause to be credited a beneficial interest in the Unrestricted Global Security equal to the principal amount of the beneficial interest in the Restricted Global Security to be transferred, and

(ii) a certificate from the transferor as to compliance with Regulation S in form and substance required by the applicable Indenture,

and (y) subject to the rules and procedures of DTC and the common depositary for Euroclear and Clearstream, the transfer agent shall instruct DTC to increase the Unrestricted Global Security and decrease the Restricted Global Security by such amount in accordance with the foregoing, and the transfer agent shall instruct the common depositary for Euroclear and Clearstream, as the case may be, concurrently with such reduction, to increase the principal amount of the Unrestricted Global Security of the same Series by the aggregate principal amount of the beneficial interest in the Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Unrestricted Global Security equal to the reduction in the principal amount of such Restricted Global Security.

(b) Unrestricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if the owner of an interest in a Unrestricted Global Security wishes to transfer such interest (or any portion thereof) to a qualified institutional buyer pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, (x) upon receipt by the transfer agent of:

(i) instructions from the holder of the Unrestricted Global Security directing the Custodian and registrar to credit or cause to be credited a beneficial interest in the Restricted Global Security equal to the principal amount of the beneficial interest in the Unrestricted Global Security to be transferred, and

(ii) a certificate from the transferor as to compliance with Rule 144A in form and substance required by the applicable Indenture,

and (y) in accordance with the rules and procedures of DTC, the common depositary for Euroclear and Clearstream, the transfer agent shall instruct DTC to increase the Restricted Global Security and decrease the Unrestricted Global Security by such amount in accordance with the foregoing and the transfer agent shall instruct the common depositary for Euroclear and Clearstream, or the custodian for DTC, as applicable, to reduce the principal amount of the Unrestricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security or to be exchanged or transferred, and the transfer agent shall instruct DTC, concurrently with such reduction, to increase the principal amount of such Restricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of such Unrestricted Global Security.

(c) Other Transfers or Exchanges

Any transfer of Restricted Global Securities not described above (other than a transfer of a beneficial interest in a Global Security that does not involve an exchange of such interest for a Certificated Security or a beneficial interest in another Global Security, which must be effected in accordance with applicable law and the rules and procedures of DTC, the common depositary for Euroclear and Clearstream, but is not subject to any procedure required by the Indenture) shall be made only upon receipt by the transfer agent of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with the above. Certificated Securities will not be exchangeable for Bearer Notes.

23 **Defeasance**

The Indentures provide that, upon the conditions set forth therein, any Guarantor and any Issuer (i) may each be discharged from all their respective obligations with respect to Notes of a series (except for certain obligations to exchange or register the transfer of Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold moneys for payment in trust and pay Additional Amounts), or (ii) need not comply with certain restrictive covenants of the Notes (including those described under Condition 6 and Condition 8), in each case upon the deposit in trust for the benefit of the holders of such Notes of money in U.S. dollars or U.S. Government Obligations (as defined in the Indenture), or both, which, through the payment of principal and interest thereon in accordance with their terms, will provide money in an amount sufficient to pay the principal of and interest on such Notes (and any Additional Amounts at such time and required to be paid at such time in respect thereof) in accordance with the terms of the Indenture and the Notes. Such defeasance may occur only if the relevant Guarantor or the relevant Issuer has delivered to the Trustee an Opinion of Counsel to the effect that beneficial owners of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance or discharge and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit, defeasance had not occurred, which Opinion of Counsel must, in the case of defeasance in accordance with (i) above, be based on a ruling received by the relevant Guarantor or the Issuer from the U.S. Internal Revenue Service or a published ruling of the U.S. Internal Revenue Service or other changes in applicable U.S. federal income tax law after the date hereof.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed which will be applicable to each series of the KW Notes. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake to the KW Notes Issuer, HK Guarantor and the Trustee that it shall directly or indirectly own and hold all the outstanding shares of each of the KW Notes Issuer and the HK Guarantor and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a court decree or order of any governmental authority, in each case, not obtained at the direction or request of the KW Notes Issuer, the HK Guarantor or the Company (and which, in the opinion of an independent legal adviser to the Company of international standing, may not be successfully challenged) or as permitted under the Indentures.

The Company will further undertake to the KW Notes Issuer, the HK Guarantor and the Trustee that it shall maintain the HK Guarantor as the primary overseas investment holding Subsidiary of the Company and overseas fund raising platform of the Company and shall directly or indirectly appoint all senior management of the HK Guarantor.

In addition, the Company will undertake that it shall cause:

(i) each of the KW Notes Issuer and the HK Guarantor to have a Consolidated Net Worth (as defined in the Keepwell Deed) of at least US$1.00 at all times;

(ii) each of the KW Notes Issuer and the HK Guarantor to have sufficient liquidity to ensure timely payment by each of the KW Notes Issuer and the HK Guarantor of any amounts payable under or in respect of the KW Notes and the HK Guarantee in accordance with the terms and conditions of the KW Notes and/or the KW Notes Indenture and otherwise under the KW Notes Indenture; and

(iii) each of the KW Notes Issuer and the HK Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.

The Company will undertake to the Trustee in the Keepwell Deed that:

(i) it as an issuer shall not create or have any Relevant Indebtedness outside the PRC, unless the Company, subject to it having used all reasonable efforts to obtain all requisite regulatory approval, at the same time or prior thereto without requiring any consent from any holder of the KW Notes, (a) provides an irrevocable and unsubordinated guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of the KW Notes or (b) offers to exchange the KW Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the KW Notes as certified by an Independent Investment Bank (as defined in the Keepwell Deed) and notified in writing to the Trustee;

(ii) it shall comply with the covenants described under "Description of the Notes and the Guarantees — Certain Covenants — Limitation on Liens" as if all references to "the HK Guarantor" therein were to "the Company" and all references to "HK Guarantor Subsidiary" therein were to "Subsidiary"; provided that as regards (i) the KW Notes Issuer and the HK Guarantor, such covenant will continue to apply to the HK Guarantor and the HK Guarantor Subsidiaries; and (ii) the Company and its Subsidiaries (other than the HK Guarantor and the HK Guarantor Subsidiaries), the restrictions set forth in such covenant will in addition not apply to any Lien upon the Company's or such

Subsidiaries' property or assets, at any time, to secure any Relevant Indebtedness outside the PRC of the Company or its other Subsidiaries only to the extent that the book value of such property or assets is less than 5% of the Total Assets (as defined in the Keepwell Deed) of the Company; and

(iii) it will not create, incur, assume or permit to exist or have outstanding any guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of any Relevant Indebtedness outside the PRC, without, subject to it having used all reasonable efforts to obtain all requisite regulatory approval, at the same time or prior thereto and without requiring any consent from any holder of the KW Notes, (a) providing to the KW Notes the same or an equivalent guarantee (or indemnity the economic effect of which shall be similar to a guarantee) or (b) offering to exchange the KW Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the KW Notes as certified by an Independent Investment Bank and notified in writing to the Trustee.

For the purposes of the restrictions (i) and (iii) described above, Relevant Indebtedness, with respect to the Company, shall be deemed to include any Relevant Indebtedness of any Subsidiary of the Company with the benefit of credit support arrangement provided by the Company substantially similar to the credit support arrangements contained in the Bitronic Bond Offering.

The Company will further undertake:

- to procure that the articles of association of each of the KW Notes Issuer and the HK Guarantor shall not be amended in a manner that is, directly or indirectly, adverse to holders of the KW Notes in any material respect;
- to cause each of the KW Notes Issuer and the HK Guarantor to remain in full compliance with the terms and conditions of the KW Notes, the HK Guarantee and the KW Notes Indenture, and to comply with all applicable rules and regulations of the British Virgin Islands and Hong Kong, in each case in all material respects;
- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking in all material respects;
- to cause each of the KW Notes Issuer and the HK Guarantor to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed, the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking, the HK Guarantee and the KW Notes Indenture in all material respects; and
- to ensure that the HK Guarantor and the KW Notes Issuer will comply with the covenants described under "Description of Notes and Guarantees — Certain Covenants — Limitation on Issuer 's Activities".

The Company will also undertake to the Trustee to furnish the Trustee with a compliance certificate and periodic financial reports in accordance with the terms of the Keepwell Deed.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by or any legally binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the KW Notes Issuer or the HK Guarantor under the laws of any jurisdiction, including the PRC.

The parties to the Keepwell Deed will acknowledge that in order for each of the KW Notes Issuer, the Company and the HK Guarantor to comply with its respective obligations under the Keepwell Deed, it may be subject to governmental or regulatory approvals, permits and filings pursuant to applicable laws.

The Keepwell Deed may only be modified, amended or terminated by the written agreement of the parties thereto subject to the terms and conditions of the KW Notes and the provisions of the KW Notes Indenture.

The Keepwell Deed shall cease to have effect immediately following compliance with the provisions of the KW Notes Indenture described under the fourth paragraph of "Description of the Notes and the Guarantees — Keepwell Deed and Deed of Undertaking".

The Keepwell Deed will be governed by and construed in accordance with Hong Kong law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed and accordingly any legal action or proceedings arising out of or in connection with the Keepwell Deed may be brought in such courts.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE, INVESTMENT AND LIQUIDITY SUPPORT UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Undertaking which will be applicable to each series of KW Notes. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Undertaking. Defined terms used but not defined herein have the meaning given to them in the Deed of Undertaking.

The Company intends to assist the KW Notes Issuer and the HK Guarantor in meeting their respective obligations under the KW Notes, the HK Guarantee and the KW Notes Indenture. Pursuant to the terms of the Deed of Undertaking entered into between the Company, the KW Notes Issuer, the HK Guarantor and the Trustee, the Company agrees to:

(i) purchase, either by itself or through a PRC incorporated subsidiary of the Company (the "Designated Purchaser") and subject to obtaining relevant approvals, certain equity interests upon receiving a written purchase notice (the "Purchase Notice") from the Trustee following the occurrence of an Event of Default under the KW Notes. The equity interests comprise the interests held by the Relevant Transferor(s) in the registered capital (the "Equity Interest") of a subsidiary of the Company that is held by such Relevant Transferor;

(ii) invest in the KW Notes Issuer or the HK Guarantor an amount equal to the Shortfall Amount, either by itself or through a subsidiary of the Company (the "Designated Investor") and subject to obtaining relevant investment approvals, upon receiving a written investment notice (the "Investment Notice") from the Trustee following the occurrence of an Event of Default under the KW Notes; and

(iii) execute a loan agreement with the HK Guarantor or the KW Notes Issuer (as applicable) and pay to or to the order of the HK Guarantor or the KW Notes Issuer (as applicable) the Shortfall Amount payable in immediately available funds in U.S. dollars to a U.S. bank account of the HK Guarantor or the KW Notes Issuer (as applicable) upon receiving a written trigger notice (the "Trigger Notice") from the Trustee following the occurrence of an Event of Default under the KW Notes.

The Shortfall Amount means the aggregate of the following:

(i) an amount in U.S. dollars sufficient to enable the KW Notes Issuer and the HK Guarantor to discharge in full their respective obligations under the KW Notes, the HK Guarantee and the KW Notes Indenture that are due and owing as at the date of the relevant notice (including without limitation the principal amount of the KW Notes then outstanding that is due and owing as at the date of such notice and any interest due and unpaid and/or accrued but unpaid on the KW Notes up to but excluding the date of such notice);

(ii) an amount equal to the interest payable in respect of the immediately following interest period on the KW Notes, if any, plus;

(iii) all costs, fees and expenses and other amounts payable to the Trustee and/or the agents under or in connection with the KW Notes, the HK Guarantee, the KW Notes Indenture, the Keepwell Deed and/or the Deed of Undertaking that are due and owing as at the date of such notice plus provisions for costs, fees and expenses and other amounts which may be incurred after the date of such notice, as notified by the Trustee in such notice.

PURCHASE OBLIGATION

Following the occurrence of an Event of Default under the KW Notes, the Trustee shall issue a Purchase Notice to the Company. Upon the receipt of such Purchase Notice, the Company agrees that it shall, subject to obtaining all Relevant Approvals (as defined in the Deed of Undertaking), purchase (either by itself or through a Designated Purchaser) the Equity Interests held by the HK Guarantor and/or any other subsidiaries of the Company incorporated outside the PRC. Within two business days after the date of the Purchase Notice, the Company shall determine and notify the Trustee in writing which target subsidiaries it will purchase. Furthermore, it shall within 20 business days after the date of the Purchase Notice determine the purchase price, as an amount in U.S. dollars, for the Equity Interest (the "Purchase Price").

The Company is obliged to determine the Purchase Price in compliance with any applicable PRC laws and regulations. In any event, the Purchase Price shall be no less than the Shortfall Amount.

If the Company is to acquire any Equity Interest relating to a company incorporated in the PRC held by the Relevant Transferor(s),

(a) within 30 business days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to, execute and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable) the relevant equity interest transfer agreement(s) with the Relevant Transferor(s) and file the same with the relevant Approval Authorities for approval of the transfer(s) of the Equity Interest(s). Within 20 business days after receipt of approval from MOFCOM, the Company shall submit an application to the competent AIC for AIC registration of the transfer(s) of the Equity Interest(s). As soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor(s) required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority.

(b) within 20 business days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all application documents to SAFE (i) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the purchase and (ii) for the purchase of U.S. dollar amount of the Purchase Price and the outbound remittance of the Purchase Price (if applicable).

(c) closing shall take place on or prior to the 20th business day after receipt of the approvals from SAFE whereupon the Company shall pay to or to the order of the Relevant Transferor(s) the corresponding amount of the Purchase Price in immediately available funds in U.S. dollars to an account designated by the Relevant Transferor(s), which account shall be in the name of either the KW Notes Issuer or the HK Guarantor.

If the Company is to acquire any Equity Interest relating to a company incorporated outside the PRC held by the Relevant Transferor,

(a) within 20 Business Days after the date of the Purchase Notice, the Company shall (i) submit a project information report and other required documents to the NDRC (where applicable), and (ii) submit the preliminary report and other required documents for overseas mergers and acquisitions, to MOFCOM and SAFE;

(b) within 20 Business Days after obtaining the confirmation of NDRC (where applicable), MOFCOM and SAFE for the report referred to in (a) above, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable) an agreement and all other application documents required by applicable laws and regulations, and shall file such agreements and/or documents as required by applicable laws and regulations with NDRC (where applicable), MOFCOM, SAFE and authorities of other jurisdiction in charge of the Purchase (where applicable), for relevant approval or registration of the transfer of the Equity Interests as being the subject of the Purchase; and

(c) closing of such purchase shall take place on the 15th Business Day after the date of receipt of the approvals or registration from NDRC (where applicable), MOFCOM, SAFE and authorities of other jurisdiction in charge of the Purchase as referred to in (b) above (the "Offshore Purchase Closing Date"), and on the Offshore Purchase Closing Date, the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in U.S. dollars to such account as may be designated by such Relevant Transferor, which shall be an account of either the KW Notes Issuer or the HK Guarantor.

INVESTMENT OBLIGATION

Upon the receipt of an Investment Notice following the occurrence of an Event of Default, the Company agrees that it shall, subject to obtaining Relevant Investment Approvals (as defined in the Deed of Undertaking), invest (either by itself or through a Designated Investor) in the KW Notes Issuer (or the HK Guarantor, as the case may be) (by equity investment or otherwise) in an amount equals to the Shortfall Amount on the Investment Closing Date (as defined below) on the terms set out in the Deed of Undertaking and in an investment agreement substantially same as the form set out the Deed of Undertaking.

The Company further undertakes that:

(a) within 30 Business Days after the date of the Investment Notice, the KW Notes Issuer (or the HK Guarantor, as the case may be) and the Company (or, as the case may be, the Designated Investor) shall execute an investment agreement and all other application documents required by applicable laws and regulations of the PRC and shall file such agreements and/or documents as required by applicable laws and regulations with the relevant Approval Authorities (where applicable) in such sequence and timing as required by applicable laws, regulations and the relevant Approval Authorities, for approval of the Investment; and

(b) within 20 Business Days after the receipt of approvals from the relevant Approval Authorities (where applicable), the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE for the investment of the Shortfall Amount and the outbound remittance of the Shortfall Amount (if applicable);

(c) closing of such Investment shall take place on or prior to the 20th Business Day after the date of receipt of the approvals from SAFE (the "Investment Closing Date"), and on the Investment Closing Date the Company or the Designated Investor shall pay to or to the order of the KW Notes Issuer (or the HK Guarantor, as the case may be) the Shortfall Amount payable in immediately available funds in U.S. dollars to such U.S. dollar bank account of the KW Notes Issuer (or the HK Guarantor, as the case may be) as may be designated by the KW Notes Issuer (or the HK Guarantor, as the case may be), whereupon the KW Notes Issuer (or the HK Guarantor, as the case may be) shall take all actions necessary for the proceeds received in such Investment to be applied in and towards the payment in accordance with the Deed of Undertaking of any outstanding amounts as they fall due under the Deed of Undertaking, the HK Guarantee, the KW Notes Indenture and the KW Notes (including any interest accrued but unpaid on the KW Notes), prior to any other use, disposal or transfer of the proceeds received.

The performance by the Company of its investment obligations described herein may be subject to obtaining Relevant Investment Approvals. The Company shall, and shall procure the KW Notes Issuer (or the HK Guarantor, as the case may be) to, use its reasonable efforts to do all such things and take all such actions as may be necessary to obtaining the Relevant Investment Approvals as soon as reasonably practicable, to (i) procure the completion of the Investment no later than the date falling 120 days from the date of the relevant Investment Notice; and (ii) procure the remittance of the sum of the Shortfall Amount to or to the order of the KW Notes Issuer (or the HK Guarantor, as the case may be) in accordance with the Deed of Undertaking.

LIQUIDITY SUPPORT OBLIGATION

The Company undertakes, in the event that an Event of Default has occurred:

(a) within 15 Business Days after receipt of a Trigger Notice provided by the Trustee, to execute a loan agreement with the HK Guarantor or the KW Notes Issuer (as the case may be), pursuant to which the Company agrees to lend, and the HK Guarantor or the KW Notes Issuer agrees to borrow (as the case may be), a loan in an amount equal to the Shortfall Amount specified in the Trigger Notice, sign and submit all application documents in connection with the giving of the loan to the HK Guarantor or the KW Notes Issuer (as the case may be) as required by applicable laws and regulations of the PRC and register the loan agreement with SAFE, and pay to or to the order of the HK Guarantor or the KW Notes Issuer (as the case may be) the Shortfall Amount payable in immediately available funds in U.S. dollars to a U.S. bank account of the HK Guarantor or the KW Notes Issuer (as the case may be);

(b) procure that the HK Guarantor or the KW Notes Issuer (as the case may be) shall take all actions necessary for the proceeds received from the loan granted under paragraph (a) above to be applied in and towards the payment as described in the Deed of Undertaking of any outstanding amounts as they fall due under the Deed of Undertaking, the HK Guarantee, the KW Notes Indenture and the KW Notes (including any interest accrued but unpaid on the KW Notes), prior to any other use, disposal or transfer of the proceeds received; and

(c) it shall, and shall procure the KW Notes Issuer to, use all reasonable efforts to do all such things and take all such actions as may be necessary in order for the Company to grant, and, for as long as the KW Notes are outstanding, to maintain in force, the loan granted under paragraph (a) above (including without limitation the SAFE registration).

GENERAL

The Deed of Undertaking is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legally binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the KW Notes Issuer or the HK Guarantor under the laws of any jurisdiction, including the PRC.

The parties to the Deed of Undertaking will acknowledge that in order for the Company to comply with its obligations under the Deed of Undertaking, it may require certain approvals and filings pursuant to applicable laws. The Deed of Undertaking may only be modified, amended or terminated by the written agreement of the parties thereto subject to the terms and conditions of the KW Notes and the provisions of the KW Notes Indenture.

The Deed of Undertaking will be governed by and construed in accordance with Hong Kong law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deed of Undertaking and accordingly any legal action or proceedings arising out of or in connection with the Deed of Undertaking may be brought in such courts.

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

CHINA CINDA FINANCE (2015) [I]/[II] LIMITED]

Issue of [Aggregate Nominal Amount of Series]
[Title of Notes] (the "Notes")
under the U.S.$3,000,000,000
Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated April 13, 2015 [and the supplemental [Offering Memorandum] dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Memorandum [as so supplemented].

[*The following alternative language applies if the first issue of a Series which is being increased was issued under Offering Memorandum with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Memorandum dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [●]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1	Issuer:		China Cinda Finance (2015) [I]/[II] Limited
2	(i)	Status of the Notes:	Senior
	(ii)	Guarantee:	Guaranteed by [China Cinda (HK) Holdings Company Limited] [China Cinda Asset Management Co., Ltd.]
3	[(i)]	Series Number:	[●]
	[(ii)	Tranche]:	[●]
4	Specified Currency or Currencies:		[●]
5	Aggregate Nominal Amount:		[●]
6	[(i)]	Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii)]	Net Proceeds:	[●] (*Required only for listed issues*)]

7	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
8	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[Specify/Issue date/Not Applicable]
9		Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][1]
10	(i)	Interest Basis:	[[●]% Fixed Rate] [[*specify reference rate*] +1- [●]% Floating Rate] [Zero Coupon] [Other (*specify*)] (further particulars specified below)
	(ii)	Default Rate:	[[●] (specify/None]
11		Redemption/Payment Basis:	[Redemption at par] [Partly Paid] [Installment] [Other (*specify*)]
12		Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
13		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
14		Keepwell Deed:	[Not Applicable/*give details*]
15		Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking:	[Not Applicable/*give details*]
16		Listing:	[[●] (*specify*)/None]
17		Place of Payment:	[*Specify*]
18		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19		**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]

[1] Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of "Business Day"*]/not adjusted][2]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[3]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
20	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date.*)
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Business Center(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]

2 Note that for certain Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."

3 For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording is appropriate: "Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 6(a) (i)) divided by 365 and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards."

	(viii)	Screen Rate Determination:	
		— Reference Rate:	[●]
		— Interest Determination Date(s):	[●]
		— Relevant Screen Page:	[●]
	(ix)	ISDA Determination:	
		— Floating Rate Option:	[●]
		— Designated Maturity:	[●]
		— Reset Date:	[●]
	(x)	Margin(s):	[+/-][●]% per annum
	(xi)	Minimum Rate of Interest:	[●]% per annum
	(xii)	Maximum Rate of Interest:	[●]% per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
21	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Amortization Yield:	[●]% per annum
	(ii)	Any other formula/basis of determining amount payable:	[●]
22	**Index-Linked Interest Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Index/Formula:	[*give or annex details*]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(iii)	Provisions for determining Rate of Interest and/or Interest Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[●]
	(iv)	Interest Periods:	[●]

	(v) Specified Interest Payment Dates:	[●]
	(vi) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii) Business Center(s):	[●]
	(viii) Minimum Rate of Interest:	[●]% per annum
	(ix) Maximum Rate of Interest:	[●]% per annum
	(x) Day Count Fraction:	[●]
23	**Dual Currency Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
24	**Default Rate**	[●]% per annum

PROVISIONS RELATING TO REDEMPTION

25	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]

26	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
27	**Final Redemption Amount of each Note**	[●] per Calculation Amount
28	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/ or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

29	(i) Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] (may not be used when the D Rules apply) (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000". In addition, the "limited circumstances specified in the Permanent Global Note" option may have to be amended to permit such Specified Denomination construction. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*) [Registered Notes]

	(ii) Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable ("Not Applicable" may only be used in the case of Bearer Notes with a maturity of one year or less (taking into account any unilateral extension or rollover rights) or Registered Notes)]
30	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
31	Financial Center(s) or other special provisions relating to Payment Dates:	[*Note that this paragraph relates to the Payment Date and Place of Payment, and not interest period end dates, to which sub paragraphs 19(ii), 20(iv) and 22(vii) relate*]
32	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
33	Details relating to Installment Notes: amount of each installment, date on which each payment is to be made:	[Not Applicable/*give details*]
34	Redenomination, Renominalisation and Reconventioning:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
35	Consolidation provisions:	[Not Applicable/The provisions [In Condition [●]] [annexed to this Pricing Supplement] apply]
36	Use of Proceeds:	[Not Applicable/*give details*]
37	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

38	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilizing Manager (if any):	[Not Applicable/*give names*]
39	If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
40	Additional selling restrictions:	[Not Applicable/*give details*]
41	Interests of [Managers] [Dealers] involved in the issue/offer:	[Give details.]

OPERATIONAL INFORMATION

42	ISIN Code:	[●]
43	CUSIP:	[●]
44	Common Code:	[●]

45	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	Not Applicable/*give name(s) and number(s)*]
46	Delivery:	Delivery [against/free of] payment
47	Additional Paying Agent(s) (if any):	[●]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.$3,000,000,000 Global Medium Term Note Program of China Cinda Asset Management Co., Ltd.]

RESPONSIBILITY

[The KW Notes Issuer and the HK Guarantor]/[The Guaranteed Notes Issuer and the PRC Guarantor] accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of China Cinda Finance (2015) [I]/[II] Limited

By: ______________________________

Duly Authorized

[Signed on behalf of China Cinda (HK) Holdings Limited Company

By: ______________________________

Duly Authorized]

[Signed on behalf of China Cinda Asset Management Co., Ltd.

By: ______________________________

Duly Authorized]

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuers, the HK Guarantor, the Company, any Arranger, Dealer, Trustee, Agent and party to the Indentures will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each series.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the United States Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions among participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of security certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant either directly or indirectly.

DTC will take any action permitted to be taken by the holder of a beneficial interest in a Global Security (including, without limitation, the presentation of a Global Security for exchange) only at the direction of one or more participants to whose account with DTC interests in such Registered Global Security are credited and only in respect of such portion of the aggregate principal amount of Notes in respect of which such participant or participants has or have given such direction. If an Event of Default under the Notes occurs, DTC will exchange the Global Security for Certificated Securities bearing the appropriate legend, which it will distribute to the relevant participants. DTC makes payments only in U.S. dollars.

Euroclear and Clearstream

Each of Euroclear and Clearstream holds securities for their account holders and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfers of securities.

Euroclear and Clearstream each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems which enables their respective account holders to settle trades with each other.

Account holders in Euroclear and Clearstream are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws.

Both Euroclear and Clearstream act under those rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective holders.

Book-Entry Ownership of Global Certificates

Registered Notes

The relevant Issuer will make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of each Tranche of Notes to be represented by an Unrestricted Global Security. Each Unrestricted Global Security will have an ISIN or Common Code, and will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions".

The relevant Issuer will make applications to DTC for acceptance in its book-entry settlement system of the Notes represented by a Restricted Global Security. Each Restricted Global Security will have a CUSIP number. Each Restricted Global Security will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions".

The custodian with whom the Registered Global Securities are deposited (the "Custodian") and DTC will electronically record the principal amount of the Notes represented by the Restricted Global Security held within the DTC system. Investors may hold their interests in the Unrestricted Global Security only through Clearstream or Euroclear. Investors may hold such interests in Restricted Global Securities directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

Payments of principal and interest in respect of Restricted Global Securities registered in the name of DTC's nominee, will be to or to the order of its nominee as the registered holder of such Restricted Global Security. The Company expects that the nominee will, upon receipt of any such payment, immediately credit DTC participants' accounts with any such payments denominated in U.S. dollars in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Security as shown on the records of DTC or its nominee. In the case of any such payments which are denominated otherwise than in U.S. dollars payment of such amounts will be made to the Paying Agent on behalf of the nominee who will make payment of all or part of the amount to the beneficial holders of interests in such Restricted Global Securities directly, in the currency in which such payment was made and/or cause all or part of such payment to be converted into U.S. dollars and credited to the relevant participant's DTC account as aforesaid, in accordance with instructions received from DTC. The Company also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Securities held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuers, the Guarantors, the Trustee nor any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Securities or for maintaining, supervising or reviewing any records relating to such ownership interests.

Bearer Notes

Bearer Notes held outside the United States may be held in book-entry form through Clearstream or Euroclear. In respect of Bearer Notes, as may be specified in the applicable Pricing Supplement, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Euroclear and Clearstream. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with customary Euromarket practice.

Individual Certificated Securities

Registration of title to Notes in a name other than its nominee or a depositary for Euroclear and Clearstream or DTC will not be permitted unless (i) in the case of Restricted Securities, an event of default with respect to such Series has occurred and is continuing or DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Securities, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Global Securities deposited with a common depositary for Euroclear or Clearstream, Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Holders of the Notes under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the relevant Issuer will cause sufficient individual Certificated Securities to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holder(s) of the Notes.

A person having an interest in a Global Security must provide the Registrar with:

(a) written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such individual Certificated Securities; and

(b) in the case of a Restricted Global Security only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule l44A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Certificated Securities issued pursuant to this paragraph (b) shall bear the legends applicable to transfers pursuant to Rule l44A.

Transfers of Notes represented by Global Securities

Transfers of interests in Global Securities within DTC, Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system. The laws in some states in the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer a beneficial interest in a Global Securities to such persons may require that such interests be exchanged for Notes in definitive form. Because DTC can only act on behalf of participants in DTC, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest may require that such interests be exchanged for Certificated Securities. The ability of the holder of a beneficial interest in any Note represented by the Global Securities to resell, pledge or otherwise transfer such interest may also be impaired if the proposed transferee of such interest is not eligible to hold the same through a participant or indirect participant in DTC.

Beneficial interests in an Unrestricted Global Security may be held through Clearstream or Euroclear. Clearstream and Euroclear will operate with respect to the Notes in accordance with customary Euromarket practice.

Secondary Trading, Same-Day Settlement and Payment

All payments made by the relevant Issuer or Guarantor with respect to Notes registered in the name of Cede & Co., as nominee for DTC, will be passed through to DTC in same-day funds. In relation to secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Within Same Clearing System

The following describes the transfer mechanisms between DTC, Euroclear and Clearstream. Holders should note that transfers of beneficial interests in the Restricted Global Security, or the Unrestricted Global Security is subject to limitations as set forth in "Transfer Restrictions".

Trading within DTC. If neither the seller, nor the purchaser of Notes represented by any Global Security holds or will receive (as the case may be) such Notes through a participant in DTC acting on behalf of Euroclear or Clearstream, the trade will settle in same-day funds and in accordance with DTC rules, regulations and procedures.

Trading within Euroclear or Clearstream. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Trading Between Clearing Systems

Trading between Euroclear or Clearstream seller and DTC purchaser involving only Global Securities. Due to time zone differences in their favor, Euroclear and Clearstream account holders may employ their customary procedures for transactions in which interests in a Global Security are to be transferred by Euroclear or Clearstream (as the case may be) to a participant in DTC. The seller will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder (as the case may be) at least one business day prior to settlement. In these cases, Euroclear or Clearstream will instruct its respective depositary to deliver the interests in the Global Security to the participant's account against payment. Payment will include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. The payment will then be reflected in the account of the Euroclear or Clearstream account holder the following day, and receipt of cash proceeds in the Euroclear or Clearstream account holders' account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Euroclear or Clearstream account holder have a line of credit in its respective Clearing System and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream account holder's account would be valued instead as of the actual settlement date.

Trading between DTC seller and Euroclear or Clearstream purchaser involving only Global Securities. When interests in a Global Security are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream account holder, the purchaser will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will instruct its respective depositary to receive such interests against payment. Payment will include interest (if any) accrued on such interest in the Global Security from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depositary to the participant's account against delivery of the interests in the Note. After settlement has been completed, the interests will be credited to the respective Clearing System, and by the Clearing System, in accordance with its usual procedures, to the Euroclear or Clearstream account holder's account. The securities credit will appear the next day (Central European time) and the cash debit will be back-valued to, and any interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Day traders that use Euroclear or Clearstream to purchase interests in an Unrestricted Global Security from participants for delivery to Euroclear or Clearstream account holders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(a) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream accounts) in accordance with the Clearing System's customary procedures;

(b) borrowing the interests in the United States from a participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Euroclear or Clearstream account in order to settle the sale side of the trade; or

(c) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream account holder.

Euroclear or Clearstream account holders will need to make available to the respective Clearing System the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit, as such participants would for any settlement occurring within Euroclear or Clearstream. Under this approach, such participants may take on credit exposure to Euroclear or Clearstream until the interests in the Note are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream has extended a line of credit to a Euroclear or Clearstream account holder, as the case may be, such account holder may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream account holders purchasing interests in the Note held in DTC would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the Note were credited to their accounts. However, any interest on the Note would accrue from the value date. Therefore, in many cases the investment income on the interests in the Note held in DTC earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each account holder's particular cost of funds.

Since the settlement takes place during New York business hours, participants can employ their usual procedures for transferring interests in global Notes to the respective depositories of Euroclear or Clearstream for the benefit of Euroclear or Clearstream account holders. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participants, a crossmarket transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearinghouse or next-day funds. In contrast, Notes held through participants or indirect participants will trade in DTC's Same-Day Funds Settlement System until the earliest of maturity or redemption, and secondary market trading activity in such Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activity in such Notes.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Securities among participants and account holders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantors, the Trustee, any agent, any Arranger or any Dealer will have the responsibility for the performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Security is lodged with DTC or its custodian, Notes represented by individual Certificated Securities will not be eligible for clearing or settlement through DTC, Clearstream or Euroclear.

SUBSCRIPTION AND SALE

Summary of Program Agreement

Subject to the terms and conditions contained in a program agreement dated April 13, 2015, as amended and supplemented from time to time (the "Program Agreement"), between the Company, the Dealers and the Arrangers, the Notes may be offered on a continuous basis by each of the Issuers to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Notes may also be sold by each Issuer through the Dealers, acting as agents of the relevant Issuer. The Notes will be issued on a syndicated or non-syndicated basis.

The relevant Issuer, the HK Guarantor or the Company, as the case may be, will pay the relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers, the HK Guarantor and the Company, as the case may be, have agreed to reimburse each of the Arrangers for certain of its expenses incurred in connection with the establishment of the Program and the Dealers for certain of their activities in connection with the Program.

The Program Agreement provides that the obligations of the Dealers to purchase the Notes are subject to certain conditions, including, among others, the receipt by the Dealers of documentation related to the issuance and settlement of the Notes, officer's certificates and legal opinions.

The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant issuer, the HK Guarantor and the Company as the case may be.

The Issuers, the HK Guarantor and the Company have agreed, jointly and severally, to indemnify, defend and hold harmless each of the relevant Dealer(s), each of their respective subsidiaries and affiliates and certain other persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the relevant Dealer(s) may be required to make in respect of those liabilities.

Each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

Stabilization

In connection with the issue of Notes in any Series or Tranche under the Program, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes in such a Series at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization will be conducted in accordance with all applicable laws and regulations.

Other Relationships

The Dealers and the Arrangers and certain of their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for the Issuers, the HK Guarantor, the Company and their respective affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses.

The Dealers and the Arrangers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. The Dealers and the Arrangers or certain of their respective affiliates may purchase the Notes for its or their own account or for the accounts of their customers and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuers, the HK Guarantor, the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes issued the Program to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Selling Restrictions

The Notes have not been and will not be registered under the laws of any jurisdiction, nor has any other action been taken, nor will any action be taken, by the relevant Issuer, HK Guarantor, the Company, the Dealers or any other person that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any supplement hereto or thereto, or any other offering material relating to the relevant Issuer, the HK Guarantor, the Company or the Notes, in any country or jurisdiction where action for any such purpose may be required. The offer and sale of Notes, and the delivery of this offering memorandum, are restricted by law in certain jurisdictions and Notes may not be offered or sold, and this offering memorandum may not be distributed, in any jurisdiction under circumstances where such offer, sale or distribution would be prohibited or restricted by law.

Without limiting the foregoing, prospective purchasers of Notes should be aware of the following restrictions:

United States

The Notes and the applicable Guarantees have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes and the applicable Guarantees are being offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S. Additionally, the Program Agreement provides that the relevant Dealer(s) may, through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Notes and the applicable Guarantees within the United States only to QIBs that are also QPs in reliance on Rule 144A. Guaranteed Notes may only be offered or sold within the United States pursuant to Rule 144A if at the time of such offer or sale, the Company is not, and after giving effect to such offer and sale and the application of the proceeds thereof, will not be, required to register as an investment company under the Investment Company Act.

Each relevant Dealer(s) has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree that it has not offered or sold, and agrees that it will not offer or sell, Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes, within the United States or to, or for the account or benefit of, U.S. persons except to certain QIBs who are also QPs (each a "QIB/QP"), and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice substantially to the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, except in either case in accordance with Regulation S with respect to a sale to a non-U.S. person or Rule 144A under the Securities Act with respect of a U.S. person that is both a QIB and a QP. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act."

In addition, until 40 days after the completion of the distribution of the Notes and the applicable Guarantees, an offer or sale of the Notes or the applicable Guarantees within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Notes and the applicable Guarantees will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

Where the relevant Pricing Supplement for Bearer Notes specifies that the D Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of the D Rules. Where the relevant Pricing Supplement for Bearer Notes specifies that the C Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of C Rules. Where the relevant Pricing Supplement specifies that TEFRA is not applicable, the Notes will not be issued in accordance with the provisions of either the D Rules or the C Rules.

The D Rules

Where the D Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Series of Notes, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Program will be required to represent, warrant and undertake that:

(a) *Restrictions on offers etc.*: except to the extent permitted under the D Rules:

(i) *No offers etc. to United States or United States persons*: it has not offered or sold, and during the restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person; and

(ii) *No delivery of Definitive Notes in the United States*: it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the restricted period,

(b) *Internal procedures*: it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) *Additional provision if United States person*: if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6) or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the Code;

(d) *Representations from affiliates:* with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake that it will obtain from such affiliate for the benefit of the relevant Issuer, the HK Guarantor or the Company the representations, warranties and undertakings contained in paragraph (a) (*Restrictions on offers, etc.*), paragraph (b) (*Internal procedures*) and paragraph (c) (Additional provision of United States person); and

(e) *Representations from third parties*: with respect to any person other than its affiliate with whom it enters into a written contract, as defined in United States Treasury Regulation § 1.163-5(c)(2)(i)(D)(4) or any successor provision for purposes of Section 4701 of the Code, for the offer and sale of Notes during the restricted period, such Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake that it will obtain from such person for the benefit of the relevant Issuer, the HK Guarantor or the Company the representations, warranties and undertakings contained in paragraph (a) (*Restrictions on offers, etc.*), paragraph (b) (*Internal procedures*), paragraph (c) (*Additional provision of United States person*) and paragraph (d) (*Representations from affiliates*).

The C Rules

Where the C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Series of Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Program will be required to represent, warrant and undertake that, in connection with the original issuance of the Notes:

(a) *No offers etc. in United States*: it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and

(b) *No communications with United States*: it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

Interpretation

Terms used in the paragraph “Dealers’ compliance with United States securities laws” have the meanings given to them by Regulation S under the Securities Act. Terms used in the paragraphs “The D Rules” and “The C Rules” have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the C Rules and the D Rules.

Index-, commodity- or currency-linked Notes

Each issuance of index-, commodity- or currency-linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer(s) shall agree as a term of the issuance and purchase of such Notes. Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Hong Kong

In relation to each Series of Notes to be issued by the relevant Issuer under the Program, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(c) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(d) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "FIEA") and each Dealer has undertaken and each further Dealer appointed under the Program will be required to undertake that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except;

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law; or

- as specified in Section 276(7) of the SFA.

European Union

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(e) *Approved prospectus*: if the Pricing Supplement or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Pricing

Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(f) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(g) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(h) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer, the HK Guarantor, the Company or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Program will be required to represent, warrant and agree that:

(i) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(iii) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(iv) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

(j) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, if it was not an authorised person, apply to the Issuer.

(k) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Macau

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Program will be required to represent, warrant and agree that the Notes may not be promoted, distributed, sold or delivered in the Macau Special Administrative Region of the People's Republic of China (Macau), or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorized for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

Taiwan

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Program will be required to represent, warrant and agree that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in the Republic of China (ROC) or to, or for the account or benefit of, any resident of the ROC, unless otherwise permitted by the laws and regulations of the ROC.

British Virgin Islands

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Program will be required to represent, warrant and agree that it has not made and will not make any invitation to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This offering memorandum as completed by the Pricing Supplement in relation thereto does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

General

These selling restrictions may be modified by the agreement of each of the relevant Issuer, the HK Guarantor, the Company and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this offering memorandum.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including any possible consequences under the laws of their country of citizenship, residence or domicile.

PRC Tax Considerations

The following summary describes certain PRC tax consequences of ownership and disposition of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "PRC Tax Considerations" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Tax Law and generally must pay PRC enterprise income tax at the rate of 25% in respect of their global taxable income. See "Risk Factors — Risks Relating to China — Under the Enterprise Income Tax Law, the HK Guarantor, the KW Notes Issuer or the Guaranteed Notes Issuer may be classified as a "resident enterprise" in China. Such classification could result in unfavourable tax consequences to the Company, HK Guarantor, the relevant Issuer and non-PRC Note holders." If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor is within the territory of the PRC, the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor, as the case may be, may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% on its global taxable income. As of the date of this offering memorandum, none of the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Tax Law. However, there is no assurance that the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the KW Notes Issuer, the Guaranteed Notes Issuer or the HK Guarantor, as the case may be, may be required to withhold income tax from the payments of interest or redemption premium in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-sourced. In addition, as the Company is a PRC resident enterprise, payments on the PRC Guarantee in respect of interest payments on the Notes will be PRC source payments subject to PRC withholding tax. The tax rate would generally be 10% for non-resident enterprise Noteholders and 20% in the case of non-resident individual Noteholders. The KW Notes Issuer, the Guaranteed Notes Issuers and the Guarantors have agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the "Description of the Notes and the Guarantees" section.

BVI Tax Considerations

Income Tax

As of the date of this offering memorandum, the Issuers are exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all interest payable by the Issuers to persons who are not persons resident in the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuers.

Witholding Tax

Except as described below in "—EU Directive on The Taxation of Savings Income," there are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuers may make under the transaction documents relating to the Notes or under the Guarantees.

EU Directive on The Taxation of Savings Income

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") was implemented in the British Virgin Islands by way of a series of bilateral agreements with certain Member States, together with amendments to the Mutual Legal Assistance (Tax Matters) Act 2003.

Under the Savings Directive certain information relating to payments to EU resident individuals may be reported by a paying agent located in the British Virgin Islands to the competent authority in the country where the account is held and forwarded to the competent authority of the country where the EU resident individual resides. Institutions established in the British Virgin Islands will be obliged to disclose the minimum information to the British Virgin Islands Inland Revenue, which in turn will comply with the information exchange policy under the Savings Directive.

Noteholders who are individuals resident in a member state of the European Union should be aware that any interest payment on Notes or any income realised upon the sale or redemption of their Notes, together with any income in the form of interest, may, if certain requirements are met, become subject to the reporting regime (or if payments are made from Austria, the withholding tax regime) imposed by the Savings Directive, if payment of such income is made by a paying agent established either in another Member State, the British Virgin Islands or in certain other jurisdictions which have agreed to introduce an equivalent reporting or withholding tax regime in respect of such payments.

Hong Kong Tax Considerations

Withholding Tax

Under current Hong Kong legislation, no tax in Hong Kong is required to be withheld from or chargeable on payments of principal or interest in respect of the Notes.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of a Note.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

i. interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

ii. interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

iii. interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to Hong Kong profits tax.

Certain U.S. Federal Income Tax Considerations

General

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes issued in registered form to the U.S. Holders described below. This disclosure does not address Notes issued in bearer form, which generally may not be offered or sold in the United States or to U.S. persons (as defined for U.S. federal income tax purposes). This discussion applies only to Notes that (i) are purchased by a U.S. Holder described below in their initial offering at the "issue price," which will equal the first price at which a substantial amount of the Notes is sold for money to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and (ii) are held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances, including alternative minimum and Medicare contribution tax consequences, nor does it describe all of the tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities or currencies that use a mark-to-market method of accounting;
- persons holding Notes as part of a "straddle" or integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- certain U.S. expatriates;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If a partnership or an entity classified as a partnership for U.S. federal income tax purposes owns Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships and their partners should consult their tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition in the Notes by the partnership.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended the "Code", administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, and the income tax treaty between the United States and China (the "**Treaty**"), all as of the date hereof and changes to any of which subsequent to the date of this Offering Memorandum may affect the tax consequences described herein (possibly with retroactive effect).

Prospective investors should consult their tax advisers with regard to the application of the U.S. federal tax laws to their particular circumstances, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This discussion applies only to Notes that are classified as indebtedness for U.S. federal income tax purposes. This discussion does not apply to every type of Note that may be issued under the Program, including Dual Currency Notes, Index Linked Interest Notes, Index Linked Redemption Notes, Installment Notes or, Partly Paid Notes, which are subject to different U.S. federal income tax consequences than those described below. Additional or alternative material U.S. federal income tax consequences of such Notes may be addressed in a supplement to the Offering Memorandum.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Stated Interest. Stated interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, to the extent that the interest is qualified stated interest (as defined below).

Special rules governing the treatment of Original Issue Discount Notes and certain Variable Rate Notes and Foreign Currency Notes are described under "*—Original Issue Discount and Variable Rate Notes*" and "*—Foreign Currency Notes*" below.

Original Issue Discount and Variable Rate Notes. A Note that is issued at an issue price less than its "stated redemption price at maturity" will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to in this section as an "Original Issue Discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a Short-Term Note (as defined below). The "stated redemption price at maturity" of a Note will generally equal the sum of all payments required under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable as a series of payments in cash or property (other than in debt instruments of the issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest (with certain exceptions for lower rates paid during some periods) or, subject to certain conditions, based on one or more floating rates.

All stated interest on a Variable Rate Note (as defined below) will constitute qualified stated interest if it provides for stated interest at either a single "qualified floating rate" or a single "objective rate" (as described below) throughout the term of the Note that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually. Therefore, such a Variable Rate Note will not be treated as having been issued with original issue discount unless it is issued at a "true" discount (*i.e.*, at a price below the Note's stated principal amount in excess of a specified *de minimis* amount). In general, a "**Variable Rate Note**" is a Note that provides for one or more qualified floating rates of interest, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate (as such terms are defined in applicable Treasury regulations), provided that the issue price of the Note does not exceed the total noncontingent principal payments due under the Note by more than an amount equal to the lesser of (x) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (y) 15% of the total noncontingent principal payments.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Note is denominated. An interest rate that is based on the product of a qualified floating rate and a fixed multiple or that subjects a qualified floating rate to a cap, floor, governor or similar restriction, may also be treated as a qualified floating rate if certain conditions are satisfied. An "objective rate" is generally a rate that is determined using a single fixed formula and that is based on objective financial or economic information. A "qualified inverse floating rate" is an objective rate that is equal to a fixed rate minus a qualified floating rate if variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding for those purposes any cap, floor, governor or similar restriction). If a Variable Rate Note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. If interest on a debt instrument is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. Two or more qualified floating rates or a fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentences if the values of the applicable rates on the issue date are within 1/4 of one percentage point of each other. If a Variable Rate Note is issued at a price below the Note's stated principal amount, and the discount is equal to or in excess of the specified *de minimis* amount described below, such discount must be allocated to a U.S. Holder's accrual periods using the constant-yield method described below by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Note.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of one per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, then the Note will not be considered to have original issue discount.

A U.S. Holder of an Original Issue Discount Note will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes (as described in "*—Payment of Stated Interest*" above) and will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method based on a compounding of interest. Under this method, U.S. Holders of Original Issue Discount Notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount or *de minimis* original issue discount, as adjusted by any amortizable bond premium) in accordance with a constant-yield method based on the compounding of interest (a "constant-yield election").

A Note that matures one year or less from its date of issuance taking into account the last possible date on which the Note could be outstanding (a "**Short-Term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash-method U.S. Holder of a Short-Term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so (but will be required to include in income any interest paid to such U.S. Holder). U.S. Holders who so elect and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant-yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant-yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, such U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry Short-Term Notes in an amount not exceeding the accrued discount that has not been included in income.

Under applicable Treasury regulations, if the issuer or a holder has an unconditional option to redeem a Note prior to its stated maturity date and certain other conditions are met, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, in the case of the issuer's option, the yield on the Note would be lower than its yield to the stated maturity date or, in the case of the holder's option, the yield on the Note would be higher than its yield to the stated maturity date. If this option is not in fact exercised, the Note would be treated, solely for purposes of calculating original issue discount, as if it were redeemed, and a new note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of a Note is generally the issue price of the Note, increased by the amount of original issue discount previously includible in gross income and decreased by the amount of any payment previously made, other than a payment of qualified stated interest.

Effect of Foreign Withholding Taxes. The amount of interest income (including original issue discount) will include any amounts withheld in respect of PRC taxes (as discussed in "*PRC Tax Considerations*") and, without duplication, any Additional Amounts paid with respect thereto. Interest on the Notes will be foreign-source income for foreign tax credit purposes. Subject to applicable limitations, any PRC income taxes withheld from interest payments (at a rate not in excess of any applicable Treaty rate) may be creditable against, or available as a deduction in computing, a U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits (or the deductibility of any PRC withholding tax) in your particular circumstances. An election to deduct foreign taxes instead of claiming foreign taxes applies to all foreign taxes paid or accrued in the taxable year.

Prior Accrued Interest on Additional Notes. Under the terms of the Notes, if the issuer issues additional Notes with the same CUSIP, ISIN, Common Code or other identifying number of outstanding Notes ("**Additional Notes**"), the Additional Notes and outstanding Notes must be fungible for U.S. federal income tax purposes. U.S. Holders that purchase Additional Notes from the issuer upon their issuance may exclude from income the portion of the interest paid on the first interest date on Additional Notes that relates to the period from the preceding interest payment date on the outstanding Notes to the issue date of the additional Notes ("prior accrued interest"). Prior accrued interest not included in income will not form part of any amortizable bond premium (as described under "—Amortizable Bond Premium" below). A U.S. Holder's tax basis in an Additional Note will generally equal the cost of such Note to the U.S. Holder, reduced by any prior accrued interest excluded from income.

Amortizable Bond Premium. If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note other than qualified stated interest, the U.S. Holder will be considered to have purchased the Note with amortizable bond premium equal to this excess. The U.S. Holder may elect to amortize this premium, using a constant-yield method, over the remaining term of the Note. Special rules may apply in the case of Notes that are subject to optional redemption. A U.S. Holder may generally use the amortizable bond premium allocable to an accrual period to offset qualified stated interest required to be included in the U.S. Holder's income with respect to the Note in that accrual period. A U.S. Holder who elects to amortize bond premium must reduce its tax basis in the Note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations held by the U.S. Holder on or after the first day of the taxable year in which the election is made and may be revoked only with the consent of the Internal Revenue Service.

If a U.S. Holder makes a constant-yield election (as described under "*—Original Issue Discount and Variable Rate Notes*" above) for a Note with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the U.S. Holder's debt instruments with amortizable bond premium and may be revoked only with the permission of the Internal Revenue Service with respect to debt instruments held or acquired after the election.

Sale, Exchange or Retirement of the Notes. Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. For these purposes, the amount realized does not include any amount attributable to accrued stated interest, which will be treated as interest as described under "*—Payments of Interest*" above. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income and decreased by any bond premium previously amortized and principal payments or payments other than qualified stated interest previously received, and in the case of Additional Notes further decreased by any prior accrued interest that was excluded from income as described in "*—Prior Accrued Interest on Additional Notes*" above.

Except as described below, gain or loss realized on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. An exception to this general rule applies in the case of a Short-Term Note to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*—Original Issue Discount and Variable Rate Notes*" above. In addition, other exceptions to this general rule apply in the case of certain Foreign Currency Notes, as described in "*—Foreign Currency Notes*" below. The deductibility of capital losses is subject to limitations.

Gain or loss, if any, will generally be U.S. source for purposes of computing a U.S. Holder's foreign tax credit limitation. As described in "*PRC Tax Considerations*," gains from the disposition of Notes may be subject to PRC tax. In that case, the amount realized would include the gross amount of proceeds. Although any such gain would generally be characterized as U.S.-source income, a U.S. Holder eligible for the benefits of the Treaty may be able to treat the gain as foreign-source gain for foreign tax credit purposes. You should consult your tax adviser regarding your eligibility for the benefits of the Treaty and the creditability of any PRC tax on disposition gains in your particular circumstances.

Foreign Currency Notes. The rules applicable to Notes denominated in (or the payments on which are determined by reference) to a currency other than U.S. dollars ("**Foreign Currency Notes**") could require some or all of the gain or loss on the sale, exchange or other disposition of a Foreign Currency Note to be recharacterized as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of tax accounting and who receives a payment of qualified stated interest (or who receives proceeds from a sale, exchange or retirement attributable to accrued stated interest) in a foreign currency will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate in effect on the date the payment is received) regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received.

An accrual-method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including any original issue discount) that has accrued during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. Alternatively, an accrual-method U.S. Holder may elect to translate interest income (including any original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service.

The U.S. Holder may recognize ordinary U.S. source income or loss (which will not be treated as interest income or expense) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or other disposition attributable to accrued interest is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of cash-method U.S. Holders who are required to currently accrue original issue discount on a Foreign Currency Note.

Original issue discount and amortizable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis will reduce interest income in units of the relevant foreign currency. Gain or loss attributable to fluctuations in exchange rates will be realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as it would have been treated on the sale, exchange or retirement of the Foreign Currency Note. Any such exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any bond premium will be taken into account in determining the overall gain or loss on the Notes and any loss realized on the sale, exchange or retirement of a Foreign Currency Note with amortizable bond premium by a U.S. Holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium, subject to the discussion of foreign currency loss below.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the U.S. Holder's tax basis (including adjustments for original issue discount included in income and any bond premium previously amortized), will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, and of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between the U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realized upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss that will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of (or if the Note is traded on an "established securities market", on the settlement date if the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer); and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued qualified stated interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The foreign currency gain or loss for U.S. Holders will be U.S. source. Any gain or loss realized by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss (except in the case of a Short-Term Note, to the extent of any discount not previously included in the U.S. Holder's income).

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. If the Foreign Currency Notes are traded on an established securities market, a cash-method U.S. Holder who buys or sells a Foreign

Currency Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual-method U.S. Holder may elect the same treatment for all purchases and sales of Foreign Currency Notes if the Foreign Currency Notes are traded on an established securities market. This election cannot be changed without the consent of the Internal Revenue Service. Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

A U.S. Holder may be required to file a reportable transaction disclosure statement with the U.S. Holder's U.S. federal income tax return, if such U.S. Holder realizes a loss on the sale or other disposition of a Foreign Currency Note and such loss is greater than applicable threshold amounts, which differ depending on the status of the U.S. Holder. A U.S. Holder that claims a deduction with respect to a Foreign Currency Note should consult its own tax adviser regarding the need to file a reportable transaction disclosure statement.

Backup Withholding and Information Reporting. Information returns may be filed with the Internal Revenue Service in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Individual U.S. Holders (and under proposed Treasury regulations, certain entities) may be required to report to the Internal Revenue Service certain information with respect to non-U.S. accounts through which they may hold Notes (or information regarding the Notes if the Notes are not held through any financial institution). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Notes.

BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including entities whose underlying assets include the assets of such plans pursuant to the Plan the U.S. Department of Labor regulation codified at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Asset Regulation”) (such plans and entities collectively, “ERISA Plans”) should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code and entities whose underlying assets include the assets of such plans pursuant to the Plan Asset Regulations (together with ERISA Plans, “Plans”), from engaging in certain transactions involving the “plan assets” of such Plans with persons who are “parties in interest” under ERISA or “disqualified persons” under Section 4975 of the Code (in either case, “Parties in Interest”) with respect to such Plans. Where the Company, the Issuers, the HK Guarantor, the Arrangers, the Dealers or any of their respective affiliates is a Party in Interest with respect to a Plan, the purchase and holding of a Note by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief is available under an applicable exemption (as described below). As a result of business of the Company, the Issuers, the HK Guarantor, the Arrangers, the Dealers and their respective affiliates, such entities may be Parties in Interest with respect to many Plans.

Certain prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the Notes and related lending transactions; *provided* that neither Issuer nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction; and *provided further* that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

In addition, certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to these “prohibited transaction” rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under U.S. state or local laws, or non-U.S. laws similar to Section 406 of ERISA and Section 4975 of the Code (“Similar Law”).

Accordingly, each purchaser and holder of a Note shall be required to represent (and is deemed to have represented by its purchase of any Note) that either (a) it is not (and is not using the assets of) a Plan or a plan that is subject to Similar Law or entity whose assets are treated as assets of any such plan for the purchase or holding of the Notes, or (b) its purchase and holding of a Note will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of applicable Similar Law.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing a Note on behalf of or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code and any Similar Law and the availability of exemptive relief.

Each purchaser and holder of any Note has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Law. The sale of any Note to any Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets the relevant legal requirements with respect to investments by, or is appropriate for, Plans or plans subject to Similar Law generally, or any particular Plan or plan subject to Similar Law.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes and the applicable Guarantee (collectively, for purposes of this section, the "Securities").

Each purchaser of the Securities will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

Regulation S Securities

Each purchaser of Securities or an interest therein outside the United States pursuant to Regulation S and each subsequent purchaser of such Securities or an interest therein, by accepting delivery of the Securities, will be deemed to have represented, agreed and acknowledged that:

(1) it is, or at the time Securities are purchased will be, the beneficial owner of such Securities and (a) it is not (at the time of the offers to it of Securities and at the time the buy order originated) a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) it understands that such Securities are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that such Securities have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (3) below.

(3) it understands that each certificate representing such Securities and each unrestricted global certificate, unless otherwise determined by the relevant Issuer in accordance with applicable law, will bear a legend to the following effect:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER OF THIS SECURITY HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

(4) it agrees that it will deliver to each person to whom it transfers such Securities notice of any restrictions on transfer of such Securities.

(5) either (a) it is not, and is not using the assets of, an (i) "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject to Title I of ERISA, "plan" which is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or entity whose underlying assets are treated as assets of any such employee benefit plan or plan pursuant to the U.S. Department of Labor regulation codified at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation") or (ii) governmental, church or non-U.S. plan that is subject to any

federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or entity whose assets are treated as assets of any such plan for the purchase or holding of the Notes, or (b) its purchase and holding of a Note will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of applicable Similar Law.

(6) it understands that the Securities offered in reliance on Regulation S will be represented by the unrestricted global certificate. Before any interest in the unrestricted global certificate may be transferred to a person who takes delivery in the form of an interest in the restricted global certificate, the Registrar will need to have received a written certification (in the form provided in the indentures), to the effect that such transfer is being made in compliance with the restrictions described in this section and as to compliance with applicable securities laws.

(7) it understands that the Trustee for the Securities will not be required to accept for registration of transfer any Securities acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth herein have been complied with.

(8) it understands that the relevant Issuer, the relevant Guarantor, the relevant Dealers, each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgments, representations or agreements deemed to have been made by it by its purchase of Securities are no longer accurate, it shall promptly notify the relevant Issuer, the relevant Guarantor and the relevant Dealers.

(9) it understands that the Issuer has the right to compel any Noteholder or beneficial owner that is required to be, and is not, a QIB/QP, to sell its Securities or interest therein, or may sell such Securities or interest therein on behalf of such person. Any such sale shall be made at the lowest of (x) the purchase price paid therefor by the Noteholder or beneficial owner, as the case may be, (y) 100% of the principal price thereof, and (z) the fair market value thereof.

(10) it is acquiring any Securities as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

A transferor who transfers an interest in a Note sold in reliance on Regulation S to a transferee who will hold the interest in the same form is not required to make any representation or certification.

Rule 144A Securities

Each purchaser of Securities or an interest therein that is a U.S. person or that purchases such Securities or interest within the United States and each subsequent purchaser of such Securities or an interest therein, by accepting delivery of this offering memorandum and the Securities or interest therein, will be deemed to have represented, agreed and acknowledged that:

(1) (a) it is a QIB/QP, (b) it is aware, and each beneficial owner of such Securities has been advised, that the sale of such Securities or an interest therein to it is being made in reliance on Rule 144A, (c) it is acquiring such Securities or interest for its own account or for the account of a QIB/QP as to which it exercises sole investment discretion and (d) it, and each such account: (i) is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated

issuers, (ii) is not a participant-directed employee plan, such as a 401(k) plan, (iii) was not formed for purposes of investing in the Issuer, (iv) will provide notice of the transfer restrictions described in this "Transfer Restrictions" section applicable to such Securities to any subsequent transferee (which transferee shall be deemed to make the same representations contained in this "Transfer Restrictions" section); and (v) acknowledges the relevant Issuer may receive a list of participants holding positions in such Securities from one or more book-entry depositaries).

(2) it understands that the relevant Issuer has the right to compel any holder of such Securities or beneficial owner of any interest therein that is required to be, and is not, a QIB/QP to sell such Securities or interest therein, or may sell such Securities or interest therein on behalf of such person, at the lowest of (x) the purchase price therefor paid by the holder or beneficial owner, as the case may be, (y) 100% of the principal amount thereof and (z) the fair market value thereof. In addition, the relevant Issuer has the right to refuse to honor a transfer of Securities or any interest therein to a person who is not an eligible transferee.

(3) it understands and acknowledges that such Securities are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and such Securities have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except to a person that it and any person acting on its behalf reasonably believe is a QIB/QP in a transaction meeting the requirements of Rule 144A, or non-U.S. person in offshore transaction in accordance with all applicable securities laws of the states of the United States.

(4) it understands that the relevant Issuer and relevant Guarantor have not been and will not be registered under the Investment Company Act.

(5) it understands that each certificate representing such Securities and each restricted global certificate, unless the relevant Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE ISSUER AND THE GUARANTOR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND ANY INTEREST THEREIN MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "QIB") WITHIN THE MEANING OF RULE 144A AND A QUALIFIED PURCHASER (A "QP," AND, TOGETHER WITH A QIB, A "QIB/QP") AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB/QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, AND FURTHER PROVIDED THAT EACH SUCH PERSON AND ACCOUNT FOR WHICH SUCH PERSON IS PURCHASING (I) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS, (II) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (III) EITHER (X) SUCH

PERSON IS NOT AND IS NOT USING THE ASSETS OF ANY (a) “EMPLOYEE BENEFIT PLAN” WITHIN THE MEANING OF SECTION 3(3) OF U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) WHICH IS SUBJECT TO TITLE I OF ERISA OR “PLAN” SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN PURSUANT TO THE U.S. DEPARTMENT OF LABOR PLAN ASSETS REGULATION CODIFIED AT 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA OR (b) GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) OR ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN FOR THE PURCHASE OR HOLDING OF THE NOTES OR (Y) SUCH PERSON’S PURCHASE AND HOLDING OF A NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW, (IV) IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, (V) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THIS SECURITY FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (VI) MUST BE ABLE TO AND WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE APPLICABLE TRANSFER RESTRICTIONS, AND WILL NOT TRANSFER THIS SECURITY OR ANY BENEFICIAL INTERESTS HEREIN EXCEPT TO A PURCHASER WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT, AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE ISSUER OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING MAY BE TREATED BY THE ISSUER OR THE TRUSTEE AS BEING OF NO FORCE AND VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY.

THE ISSUER HAS THE RIGHT TO COMPEL ANY HOLDER OF SECURITIES REPRESENTED BY THIS CERTIFICATE OR BENEFICIAL OWNER OF ANY INTEREST THEREIN THAT IS NOT A QIB/QP TO SELL SUCH SECURITIES OR INTEREST THEREIN, OR MAY SELL SUCH SECURITIES OR INTEREST THEREIN ON BEHALF OF SUCH PERSON, AT THE LOWEST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE NOTEHOLDER OR BENEFICIAL OWNER, AS THE CASE MAY BE, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF AND (Z) THE FAIR MARKET VALUE THEREOF. IN ADDITION, THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF SECURITIES OR ANY INTEREST THEREIN TO A PERSON WHO IS NOT AN ELIGIBLE TRANSFEREE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY ON THE CONDITIONS SPECIFIED IN THE INDENTURES REFERRED TO HEREIN.

(6) it understands and acknowledges that such Securities (or any interest therein) may be purchased, sold, pledged or otherwise transferred only in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

(7) it will, along with each account for which it is purchasing, hold and transfer such Securities or interests therein in an aggregate principal amount that is not less than US$200,000.

(8) it understands that such Securities will be represented by the restricted global certificate. Before any interest in the restricted global certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the unrestricted global certificate, it will be required to provide the Registrar with a written certification (in the form provided in the indentures) to the effect that such transfer is being made in compliance with the restrictions described in this section and as to compliance with applicable securities laws.

(9) either (a) it is not, and is not using the assets of, an (i) “employee benefit plan” within the meaning of Section 3(3) of ERISA, which is subject to Title I of ERISA, “plan” which is subject to Section 4975 of the Code or entity whose underlying assets are treated as assets of any such employee benefit plan or plan pursuant to the Plan Asset Regulation or (ii) governmental, church or non-U.S. plan that is subject to any Similar Law or entity whose assets are treated as assets of any such plan for the purchase or holding of the Notes, or (b) its purchase and holding of a Note will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of applicable Similar Law.

(10) it acknowledges that the Trustee for the Securities will not be required to accept for registration of transfer any Securities acquired by it, except upon presentation of evidence satisfactory to the relevant Issuer and the Trustee that the restrictions set forth herein have been complied with.

(11) it understands that any purported transfer in violation of the paragraphs above of these transfer restrictions may be treated by the relevant Issuer or the Trustee as null and void *ab initio* and as not operating to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.

(12) it understands that the relevant Issuer, the relevant Guarantor, the Dealers, each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of such Securities are no longer accurate, it shall promptly notify the relevant Issuer, the relevant Guarantor and the Dealers. If it is acquiring any Securities as a fiduciary or agent for the account of one or more QIB/QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

LEGAL MATTERS

Certain legal matters as to United States federal law, New York law and Hong Kong law will be passed upon for us by Davis Polk & Wardwell. Certain legal matters as to the British Virgin Islands law will be passed upon for us by Walkers. Certain legal matters as to the PRC law will be passed upon for us by Haiwen & Partners. Certain legal matters as to PRC law will be passed upon for the Arrangers or the Dealers Purchasers by King & Wood Mallesons. Certain legal matters as to United States federal law, New York law and Hong Kong law will be passed upon for the Arrangers or the Dealers by Linklaters.

INDEPENDENT AUDITOR

Our consolidated financial information as of and for each of the three years ended December 31, 2012, 2013 and 2014 is included in the accountants' report set forth in this offering memorandum and has been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("DTT"), our independent reporting accountants, as set forth in their report contained herein. The published consolidated financial information as of and for the year ended December 31, 2014 reproduced in this offering memorandum has been audited by DTT, as set forth in their report contained herein and in our annual report for the year ended December 31, 2014. The consolidated financial information for the HK Guarantor as of and for each of the years ended December 31, 2012, 2013 and 2014 have been audited by DTT, as stated in their report appearing in this offering memorandum.

For the purpose of the offers and sales outside the United States in offshore transactions in reliance on Regulation S and within the United States to "qualified institutional buyers" as defined in Rule 144A under the Securities Act, DTT has acknowledged the inclusion in this offering memorandum of all references to its name, its accountants' reports on our consolidated financial information as of and for each of the three years ended December 31, 2012, 2013 and 2014 and its accountants' report on our consolidated financial information as of and for the year ended December 31, 2014, in the form and context in which they are respectively included in this offering memorandum. DTT has acknowledged the inclusion in this offering memorandum of all references to its name, its accountants' report on the consolidated financial information for the HK Guarantor as of and for each of the three years ended December 31, 2012, 2013 and 2014, in the form and context in which they are respectively included in this offering memorandum.

GENERAL INFORMATION

CONSENTS

The KW Notes Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the KW Notes and the performance of the KWN Indenture, the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking. The Guaranteed Notes Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Guaranteed Notes and the GN Indenture. The HK Guarantor has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the HK Guarantee, the KWN Indenture, the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking. The Company has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the PRC Guarantee, the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking. The entering into of the Indentures governing the Notes and the issue of the Notes have been authorized by a resolution of the board of directors of the KW Notes Issuer dated April 8, 2015, a resolution of the board of directors of the Guaranteed Notes Issuer dated April 8, 2015 and a resolution of the board of directors of the HK Guarantor dated April 8, 2015. The Company has been authorised by a board resolution dated March 13, 2015 to sign any supplemental indenture as and when Guaranteed Notes are issued. The entering into of the Keepwell Deed and the Deed of Equity Interest Purchase, Investment and Liquidity Support Undertaking has been authorized by a resolution of the board of directors of the Company dated March 13, 2015, a resolution of the board of directors of the KW Notes Issuer dated April 8, 2015 and a resolution of the board of directors of the HK Guarantor dated April 8, 2015.

DOCUMENTS AVAILABLE

Copies of the following documents may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee:

i. audited consolidated financial statements of the Company and the HK Guarantor for the past two fiscal years;

ii. each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Principal Paying Agent as to its holding of Notes and identity);

iii. a copy of this offering memorandum together with any supplement to this offering memorandum;

(iv) the KWN Indenture;

(v) the GN Indenture;

(vi) the Program Agreement; and

(vii) the Procedures Memorandum.

CLEARING SYSTEM AND SETTLEMENT

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg, DTC or other alternative clearing system. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

LISTING OF THE NOTES

The Issuer has received the eligibility letter from the Hong Kong Stock Exchange for the issuance and listing of the Notes by way of debt issues to professional investors only as described in this offering memorandum. The Hong Kong Stock Exchange takes no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum. Admission of the Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Notes or us. The Notes will be traded on the Hong Kong Stock Exchange subject to a minimum board lot size requirement of the equivalent of HK$500,000 for so long as the Notes are listed on the Hong Kong Stock Exchange.

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position or prospects of the HK Guarantor or the Company since December 31, 2014.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN U.S. GAAP AND HKFRS

Our consolidated financial information for the years ended December 31, 2012, 2013 and 2014 included elsewhere in this offering memorandum has been prepared and presented in accordance with HKFRS. In Hong Kong, financial statements are prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. Certain differences exist between HKFRS and U.S. GAAP, which might be material to the financial information herein.

The matters described below summarize certain differences between HKFRS and U.S. GAAP that may be material to our balance sheets and statements of comprehensive income. We are responsible for preparing the summary below. Such summary should not be construed to be exhaustive. We have not prepared a complete reconciliation of the financial information and related footnote disclosure between HKFRS and U.S. GAAP and have not quantified such differences. Accordingly, no assurance is provided that the following summary of differences between HKFRS and U.S. GAAP is complete. Had we undertaken any such quantification or reconciliation, other potential significant accounting and disclosure differences may have come to our attention which are not identified below.

Furthermore, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the audited consolidated financial information or footnotes thereto. Additionally, no attempt has been made to identify future differences between HKFRS and U.S. GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate HKFRS and U.S. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between HKFRS and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future.

In making an investment decision, you must rely upon your own examination of us, the terms of the offering and the financial information. You should consult your own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how those differences might affect the financial information included herein.

Consolidation

The consolidated financial statements include all enterprises that we control, as defined by Hong Kong Accounting Standard 27 — Consolidated and Separate Financial Statements or HKAS 27. Under HKAS 27, control is presumed to exist when a company owns, directly or indirectly, more than one half of the voting power of an enterprise. Control also exists even when the parent owns one half or less of the voting power of an enterprise when there is (a) power over more than one-half of the voting rights by virtue of an agreement with other investors; (b) power to govern the financial and operating policies of the enterprises under a statute or an agreement; (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body of the enterprise; or (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

For accounting period beginning on or after January 1, 2013, companies are required to adopt Hong Kong Financial Reporting Standard 10 — Consolidated Financial Statements or HKFRS 10. Under HKFRS 10, control is presumed to exist when a company controls an enterprise when it is exposed, or has rights, to variable returns from its involvement with the enterprise and has the ability to affect those returns through its power over the enterprise. The definition of power is the existing rights that give a company the current ability to direct the activities that significantly affect returns. Returns must vary and can be positive, negative, or both. HKFRS 10 is applicable for all entities, including special purpose entities, or special purpose entities (“SPEs”).

Under SIC Interpretation 12: Consolidation — Special Purpose Entities Interpretation, SPEs are consolidated where the substance of the relationship indicates that the SPE is controlled by the enterprise. Indicators of control arise where the SPE conducts its activities on behalf of the enterprise, the enterprise has the decision-making power to obtain the majority of the benefits of the SPE, the enterprise has other rights to obtain the majority of the benefits of the SPE or the enterprise has the majority of the residual or ownership risks of the SPE or its assets.

Under U.S. GAAP, consolidation is generally required when one of the companies in a group directly or indirectly has a controlling financial interest in the other companies. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule ownership by one company, directly or indirectly, of over 50% of the outstanding voting shares of another company is a condition pointing towards consolidation. Consolidation of majority-owned subsidiaries is required in the preparation of consolidated financial statements, unless control does not rest with the majority owner.

Under U.S. GAAP, unless it is determined that the entity is a variable interest entity, or VIE, entities are consolidated when there is a "controlling financial interest." The usual condition for a controlling financial interest is ownership of a majority voting interest. U.S. accounting practice in the preparation of consolidated financial statements, as interpreted by rules and regulations of the U.S. Securities Exchange Commission, has evolved with an emphasis on (a) legal form, (b) ownership criterion and (c) contractual arrangements rather than on a broader definition of control. Accordingly, entities that are consolidated under HKFRS may not necessarily be consolidated under U.S. GAAP. U.S. GAAP provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of VIEs in its consolidated financial statements of the primary beneficiary of the entity. The primary beneficiary is the variable interest holder that has the power to direct the activities that most significantly affect the economic performance of the VIE, and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Properties for sale

Under HKFRS, completed properties held for sale are stated at the lower of cost and net realizable value. Under U.S. GAAP, completed projects held for sale are long-lived assets to be disposed of by sale and shall be measured at the lower of carrying amount or fair value less cost to sell.

Goodwill

Under HKFRS, goodwill on acquisition is included in intangible assets. Goodwill is not amortized but reviewed for impairment annually, and when indicators of impairment arise, at the cash generating unit, or CGU, level, or group of CGUs, as applicable. A CGU is typically at a lower level than a reporting unit, as defined under HKFRS. A one step impairment test is used when comparing the carrying amount to recoverable amount. Goodwill is carried at cost less accumulated impairment losses.

Under U.S. GAAP, intangible assets are amortized over their useful lives unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are not amortized but instead are subject to annual impairment reviews or whenever there are events or changes in circumstances that would indicate that their carrying values may not be recoverable. Companies are permitted to first assess qualitative factors to determine whether the two-step goodwill impairment test is necessary. Further testing is required only if the entity determines, based on the qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. Then, goodwill is assessed at the reporting unit level using a prescribed two-step process. The first step identifies potential goodwill impairment by comparing the fair value and the carrying value of the reporting unit, while the second step measures the amount of goodwill impairment, if any, by comparing the implied fair value of goodwill to its carrying value. Indefinite-lived intangibles are generally assessed on an asset basis using a one-step process whereby the carrying value of the asset is compared to its fair value.

Revenue Recognition

Under HKFRS, revenue from sales of properties is recognized upon completion of sale agreements, which refers to the time when the relevant properties have been delivered to the purchasers where risk and rewards are transferred.

Under U.S. GAAP, for property sales other than retail land sale, profit is recognized in full on using the full accrual method if (1) a sale is consummated; (2) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property; (3) the seller's receivable is not subject to future subordination; and (4) the seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property. Where the buyer's initial or continuing investment is inadequate, profit should be recognized by the installment method, the cost recovery method, the reduced profit method, or the deposit method upon meeting certain recognition criteria prescribed by U.S. GAAP. Where property transactions cannot be considered a sale as a result of the seller's continuing involvement, the financing, the leasing or the profit sharing (or co-venture) method of revenue recognition should be used based on meeting certain criteria.

Impairment of Assets

Under HKFRS, at each balance sheet date, if an indication of impairment exists, an asset's recoverable amount is estimated and an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the income statements. Reversals of previous provision of impairment are allowed when the circumstances and events that led to the writedown cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

U.S. GAAP requires an impairment loss to be recognized for long-lived assets, including property, plant and equipment and certain identifiable intangibles where a triggering event occurs or the carrying amount of the asset may not be recoverable. An estimate of the future undiscounted cash flows expected to result from the use and eventual disposal of the asset, or the group of assets, is compared to the carrying value to determine whether impairment exists. If it is determined that the asset is impaired, the impairment loss recognized is the difference between the carrying amount of the asset and its fair value based on quoted market value less selling costs, if available. If quoted market value is not available, the estimate of fair value is based on various valuation techniques, including the sum of future discounted cash flows and fundamental analysis. Once such impairments have been recorded, subsequent reversal of impairment charges are not allowed. An asset to be disposed of is recorded at the lower of its carrying value or fair value less cost to sell.

Deferred Income Taxes

Under HKFRS, deferred tax assets and liabilities are required to be provided in full using the liability method on temporary differences arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets and liabilities arising from temporary differences need to be measured at the rates enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. All deferred tax assets and liabilities are classified as non-current.

Under U.S. GAAP, deferred tax assets and liabilities are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. A valuation allowance is provided to reduce the amount of deferred tax assets if, in the opinion of management, it is considered more likely than not that some portion of, or all of, the deferred tax asset will not be realized in the future. Classification of deferred tax assets and liabilities must be consistent with the underlying asset or liability generating the difference.

Uncertain Tax Positions

Under HKFRS, there is no specific standard that addresses uncertain tax positions. The general measurement guidance is contained in HKAS 12 which requires current tax liabilities (assets) for the current and prior periods to be measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. However, the unit of accounts and measurement method are not specified in HKAS 12, which results in diversity in practice.

U.S. GAAP prescribes the recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Uncertain tax positions are recognized and measured using a two-step process: (1) determine whether a benefit may be recognized and (2) measure the amount of the benefit. The tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained based on technical merits upon examination by tax authorities.

Cash Flow Statement

Under HKFRS, interest paid is classified as cash flow from operating activities while dividends and interest received are classified as cash flows from investing activities. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

U.S. GAAP requires interest paid and dividends and interest received be classified as operating activities. Bank overdrafts are treated as loans under U.S. GAAP rather than cash and cash equivalents. Interest capitalized relating to borrowings that are directly attributable to property, plant and equipment is classified as cash flow from investing activities.

Leases

Under HKFRS, leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the statement of comprehensive income on a straight-line basis over the lease periods.

Lessees would use the interest rate implicit in the lease if this is practicable to determine; if not, they would use the incremental borrowing rate.

Land and building elements are bifurcated and accounted for separately unless the land element is immaterial.

Under U.S. GAAP, categorization of leases is more prescriptive in nature. A lease is classified as a capital lease, comparable to HKFRS definition of finance lease, when any of the following criteria is met:

- Transfer of ownership to lessee by the end of the lease term;
- Existence of bargain purchase option;
- Lease term is equal to 75% or more of estimated economic life of leased property; and
- Present value of minimum lease payments is equal to or more than 90% of the excess of fair value over any related investment tax credit.

Lessees would use the incremental borrowing rate to discount minimum lease payments unless the implicit rate is known and is the lower rate.

Land and building elements are generally accounted for as a single unit unless land represents more than 25 percent of the total fair value of leased property.

Government Grants

Under HKFRS, government grants and subsidies are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions have been complied with. When the grantor or subsidy relates to a specifically identifiable expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected useful lives of the relevant asset.

Under U.S. GAAP, there is no pronouncement that specifically covers government grants and subsidies.

Investment Properties

Under HKFRS, the fair value model can be used to measure investment property.

Under U.S. GAAP, investment property is generally accounted for at historical cost.

Presentation of Debt Origination Costs

Under HKFRS, the unamortized portion of the direct costs related to the procuring debts are netted from the related borrowings.

Under U.S. GAAP, costs of issuing debts should be deferred as an asset and amortized using the effective interest method over the life of the debts.

Provisions

Under HKFRS, a provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. For probable losses, an entity is required to accrue the "best estimate" of the amount that will be required to settle the obligation. Depending on the facts and circumstances, this may or may not be the outcome with the highest probability. When all points in a continuous range of possible outcomes are equally likely, an entity should measure the provision at the midpoint of the range.

U.S. GAAP requires substantially the same criteria as HKFRS. However, under U.S. GAAP, a provision should be discounted only where both the amount of the liability and the timing of payments are either fixed or reliably determinable. For probable losses, an entity is required to accrue the amount of loss that is most likely to occur (i.e., the outcome with the highest probability). If all possible amounts in the range are equally likely, an entity should measure the provision at the minimum amount of the range.

Loans and other receivables

The Company's loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Under HKFRS, subsequent to initial recognition, they are carried at amortized cost using the effective interest method, less any identified impairment losses.

Under U.S. GAAP, the classification and accounting treatment of these loans and other receivables non-derivative financial assets generally depend on whether the asset meets the definition of a debt security under ASC 320. If the asset meets that definition, it is generally classified as trading, available-for-sale or held-to-maturity. If classified as trading or available-for-sale, the debt security is carried at fair value. To meet the definition of a debt security under ASC 320, the asset is required to be of a type commonly available on securities exchanges or in markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment. Loans and other receivables that are not within the scope of ASC 320 fall within the scope of other guidance and may be measured at amortized cost, at lower of cost or fair value or at fair value is the fair value option is elected.

Additional differences involve loans and other receivables and held-to-maturity investments that are carried at amortized cost. For such financial assets, both HKFRS and U.S. GAAP use the effective interest method to calculate amortized cost and allocate interest income over the relevant period. The effective interest method is based on the effective interest rate calculated at initial recognition of the financial asset. Under HKFRS, the effective interest is calculated based on estimated future cash flows over the expected life of the financial asset. Under U.S. GAAP, although certain exceptions apply, the calculation of the effective interest rate generally is based on contractual cash flows over the financial asset's contractual life.

In general, HKFRS focuses on whether a qualifying transfer has taken place, whether risks and rewards have been transferred and, in some cases, whether control over the assets in question has been transferred. U.S. GAAP focuses on whether any entity has surrendered control over an asset, including the surrendering of legal and effective control.

Under HKFRS, full derecognition can be achieved only if all of the risks and rewards are transferred or the entity has neither retained nor transferred substantially all of the risks and rewards and the transferee has the practical ability to sell the transferred asset. Under HKFRS, if the entity has neither retained nor transferred substantially all of the risks and rewards and the transferee does not have the practical ability to sell the transferred asset, the transferor continues to recognize the transferred asset with an associated liability under the continuing involvement model which has no equivalent under U.S. GAAP.

Under U.S. GAAP, derecognition can be achieved even if the transferor has significant ongoing involvement with the asset, such as the retention of significant exposure to credit risk.

Other disclosures

Certain additional disclosures not required under HKFRSs are required to be disclosed under U.S. GAAP. Some of the areas where U.S. GAAP requires specific additional disclosures include, among others, concentrations of credit risk, significant customers and suppliers and segment-related disclosures.

INDEX TO CONSOLIDATED FINANCIAL INFORMATION

THE GROUP

Note:

(1) The audited consolidated financial statements of the Group set forth herein have been reproduced from the Company's annual reports for the year ended December 31, 2014 and page references are references to pages set forth in such annual report.

THE HK GUARANTOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 196 which comprise the consolidated and company statements of financial position as at December 31, 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014 and of the Group's profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2015

CHINA CINDA ASSET MANAGEMENT CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	Year ended December 31, 2013
Income from distressed debt assets classified as receivables	1	18,113,566	10,144,157
Fair value changes on distressed debt assets	2	4,077,498	4,617,634
Fair value changes on other financial instruments	3	2,180,533	539,004
Investment income	4	9,116,469	7,043,846
Net insurance premiums earned	5	7,442,985	5,771,868
Interest income	6	8,810,539	5,059,204
Revenue from sales of inventories	7	4,340,500	4,321,948
Commission and fee income	8	3,008,181	2,520,108
Net gains on disposal of subsidiaries and associates	9	642,948	200,517
Other income and other net gains or losses	10	2,056,843	2,194,906
Total		59,790,062	42,413,192
Interest expense	11	(15,961,121)	(7,803,756)
Insurance costs	12	(6,865,310)	(5,018,782)
Employee benefits	13	(4,600,557)	(3,797,444)
Purchases and changes in inventories	7	(2,824,007)	(2,720,323)
Commission and fee expense	14	(1,034,318)	(869,443)
Business tax and surcharges		(1,981,262)	(1,233,873)
Depreciation and amortization expenses		(456,360)	(443,789)
Other expenses		(2,872,582)	(2,560,256)
Impairment losses on assets	15	(5,438,067)	(6,153,281)
Total		(42,033,584)	(30,600,947)
Change in net assets attributable to other holders of consolidated structured entities	38	(1,909,945)	(540,461)
Profit before share of results of associates and tax		15,846,533	11,271,784
Share of results of associates		460,166	500,259
Profit before tax	16	16,306,699	11,772,043
Income tax expense	17	(4,163,950)	(2,671,071)
Profit for the year		12,142,749	9,100,972
Profit attributable to:			
Equity holders of the Company		11,896,243	9,027,278
Non-controlling interests		246,506	73,694
		12,142,749	9,100,972
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	18		
- Basic		0.33	0.30
- Diluted		0.33	0.30

CHINA CINDA ASSET MANAGEMENT CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2014	2013
Profit for the year	12,142,749	9,100,972
Other comprehensive income/ (expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
- fair value changes arising during the year	5,162,379	(4,055,637)
- amounts reclassified to profit or loss upon disposal	(964,519)	858,993
- amounts reclassified to profit or loss upon impairment	554,379	3,436,227
Income tax effect	(1,010,362)	(160,264)
	3,741,877	79,319
Share of other comprehensive income of associates	498	48,869
Exchange differences arising on translation of foreign operations	11,250	(28,402)
Other comprehensive income for the year, net of income tax	3,753,625	99,786
Total comprehensive income for the year	15,896,374	9,200,758
Total comprehensive income attributable to:		
Equity holders of the Company	15,147,822	9,323,396
Non-controlling interests	748,552	(122,638)
	15,896,374	9,200,758

CHINA CINDA ASSET MANAGEMENT CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31,	
	Notes V	2014	2013
Assets			
Cash and bank balances	22	43,891,249	57,059,107
Clearing settlement funds	23	5,145,163	1,707,859
Deposits with exchanges and a financial institution	24	918,240	831,073
Placements with financial institutions	25	3,000,000	290,000
Financial assets at fair value through profit or loss	26	57,220,521	25,178,498
Financial assets held under resale agreements	27	11,454,214	1,053,527
Available-for-sale financial assets	28	85,794,554	72,747,155
Financial assets classified as receivables	29	180,913,089	116,662,697
Loans and advances to customers	30	80,224,726	48,636,362
Accounts receivable	31	7,022,083	6,448,944
Held-to-maturity investments	33	7,042,523	7,592,298
Properties held for sale	34	29,932,835	17,789,854
Investment properties	35	1,606,297	1,857,970
Interests in associates	39	10,079,555	8,961,606
Property and equipment	41	3,687,619	3,620,195
Goodwill		324,109	323,721
Other intangible assets		183,978	159,608
Deferred tax assets	42	3,442,600	3,937,398
Other assets	43	12,544,062	8,927,535
Total assets		544,427,417	383,785,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS AT DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	As at December 31, 2013
Liabilities			
Borrowings from central bank	44	986,058	4,912,977
Accounts payable to brokerage clients	45	11,663,334	6,480,797
Financial liabilities at fair value through profit or loss		37,005	48,465
Financial assets sold under repurchase agreements	46	9,939,649	9,442,824
Placements from banks and a financial institution	47	11,827,000	10,477,000
Borrowings	48	263,452,411	173,834,689
Accounts payable	49	13,891,177	22,814,138
Investment contract liabilities for policyholders	50	6,251,226	3,244,367
Tax payable	51	1,742,755	2,060,566
Insurance contract liabilities	52	25,219,005	20,722,452
Bonds issued	53	43,694,852	13,285,017
Deferred tax liabilities	42	664,465	450,849
Other liabilities	54	53,195,218	33,249,145
Total liabilities		442,564,155	301,023,286
Equity			
Share capital	55	36,256,690	35,458,864
Capital reserve	56	17,328,518	15,903,578
Investment revaluation reserve	57	3,970,903	730,574
Surplus reserve	58	3,394,304	2,483,115
General reserve	59	4,461,263	3,866,093
Retained earnings	60	28,366,310	17,976,426
Foreign currency translation reserve		(409,130)	(420,380)
Equity attributable to equity holders of the Company		93,368,858	75,998,270
Non-controlling interests		8,494,404	6,763,851
Total equity		101,863,262	82,762,121
Total equity and liabilities		544,427,417	383,785,407

The consolidated financial statements on pages 136 to 327 are authorized for issue by the Board of Directors and signed on its behalf by:

HOU Jianhang	ZANG Jingfan
CHAIRMAN	*PRESIDENT*

CHINA CINDA ASSET MANAGEMENT CO., LTD.

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	As at December 31, 2013
Assets			
Cash and bank balances	22	11,521,730	30,660,624
Placements with financial institutions	25	2,000,000	640,000
Financial assets at fair value through profit or loss	26	42,837,267	17,419,393
Financial assets held under resale agreements	27	8,795,500	-
Available-for-sale financial assets	28	57,996,590	51,050,342
Financial assets classified as receivables	29	177,893,099	113,966,668
Accounts receivable	31	6,053,629	5,647,620
Amounts due from subsidiaries	32	876,392	1,509,756
Held-to-maturity investments	33	210,000	499,928
Investment properties	35	367,723	374,570
Interests in subsidiaries	36	25,502,767	22,398,334
Interests in consolidated structured entities	38	7,204,057	2,540,901
Interests in associates	39	3,916,062	6,010,243
Property and equipment	41	853,913	573,243
Other intangible assets		15,609	22,046
Deferred tax assets	42	2,253,176	3,117,264
Other assets	43	4,954,478	2,864,982
Total assets		353,251,992	259,295,914
Liabilities			
Borrowings from central bank	44	986,058	4,912,977
Financial liabilities at fair value through profit or loss		431,742	226,786
Placements from banks	47	10,000,000	8,000,000
Borrowings	48	212,495,000	139,069,331
Accounts payable	49	10,160,682	21,676,664
Tax payable	51	722,159	1,373,430
Bonds issued	53	30,544,927	10,025,296
Other liabilities	54	4,250,323	4,025,986
Total liabilities		269,590,891	189,310,470
Equity			
Share capital	55	36,256,690	35,458,864
Capital reserve	56	16,513,787	15,127,873
Investment revaluation reserve	57	2,573,161	193,135
Surplus reserve	58	3,394,304	2,483,115
General reserve	59	3,348,747	2,967,886
Retained earnings	60	21,574,412	13,754,571
Total equity		83,661,101	69,985,444
Total equity and liabilities		353,251,992	259,295,914

CHINA CINDA ASSET MANAGEMENT CO., LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	2013
OPERATING ACTIVITIES			
Profit before tax		16,306,699	11,772,043
Adjustments for:			
Impairment losses on assets		5,438,067	6,153,281
Depreciation of property and equipment, and investment properties		343,810	351,559
Amortization of intangible assets and other long-term assets		112,550	92,230
Share of results of associates		(460,166)	(500,259)
Net gains on disposal of property and equipment, and investment properties		(319,409)	(721,831)
Net gains on disposal of subsidiaries and associates		(642,948)	(200,517)
Fair value changes on financial assets		(1,411,614)	(90,155)
Investment income		(9,116,469)	(7,043,846)
Borrowing costs		2,709,840	1,643,737
Change in reserves for insurance contracts		4,280,446	3,136,784
Operating cash flows before movements in working capital		17,240,806	14,593,026
(Increase)/decrease in bank balances		(3,571,278)	1,796,148
Increase in financial assets at fair value through profit or loss		(30,634,969)	(8,165,369)
Increase in financial assets held under resale agreements		(10,603,333)	(416,609)
Increase in financial assets classified as receivables		(48,437,583)	(67,358,783)
Increase in loans and advances to customers		(32,436,806)	(24,098,155)
Decrease in accounts receivable		1,348,024	1,065,782
Increase in properties held for sale		(12,177,509)	(3,943,388)
Decrease in borrowings from central bank		(3,926,919)	(2,140,465)
Increase/(decrease) in accounts payable to brokerage clients		5,182,537	(148,728)
Increase/(decrease) in financial assets sold under repurchase agreements		2,315,752	(3,917,115)
Increase in borrowings		82,859,619	93,058,646
Increase/(decrease) in accounts payable		3,043,022	(289,646)
Increase in other operating assets		(8,904,511)	(10,389,246)
Increase in other operating liabilities		16,077,076	25,069,522
Cash generated from operations		(22,626,072)	14,715,620
Income taxes paid		(4,786,215)	(4,134,298)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(27,412,287)	10,581,322
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities and debt-to-equity assets		31,649,348	14,911,000
Dividends received from investment securities		1,005,502	1,645,352
Dividends received from associates		367,812	254,088
Interest received from investment securities		1,678,407	2,048,469
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		570,287	981,230
Net cash flows from disposals of subsidiaries	69	1,199,317	416,185
Net cash flows from disposals of associates		-	335,271
Cash payments to acquire investment securities		(64,850,754)	(42,303,173)
Net cash flows from consolidated structured entities		11,068,707	10,812,640
Cash payments for purchase of property and equipment, investment properties and other assets		(359,678)	(488,563)
Cash payments for establishment and acquisition of interests in associates		(3,378,453)	(1,538,666)
NET CASH USED IN INVESTING ACTIVITIES		(21,049,505)	(12,926,167)

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

	Note V	Year ended December 31, 2014	2013
FINANCING ACTIVITIES			
Net proceeds from issue of shares		2,183,740	14,974,565
Capital contribution from non-controlling interests of subsidiaries of the Company		1,105,417	927,100
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		78,942	95,783
Cash payments to acquire additional interests in subsidiaries		(6,200)	(35,240)
Cash receipts from borrowings raised		23,820,864	9,854,515
Cash receipts from bonds issued		30,867,390	734,678
Cash receipts from financial assets sold under repurchase agreements		3,997,729	5,816,656
Cash repayments on financial assets sold under repurchase agreements		(5,816,656)	(4,450,363)
Cash repayments of borrowings		(17,062,761)	(5,082,453)
Cash repayment of bonds		(1,007,068)	(95,179)
Interest expenses on borrowings paid		(2,140,622)	(1,620,529)
Dividends paid		(1,202,804)	(1,613,059)
Dividends paid to non-controlling interests of subsidiaries		(193,387)	(93,434)
Cash payments for transaction cost of bonds issued		(132,930)	(7,423)
NET CASH FROM FINANCING ACTIVITIES		34,491,654	19,405,617
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(13,970,138)	17,060,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		48,192,046	31,093,404
Effect of foreign exchange changes		255,012	37,870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	61	34,476,920	48,192,046
Net cash flows from operating activities include:			
Interest received		8,246,753	4,579,020
Interest paid		12,535,945	6,160,019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes V	Share capital (Note V.55)	Capital reserve (Note V.56)	Investment revaluation reserve (Note V.57)	Surplus reserve (Note V.58)	General reserve (Note V.59)	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2014		35,458,864	15,903,578	730,574	2,483,115	3,866,093	17,976,426	(420,380)	75,998,270	6,763,851	82,762,121
Profit for the year		-	-	-	-	-	11,896,243	-	11,896,243	246,506	12,142,749
Other comprehensive income / (expense) for the year		-	-	3,240,329	-	-	-	11,250	3,251,579	502,046	3,753,625
Total comprehensive income / (expense) for the year		-	-	3,240,329	-	-	11,896,243	11,250	15,147,822	748,552	15,896,374
Shares issued	55, 56	797,826	1,385,914	-	-	-	-	-	2,183,740		2,183,740
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	1,105,417	1,105,417
Acquisition of additional interests in subsidiaries		-	3,117	-	-	-	-	-	3,117	(9,317)	(6,200)
Disposal of partial interests in subsidiaries		-	35,909	-	-	-	-	-	35,909	90,319	126,228
Disposal of interests in subsidiaries		-	-	-	-	-	-	-	-	(11,031)	(11,031)
Appropriation to surplus reserve	58	-	-	-	911,189	-	(911,189)	-	-	-	-
Appropriation to general reserve	59	-	-	-	-	595,170	(595,170)	-	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(193,387)	(193,387)
As at December 31, 2014		36,256,690	17,328,518	3,970,903	3,394,304	4,461,263	28,366,310	(409,130)	93,368,858	8,494,404	101,863,262

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes V	Share capital (Note V.55)	Capital reserve (Note V.56)	Investment revaluation reserve (Note V.57)	Surplus reserve (Note V.58)	General reserve (Note V.59)	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2013		30,140,024	6,520,646	406,054	1,760,041	1,468,835	14,869,946	(391,978)	54,773,568	6,111,175	60,884,743
Profit for the year		-	-	-	-	-	9,027,278	-	9,027,278	73,694	9,100,972
Other comprehensive income/(expense) for the year		-	-	324,520	-	-	-	(28,402)	296,118	(196,332)	99,786
Total comprehensive income/(expense) for the year		-	-	324,520	-	-	9,027,278	(28,402)	9,323,396	(122,638)	9,200,758
Shares issued	55, 56	5,318,840	9,305,983	-	-	-	-	-	14,624,823	-	14,624,823
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	578,921	578,921
Acquisition of additional interests in subsidiaries		-	(324,000)	-	-	-	11,587	-	(312,413)	276,815	(35,598)
Acquisition of interests in subsidiaries		-	-	-	-	-	-	-	-	9,288	9,288
Disposal of partial interests in subsidiaries		-	400,949	-	-	-	3,810	-	404,759	42,985	447,744
Disposal of interests in subsidiaries		-	-	-	-	-	-	-	-	(39,261)	(39,261)
Appropriation to surplus reserve	58	-	-	-	723,074	-	(723,074)	-	-	-	-
Appropriation to general reserve	59	-	-	-	-	2,397,258	(2,397,258)	-	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(93,434)	(93,434)
Dividends recognized as distribution	19	-	-	-	-	-	(2,815,863)	-	(2,815,863)	-	(2,815,863)
As at December 31, 2013		35,458,864	15,903,578	730,574	2,483,115	3,866,093	17,976,426	(420,380)	75,998,270	6,763,851	82,762,121

(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

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

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

The Company listed on The Stock Exchange of Hong Kong Limited on December 12, 2013. Details of the share issue are included in note V.55.

The Company and its subsidiaries are collectively referred to as the Group.

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

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

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In current year, the Group has applied a number of amendments to IFRSs and a new interpretation that are effective for the Group's annual period beginning on January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

(Amounts in thousands of RMB, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

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

IFRS 9	Financial Instruments (1)
IFRS 15	Revenue from Contracts with Customers (2)
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (4)
Amendments to IAS 1	Disclosure Initiative(4)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (4)
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions (3)
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle (5)
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle (3)
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle (4)
Amendments to IAS 27	Equity Method in Separate Financial Statements (4)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (4)

(1) Effective for annual periods beginning on or after 1 January 2018
(2) Effective for annual periods beginning on or after 1 January 2017
(3) Effective for annual periods beginning on or after 1 July 2014
(4) Effective for annual periods beginning on or after 1 January 2016
(5) Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 Financial Instruments - continued

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

For the application of the above new and revised IFRSs, the directors are either in the process of assessing their impact or of the opinion that they will not have significant impact on the consolidated financial statements.

III. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.32).

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including structured entities) controlled by the Company and its subsidiaries. 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.

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 size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; 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 income statement 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.

In the Company's statement of financial position, its interests in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

3. Basis of consolidation - continued

Changes in the Group's ownership interests in existing subsidiaries

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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. 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 generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

4. Business combinations - continued

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.

5. Goodwill

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.

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.

6. 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

7. 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.

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 available-for-sale financial assets (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).

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. 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.

8.1 Determination of fair value

Fair value is determined in the manner described in note V.68.

8.2 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.

8.3 Classification, recognition and measurement of financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and financial assets classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.3 Classification, recognition and measurement of financial assets - continued

Financial assets at fair value through profit or loss ("FVTPL")

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. Any interest income arising from financial assets designated as at fair value through profit or loss is also included in fair value changes of such assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.3 Classification, recognition and measurement of financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, deposits with exchanges and a financial institution, placements with financial institutions, financial assets classified as receivables, loans and advances to customers and accounts receivable.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognized in profit or loss.

Debt securities with fixed or determinable payments but have no quoted price in an active market are classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt instruments as available-for-sale financial assets on initial recognition of those items.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;
(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio;
(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
(9) other objective evidence indicating there is an impairment of a financial asset.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.4 Impairment of financial assets - continued

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collaterised financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment loss on equity investment at fair value is not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.4 Impairment of financial assets - continued

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

8.5 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 a collateralized borrowing 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 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.6 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.

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.

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the 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.

8.7 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Financial instruments - continued

8.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

8.9 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.

9. 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

10. Interests in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate 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 and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. 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 of disposal) 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.

Upon disposal of an associate that results in the Group losing significant influence over that associate, 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 IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate 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 loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(Amounts in thousands of RMB, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES - continued

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 on a straight-line basis over the shorter of the term of the lease and 40 years.

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 statements 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%-5%	1.90%-4.85%
Machinery and equipment	5-10 years	3%-5%	9.50%-19.40%
Electronic equipment and furnitures	3-10 years	3%-5%	9.50%-32.33%
Motor vehicles	5-10 years	3%-5%	9.50%-19.40%

III. SIGNIFICANT ACCOUNTING POLICIES - continued

12. Property and equipment - continued

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

14. Other intangible assets

Other intangible assets include trading seat fee and computer software, 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 is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

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 of disposal 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.

III. 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.

III. 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 is permitted but not required to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable, and all obligations and rights arising from the deposit component are recognized.

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 should 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 judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

19. Insurance contracts liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities and short-term insurance contract liabilities which include 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

19. Insurance contracts liabilities - continued

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.

- 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 income statement 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 income statement, but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the income statement 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 sums insured 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

19. Insurance contracts liabilities - continued

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

Incurred but not reported reserves ("IBNR") are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method or Bornhuetter-Ferguson method, based on a reasonable estimate of ultimate claim amounts as well as margins.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

19. Insurance contracts liabilities - continued

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, 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.

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.

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 income statement. 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

19. Insurance contracts liabilities - continued

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.

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 income statement.

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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

20. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

20.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets classified as receivables and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in available-for-sale financial assets and assets in satisfaction of debts.

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables, gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as 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 receivable is detailed in note III.20.5.

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income. The accounting policy for dividend income is detailed in note III.20.6.

20.2 Fee and commission income

Income from investment contracts

Fees are charged for investment contracts issued by the Group for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in commission and fee income.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

20. Revenue recognition - continued

20.2 Fee and commission income - continued

Other fee and commission income

The income from securities trading brokerage business is recognized as fee and commission income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as fee and commission income when the securities are allotted.

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognized on accrual basis when services are provided.

Fee from leasing business is recognized on accrual basis when services are provided.

Fee and commission income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

20.3 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.

20.4 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

20. Revenue recognition - continued

20.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments 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.

20.6 Dividend income

Dividend income from investments is recognized when the shareholder's 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.

20.7 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, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

21. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

21.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

21. Taxation - continued

21.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on 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 liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

22. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

22.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

22.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

22.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

23. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer 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.

24. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises 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.

Defined Contribution Plan

The employees of the Company participate in Defined contribution plan set up by the Company (the "Defined Contribution Plan"). The Company made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Company has no further obligation if the Defined contribution plan does not have sufficient assets for payment of supplementary retirement benefits to employees.

III. SIGNIFICANT ACCOUNTING POLICIES - continued

25. 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.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgments 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.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent that is practical, models use only observable data. 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 financial instruments.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION - continued

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. 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 measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION - continued

7. 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.

8. Control on structured entities

The Group's management needs to assess whether the Group has the power on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note V.38.

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 III.3.

V. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see note V.29).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at fair value through profit or loss during the year (see note V.26).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

3. Fair value changes on other financial instruments

	Year ended December 31, 2014	Year ended December 31, 2013
Held-for-trading financial assets	1,776,025	467,707
Financial assets designated as at fair value through profit or loss	413,491	106,577
Financial liabilities designated as at fair value through profit or loss	(8,983)	(35,280)
Total	2,180,533	539,004

4. Investment income

	Year ended December 31, 2014	Year ended December 31, 2013
Net realized gain from disposal of		
- available-for-sale financial assets	4,822,711	3,850,322
Interest income from investment securities		
- available-for-sale financial assets	865,693	596,506
- debt instruments classified as receivables	2,011,801	426,132
- held-to-maturity financial assets	348,780	354,603
Dividend income from		
- available-for-sale financial assets	1,067,484	1,816,283
Total	9,116,469	7,043,846

5. Net insurance premiums earned

	Year ended December 31, 2014	Year ended December 31, 2013
Gross written premiums	11,096,037	7,148,270
Less: Premiums ceded to reinsurers	(3,488,405)	(1,311,584)
Change of unearned premium reserves	(164,647)	(64,818)
Total	7,442,985	5,771,868

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

5. Net insurance premiums earned - continued

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

	Year ended December 31,	
	2014	2013
Life insurance	7,579,569	4,107,239
Property and casualty insurance	3,516,468	3,041,031
Total	11,096,037	7,148,270

6. Interest income

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

	Year ended December 31,	
	2014	2013
Loans and advances to customers	6,191,460	3,224,367
Bank balances	1,861,456	1,242,152
Accounts receivable	360,979	362,223
Placements with financial institutions	77,713	105,067
Financial assets held under resale agreements	236,798	28,921
Others	82,133	96,474
Total	8,810,539	5,059,204

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

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

	Year ended December 31,	
	2014	2013
Revenue from sales of inventories	4,340,500	4,321,948
Purchases and changes in inventories	(2,824,007)	(2,720,323)
Including:		
Revenue from sales of properties held for sales	4,194,009	4,132,782
Purchases and changes in properties held for sales	(2,706,164)	(2,589,136)
Gross profit from sales of properties	1,487,845	1,543,646
Revenue from other trading operations	146,491	189,166
Purchase and changes in inventories of other trading operations	(117,843)	(131,187)
Gross profit from other trading operations	28,648	57,979

8. Commission and fee income

	Year ended December 31,	
	2014	2013
Securities and futures brokerage	1,207,123	1,013,811
Trustee services	553,063	754,660
Consultancy and financial advisory	559,641	361,575
Fund and asset management business	277,714	213,660
Securities underwriting	323,675	115,920
Agency business	66,458	42,224
Others	20,507	18,258
Total	3,008,181	2,520,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

9. Net gains on disposal of subsidiaries and associates

	Year ended December 31, 2014	Year ended December 31, 2013
Net gains on disposal of subsidiaries	642,948	199,149
Net gains on disposal of associates	-	1,368
Total	642,948	200,517

10. Other income and other net gains or losses

	Year ended December 31, 2014	Year ended December 31, 2013
Net gains on disposal of investment properties	291,053	679,134
Net gains on disposal of other assets	231,001	363,890
Net gains/ (losses) on exchange differences	244,148	(55,671)
Rental income	289,607	454,887
Revenue from hotel operation	482,266	386,789
Revenue from property management business	234,290	186,235
Government grant and compensation	30,706	36,370
Others	253,772	143,272
Total	2,056,843	2,194,906

11. Interest expense

	Year ended December 31, 2014	Year ended December 31, 2013
Borrowings from central bank		
- wholly repayable within five years	(32,500)	(115,669)
Accounts payable to brokerage clients	(26,609)	(20,435)
Financial assets sold under repurchase agreements	(305,666)	(396,335)
Borrowings		
- wholly repayable within five years	(13,430,214)	(6,004,377)
- not wholly repayable within five years	(25,827)	(43,980)
Amount due to the MOF	(375,831)	(591,534)
Bonds issued	(1,488,971)	(585,340)
Placements from banks and a financial institution	(275,503)	(46,086)
Total	(15,961,121)	(7,803,756)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

12. Insurance costs

	Year ended December 31, 2014	Year ended December 31, 2013
Reserves for insurance contracts	(4,115,798)	(3,024,986)
Interest credited and policyholder dividends	(481,555)	(388,294)
Refund of reinsurance premiums	3,374,357	1,210,831
Other insurance expenses	(5,642,314)	(2,816,333)
Total	(6,865,310)	(5,018,782)

13. Employee benefits

	Year ended December 31, 2014	Year ended December 31, 2013
Wages or salaries, bonuses, allowances and subsidies	(3,615,122)	(3,016,764)
Social insurance	(437,818)	(344,913)
Defined Contribution Plan	(63,499)	(29,961)
Housing funds	(168,550)	(159,017)
Labor union and staff education expenses	(124,341)	(96,788)
Others	(191,227)	(150,001)
Total	(4,600,557)	(3,797,444)

14. Commission and fee expense

	Year ended December 31, 2014	Year ended December 31, 2013
Insurance sales	(807,746)	(682,603)
Securities brokerage	(150,462)	(88,301)
Others	(76,110)	(98,539)
Total	(1,034,318)	(869,443)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

15. Impairment losses on assets

	Year ended December 31,	
	2014	2013
(Allowances)/reversal of impairment losses on assets		
- Distressed debt assets classified as receivables	(2,744,368)	(1,501,093)
- Available-for-sale financial assets	(1,512,263)	(4,006,986)
- Loans and advances to customers	(856,469)	(503,311)
- Properties held for sale	(82,891)	-
- Interests in associates	(60,413)	-
- Debt securities classified as receivables	(60,353)	2,253
- Property and equipment	(17,261)	-
- Accounts receivable	(5,744)	(7,220)
- Other assets	(98,305)	(136,924)
Total	(5,438,067)	(6,153,281)

16. Profit before tax

	Year ended December 31,	
	2014	2013
Profit before tax for the year has been arrived at after charging:		
Auditor's remuneration	(23,820)	(19,820)
Operating lease expenses	(288,262)	(245,253)
Depreciation of property and equipment	(255,588)	(244,646)
Depreciation of investment properties	(88,222)	(106,913)
Amortization of intangible assets	(112,550)	(92,230)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

17. Income tax expense

	Year ended December 31,	
	2014	2013
Current income tax:		
- PRC Enterprise Income Tax	(4,272,709)	(3,967,973)
- PRC Land Appreciation Tax ("LAT")	(175,054)	(230,350)
- Hong Kong Profits Tax	(6,764)	(4,354)
(Under)/Over-provision in prior years:		
- PRC Enterprise Income Tax	(13,878)	139,888
Subtotal	(4,468,405)	(4,062,789)
Deferred income tax		
- Current year (Note V.42)	304,455	1,391,718
Total	(4,163,950)	(2,671,071)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2013: 25%). A subsidiary of the Company set up in the Western Region (as defined in note V.67.1) of the PRC is taxed at 15% subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31,	
	2014	2013
Profit before tax	16,306,699	11,772,043
Income tax calculated at the tax rate of 25%	(4,076,675)	(2,943,011)
Tax effect of expenses not deductible for tax purpose (1)	(225,227)	(206,601)
Tax effect of income not taxable for tax purpose (2)	284,046	573,047
Tax effect of share of results of associates	115,042	125,065
Effect of tax losses not recognized	(213,943)	(284,082)
Effect of utilization of tax losses not previously recognized	63,536	61,961
LAT	(175,054)	(230,350)
Tax effect of LAT	43,764	57,588
(Under)/Over-provision in prior years	(13,878)	139,888
Effect of different tax rates of subsidiaries	34,439	35,424
Income tax expense	(4,163,950)	(2,671,071)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

17. Income tax expense - continued

(1) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(2) Income not taxable for tax purpose mainly include interest income on treasury bonds and dividend income.

18. Earnings per share

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

	Year ended December 31,	
	2014	2013
Earnings:		
Profit attributable to equity holders of the Company	11,896,243	9,027,278
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	36,243,575	30,416,895
Effect of dilutive potential ordinary shares - Over-allotment option (in thousand)	3,611	41,531
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	36,247,186	30,458,426
Basic earnings per share (RMB Yuan)	0.33	0.30
Diluted earnings per share (RMB Yuan)	0.33	0.30

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

19. Dividends

	Year ended December 31,	
	2014	2013
Special dividend (1)	-	1,202,804
Final dividend for 2012 (2)	-	1,613,059
	-	2,815,863

(1) Distribution of Special Dividend

At the second extraordinary general meeting for 2013 held on August 5, 2013, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the reporting periods of the financial information included in the prospectus of the initial public offering to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Period") (the "Special Dividend") in an amount equal to the audited net profit of the Company for the Special Dividend Period, after the required appropriations to the statutory reserve and the general reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) and IFRSs, whichever is lower. Based on the audited Distributable Profits, a cash dividend of RMB1,202.80 million in total was determined.

The above Special Dividend had been recognized as distribution during the year ended December 31, 2013.

(2) Distribution of final dividend for 2012

A cash dividend of RMB1,613.06 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on June 28, 2013.

The above dividend had been recognized as distribution during the year ended December 31, 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

20. Emoluments of directors, chief executive and supervisors

	Year ended December 31, 2014				
	Fees	Paid Remuneration	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors					
HOU Jianhang	-	873	75	285	1,233
ZANG Jingfan(1)	-	803	71	281	1,155
XU Zhichao	-	782	69	273	1,124
Non-executive directors					
WANG Shurong(2)	-	-	-	-	-
YIN Boqin(2)	-	-	-	-	-
XIAO Yuping(2)	-	-	-	-	-
LI Honghui(2)(3)	-	-	-	-	-
SONG Lizhong(2)(3)	-	-	-	-	-
YUAN Hong(2)	-	-	-	-	-
LU Shengliang(2)	-	-	-	-	-
Independent non-executive directors					
LI Xikui	250	-	-	-	250
QIU Dong	250	-	-	-	250
CHANG Tso Tung Stephen	250	-	-	-	250
XU Dingbo	250	-	-	-	250
Supervisors					
CHEN Weizhong	-	795	70	278	1,143
DONG Juan(4)	80	-	-	-	80
LIU Xianghui(5)	-	-	-	-	-
LIN Jian (7)	10	-	-	-	10
WEI Jianhui (7)	20	-	-	-	20
GONG Hongbin (6) (7)	10	-	-	-	10
Total	1,120	3,253	285	1,117	5,775

(1) Zang Jingfan is also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.
(2) These non-executive directors did not receive any fees from the Company.
(3) Li Honghui and Song Lizhong were appointed as non-executive director in August 2014.
(4) Dong Juan did not receive any fee after June 2014.
(5) Liu Xianghui ceased to be external supervisor in June 2014 and did not receive any fee from the Company during the year.
(6) Gong Hongbin was elected as employee representative supervisor in July 2014.
(7) The amounts only included fees for their services as employee representative supervisors.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

20. Emoluments of directors, chief executive and supervisors - continued

	Year ended December 31, 2013						
			Discretionary Bonus		Employer's contribution to pension	Other benefits	Total
	Fees	Basic Salary	Paid	Deferred	scheme	in kind	(before tax)
Executive directors							
HOU Jianhang	-	493	582	582	65	263	1,985
ZANG Jingfan(1)	-	444	524	524	62	253	1,807
ZHUANG Enyue(9)	-	431	498	498	31	121	1,579
XU Zhichao	-	434	501	501	63	244	1,743
Non-executive directors							
WANG Shurong(2)	-	-	-	-	-	-	-
YIN Boqin(2)	-	-	-	-	-	-	-
XIAO Yuping(2)	-	-	-	-	-	-	-
LI Yanping(2) (10)	-	-	-	-	-	-	-
LIU Xianghui(2)(3)	-	-	-	-	-	-	-
LU Shengliang(2)	-	-	-	-	-	-	-
YUAN Hong(2)(4)	-	-	-	-	-	-	-
Independent non-executive directors							
LI Xikui	250	-	-	-	-	-	250
QIU Dong	250	-	-	-	-	-	250
YUEN Tin Fan Francis(11)	140	-	-	-	-	-	140
CHANG Tso Tung Stephen(5)	63	-	-	-	-	-	63
XU Dingbo(5)	63	-	-	-	-	-	63
Supervisors							
CHEN Weizhong	-	439	518	518	63	249	1,787
DONG Juan	200	-	-	-	-	-	200
ZHANG Guoying(6)	10	-	-	-	-	-	10
WU Deqiao(6)	10	-	-	-	-	-	10
WANG Ting(7)	10	-	-	-	-	-	10
LIU Xianghui(3)(12)	-	-	-	-	-	-	-
LIN Jian(8)	10	-	-	-	-	-	10
WEI Jianhui(8)	10	-	-	-	-	-	10
Total	1,016	2,241	2,623	2,623	284	1,130	9,917

(1) Zang Jingfan is also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.
(2) These non-executive directors did not receive any fees from the Company during the year.
(3) Liu Xianghui ceased to be non-executive director in June 2013 and was appointed as external supervisor in June 2013.
(4) Yuan Hong was appointed as non-executive director in July 2013.

V. EXPLANATORY NOTES - continued

20. Emoluments of directors, chief executive and supervisors - continued

(5) Chang Tso Tung Stephen and Xu Dingbo were appointed as independent non-executive directors in September 2013. The amounts only included fees for their services as independent non-executive directors.
(6) Zhang Guoying and Wu Deqiao ceased to be employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.
(7) Wang Ting ceased to be shareholder representative supervisor in June 2013. The amounts only included fee for her services as shareholder representative supervisor.
(8) Lin Jian and Wei Jianhui were elected as employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.
(9) Zhuang Enyue ceased to be executive director in June 2013. The amount only included emolument for his services as executive director.
(10) Li Yanping ceased to be non-executive director in June 2013.
(11) Yuen Tin Fan Francis ceased to be independent non-executive director in June 2013. The amount only included fee for his services as independent non-executive director.
(12) Liu Xianghui did not receive any fee as external supervisor from the Company during the year.

The total compensation packages for the above executive directors, supervisors and Chief Executive for the year ended December 31, 2014 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in note V.21 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)

V. EXPLANATORY NOTES - continued

21. Key management personnel and five highest paid individuals

(1) Key management personnel

Group

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management (excluding the directors, supervisors and Chief Executive whose details have been reflected in note V.20) for employment services is as follows:

	Year ended December 31,	
	2014	2013
Emoluments of key management personnel		
Basic Salary	4,136	4,086
Discretionary bonus		
- Paid	4,327	4,688
- Deferred	-	4,689
Employer's contribution to pension scheme	659	616
Other benefits in kind	2,678	2,588
Total (before tax)	11,800	16,667

The total compensation packages for the above key management personnel for the year ended December 31, 2014 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 number of key management personnel whose emoluments within the following bands is as follows:

	Year ended December 31,	
	2014	2013
RMB100,001 to RMB500,000	1	1
RMB1,000,001 to RMB1,500,000	9	2
RMB1,500,001 to RMB2,000,000	1	8
	11	11

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

21. Key management personnel and five highest paid individuals - continued

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended December 31, 2014 were as follows:

	Year ended December 31,	
	2014	2013
Remuneration	33,769	14,741
Employer's contribution to pension scheme	155	183
Other benefits in kind	666	588
Total	34,590	15,512

Among the five individuals with the highest emoluments in the Group, none of them was director. The number of these five individuals whose emoluments within the following bands is as follows:

	Year ended December 31,	
	2014	2013
RMB2,000,001 to RMB4,500,000	-	4
RMB4,500,001 to RMB7,000,000	2	1
RMB7,000,001 to RMB9,500,000	3	-
	5	5

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

22. Cash and bank balances

Group

	As at December 31,	
	2014	2013
Cash	3,319	3,358
Bank balances		
- House accounts	37,482,898	52,588,913
- Cash held on behalf of clients	6,405,032	4,466,836
Total	43,891,249	57,059,107
Including:		
Restricted bank balances	12,497,491	9,936,264
- including pledged bank deposits	2,157,830	732,000

Company

	As at December 31,	
	2014	2013
Cash	745	689
Bank balances		
- House accounts	11,520,985	30,659,935
Total	11,521,730	30,660,624

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

23. Clearing settlement funds

Group

	As at December 31,	
	2014	2013
Clearing settlement funds held with clearing houses for:		
- House accounts	312,049	149,816
- Clients	4,659,664	1,387,613
held with commodity and futures exchanges for:		
- Clients	173,450	170,430
Total	5,145,163	1,707,859
Including:		
Restricted clearing settlement funds	4,833,114	1,558,043

As at December 31, 2014 and 2013, 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.

The Company had no balance in clearing settlement funds at the end of 2014 and 2013.

24. Deposits with exchanges and a financial institution

Group	As at December 31,	
	2014	2013
Shanghai Stock Exchange	31,491	18,795
Shenzhen Stock Exchange	20,332	14,673
Hong Kong Stock Exchange	2,383	4,004
China Securities Finance Corporation Limited	282,474	123,961
Shanghai Futures Exchange	126,487	124,293
China Financial Futures Exchange	179,958	242,107
Hong Kong Futures Exchange	1,339	1,463
Dalian Commodity Exchange	210,520	251,984
Zhengzhou Commodity Exchange	62,298	49,793
Other	958	-
Total	918,240	831,073

The Company had no deposits with exchanges and a financial institution at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

25. Placements with financial institutions

Group

	As at December 31, 2014	2013
Placements with the domestic financial institutions	3,000,000	290,000
Total	3,000,000	290,000

Company

	As at December 31, 2014	2013
Placements with the domestic financial institutions	2,000,000	640,000
Total	2,000,000	640,000

The placements with financial institutions as at December 31, 2014 and 2013 were repayable within three months after the end of the reporting period.

26. Financial assets at fair value through profit or loss

Group

	As at December 31, 2014	2013
Held-for-trading financial assets		
Debt securities		
- Government bonds	38,691	-
- Public sector and quasi-government bonds	932,062	1,646,201
- Corporate bonds	6,093,985	2,450,365
	7,064,738	4,096,566
Equity instruments listed or traded on exchanges	2,409,893	735,989
Mutual funds	1,505,083	1,097,289
Derivatives	17,355	18,083
Subtotal	10,997,069	5,947,927

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

26. Financial assets at fair value through profit or loss - continued

Group - continued

	As at December 31, 2014	As at December 31, 2013
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	42,302,037	16,391,690
Financial institution convertible bonds	698,301	947,024
Corporate convertible bonds	46,322	106,677
Wealth management products	2,521,569	1,218,363
Unlisted equity instruments	655,223	566,817
Subtotal	46,223,452	19,230,571
Total	57,220,521	25,178,498
Analyzed as:		
Listed in Hong Kong	911,101	262,817
Listed outside Hong Kong(1)	10,004,321	6,297,453
Unlisted	46,305,099	18,618,228
Total	57,220,521	25,178,498
Including:		
Debt securities analyzed as:		
Listed in Hong Kong	64,896	28,226
Listed outside Hong Kong(1)	6,999,842	4,068,340
Total	7,064,738	4,096,566
Held-for-trading equity instruments analyzed as:		
Listed in Hong Kong	846,205	234,591
Listed outside Hong Kong	1,563,688	501,398
Total	2,409,893	735,989

(1) Debt securities listed outside Hong Kong included those traded in interbank market and stock exchange in China.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

26. Financial assets at fair value through profit or loss - continued

Company

	As at December 31, 2014	As at December 31, 2013
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	42,169,392	16,784,112
Investment fund (1)	667,875	635,281
Total	42,837,267	17,419,393
Analyzed as:		
Unlisted	42,837,267	17,419,393

(1) This represents investment fund issued by a subsidiary of the Company.

27. Financial assets held under resale agreements

Group

	As at December 31, 2014	As at December 31, 2013
By collateral type:		
Bonds	10,587,290	568,683
Equity instruments	868,869	484,844
Funds	1,260	-
Subtotal	11,457,419	1,053,527
Less: Allowance for impairment losses	3,205	-
Total	11,454,214	1,053,527

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

27. Financial assets held under resale agreements - continued

Company

	As at December 31,	
	2014	2013
By collateral type:		
Bonds	8,795,500	-
Less: Allowance for impairment losses	-	-
Total	8,795,500	-

According to the resale agreements, the Group can resell or repledge certain financial assets that it received as collateral in the absence of default by their owners. As at December 31, 2014, the Group and the Company had received securities with a fair value of approximately RMB13,043.77 million and RMB8,870.54 million respectively (December 31, 2013: RMB1,848.51 million and nil) that the Group or the Company can resell or repledge. The Group and the Company did not repledge any of such securities at the end of 2014 and 2013. The Group and the Company has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

28. Available-for-sale financial assets

Group	As at December 31, 2014	As at December 31, 2013
Debt securities		
- Government bonds	76,889	73,081
- Public sector and quasi-government bonds	3,956,771	4,479,842
- Financial institution bonds	1,639,576	1,647,823
- Corporate bonds	5,111,992	4,537,896
Subtotal	10,785,228	10,738,642
Equity instruments	45,492,029	44,767,005
Debt instruments (1)	13,002,708	8,502,079
Funds	8,646,276	4,541,891
Trust products and rights to trust assets	2,870,706	1,913,179
Asset management plans	2,608,289	902,151
Wealth management products	1,238,116	1,273,424
Asset backed securities	605,156	-
Others	546,046	108,784
Total	85,794,554	72,747,155
Analyzed as:		
Listed in Hong Kong	630,613	187,538
Listed outside Hong Kong (2)	21,252,986	18,960,655
Unlisted	63,910,955	53,598,962
Total	85,794,554	72,747,155
Including:		
Debt securities analyzed as:		
Listed in Hong Kong	461,657	-
Listed outside Hong Kong (2)	10,323,571	10,738,642
Total	10,785,228	10,738,642
Equity instruments analyzed as:		
Listed in Hong Kong	168,955	187,538
Listed outside Hong Kong	8,414,339	7,195,236
Unlisted	36,908,735	37,384,231
Total	45,492,029	44,767,005
Including:		
Equity instruments pledged for borrowings	480,232	182,469

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

28. Available-for-sale financial assets - continued

Company

	As at December 31,	
	2014	2013
Equity instruments	40,194,825	41,035,352
Debt instruments (1)	13,002,708	8,502,079
Funds	3,447,658	1,413,347
Asset management plans	740,697	-
Asset backed securities	571,156	-
Others	39,546	99,564
Total	57,996,590	51,050,342
Analyzed as:		
Listed outside Hong Kong (2)	6,431,019	5,524,665
Unlisted	51,565,571	45,525,677
Total	57,996,590	51,050,342
Including:		
Equity instruments analyzed as:		
Listed outside Hong Kong	6,431,019	5,524,665
Unlisted	33,763,806	35,510,687
Total	40,194,825	41,035,352

The Company had no available-for-sale financial assets pledged as securities for borrowings at the end of each reporting period.

(1) Debt instruments refer to asset portfolios with inter-bank assets as underlying assets.

(2) Debt securities listed outside Hong Kong included those traded in interbank market and stock exchanges in China.

Included in the balances are amounts of unlisted equity instruments, funds and other financial assets of RMB40,207.97 million and RMB37,365.00 million in total of the Group and RMB36,022.19 million and RMB36,654.03 million in total of the Company as at December 31, 2014 and 2013, respectively, that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

29. Financial assets classified as receivables

Group

	As at December 31, 2014	As at December 31, 2013
Distressed debt assets		
- Loans acquired from financial institutions	43,586,501	36,512,891
- Accounts receivable acquired from non-financial institutions	123,877,825	64,400,286
	167,464,326	100,913,177
Less: Allowance for impairment losses		
- Individually assessed	506,533	194,228
- Collectively assessed	4,848,865	2,748,380
	5,355,398	2,942,608
Subtotal	162,108,928	97,970,569
Debt securities		
- Trust products	3,687,934	2,329,000
- Certificate treasury bonds	117,700	142,700
- Asset management plans	1,806,000	230,000
	5,611,634	2,701,700
Less: Allowance for impairment losses		
- Individually assessed	66,024	5,671
Subtotal	5,545,610	2,696,029
Structured debt arrangements (1)	13,258,551	15,996,099
Total	180,913,089	116,662,697

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

29. Financial assets classified as receivables - continued

Company

	As at December 31, 2014	As at December 31, 2013
Distressed debt assets		
- Loans acquired from financial institutions	43,874,150	36,512,891
- Accounts receivable acquired from non-financial institutions	126,192,393	64,400,286
	170,066,543	100,913,177
Less: Allowance for impairment losses		
- Individually assessed	506,533	194,228
- Collectively assessed	4,925,462	2,748,380
	5,431,995	2,942,608
Subtotal	164,634,548	97,970,569
Structured debt arrangements (1)	13,258,551	15,996,099
Total	177,893,099	113,966,668

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

Movements of allowance for impairment losses during the years are:

Group

	2014 Individually assessed allowance	2014 Collectively assessed allowance	2014 Total
As at January 1	199,899	2,748,380	2,948,279
Impairment losses recognized	723,066	2,100,485	2,823,551
Impairment losses reversed	(18,830)	-	(18,830)
Impairment losses written-off	(269,491)	-	(269,491)
Unwinding of discount on allowance	(62,087)	-	(62,087)
As at December 31	572,557	4,848,865	5,421,422

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

29. Financial assets classified as receivables - continued

Group - continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	197,861	1,302,331	1,500,192
Impairment losses recognized	216,657	1,895,046	2,111,703
Impairment losses reversed	(163,866)	(448,997)	(612,863)
Unwinding of discount on allowance	(50,753)	-	(50,753)
As at December 31	199,899	2,748,380	2,948,279

Company

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	194,228	2,748,380	2,942,608
Impairment losses recognized	662,713	2,177,082	2,839,795
Impairment losses reversed	(18,830)	-	(18,830)
Impairment losses written-off	(269,491)	-	(269,491)
Unwinding of discount on allowance	(62,087)	-	(62,087)
As at December 31	506,533	4,925,462	5,431,995

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	179,974	1,302,331	1,482,305
Impairment losses recognized	216,657	1,895,046	2,111,703
Impairment losses reversed	(161,612)	(448,997)	(610,609)
Unwinding of discount on allowance	(40,791)	-	(40,791)
As at December 31	194,228	2,748,380	2,942,608

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

30. Loans and advances to customers

Group

	As at December 31, 2014	As at December 31, 2013
Loans to customers		
- Unsecured loans	2,790,381	50,000
- Loans secured by properties	7,394,493	4,132,636
- Other secured loans	1,192,495	1,445,442
Loans to margin clients	6,939,752	2,750,848
Finance lease receivables	37,020,389	25,700,934
Entrusted loans	26,677,414	15,498,258
Subtotal	82,014,924	49,578,118
Less: Allowance for impairment losses		
- Individually assessed	370,761	172,402
- Collectively assessed	1,419,437	769,354
Subtotal	1,790,198	941,756
Total	80,224,726	48,636,362

Finance lease receivables are analyzed as follows:

	As at December 31, 2014	As at December 31, 2013
Minimum finance lease receivables:		
Within 1 year (inclusive)	13,612,806	10,600,630
1 year to 5 years (inclusive)	27,147,131	18,177,621
Over 5 years	1,601,500	527,752
Gross investment in finance leases	42,361,437	29,306,003
Less: Unearned finance income	5,341,048	3,605,069
Net investment in finance leases	37,020,389	25,700,934
Present value of minimum lease receivables:		
Within 1 year (inclusive)	11,432,236	8,989,855
1 year to 5 years (inclusive)	24,163,884	16,256,892
Over 5 years	1,424,269	454,187
Total	37,020,389	25,700,934
Including:		
Finance lease receivables pledged for borrowings	3,802,861	2,320,547

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

30. Loans and advances to customers - continued

Group - continued

The movements of allowance for loans and advances to customers during the years are:

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	172,402	769,354	941,756
Impairment losses recognized	219,126	650,083	869,209
Impairment losses reversed	(12,740)	-	(12,740)
Impairment losses written off	(8,027)	-	(8,027)
As at December 31	370,761	1,419,437	1,790,198

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	83,974	354,471	438,445
Impairment losses recognized	107,919	414,883	522,802
Impairment losses reversed	(19,491)	-	(19,491)
As at December 31	172,402	769,354	941,756

The Company had no loans and advances to customers at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

31. Accounts receivable

Group

	As at December 31,	
	2014	2013
Accounts receivable relating to distressed assets (1)	5,960,966	5,555,211
Accounts receivable from sales of properties	403,672	372,101
Insurance premium and reinsurance refund receivables	203,296	170,843
Due from brokerage clients and securities companies	195,279	150,349
Commission and fee receivable	25,658	25,024
Others	362,979	301,071
Subtotal	7,151,850	6,574,599
Less: Allowance for impairment losses	129,767	125,655
Total	7,022,083	6,448,944

Company

	As at December 31,	
	2014	2013
Accounts receivable relating to distressed assets (1)	5,960,966	5,555,211
Others	172,774	172,520
Subtotal	6,133,740	5,727,731
Less: Allowance for impairment losses	80,111	80,111
Total	6,053,629	5,647,620

(1) The major component comprises outstanding amount of RMB5,484.23 million (December 31, 2013: RMB3,446.67 million) arising from disposals of equity assets. They bear interest from nil to 6% per annum (December 31, 2013: from nil to 6.15% per annum). The remaining balance will be fully settled no later than November 20, 2017(December 31, 2013: no later than September 30, 2016).

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

31. Accounts receivable - continued

Ageing analysis of:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31,							
	2014				2013			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	2,603,983	44	-	2,603,983	2,501,329	45	-	2,501,329
1 year to 2 years (inclusive)	1,576,784	26	-	1,576,784	1,546,668	28	-	1,546,668
2 years to 3 years (inclusive)	1,402,371	24	-	1,402,371	-	-	-	-
Over 3 years	377,828	6	(80,111)	297,717	1,507,214	27	(80,111)	1,427,103
Total	5,960,966	100	(80,111)	5,880,855	5,555,211	100	(80,111)	5,475,100

Accounts receivable from sales of properties

Group

	As at December 31,							
	2014				2013			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	361,616	90	-	361,616	340,658	92	-	340,658
1 year to 2 years (inclusive)	30,415	8	-	30,415	11,175	3	(559)	10,616
2 years to 3 years (inclusive)	4,877	1	-	4,877	695	-	(104)	591
Over 3 years	6,764	1	(6,245)	519	19,573	5	(8,002)	11,571
Total	403,672	100	(6,245)	397,427	372,101	100	(8,665)	363,436

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

31. Accounts receivable - continued

Movements of allowance for impairment loss during the years are:

Group

	Year ended December 31,	
	2014	2013
At beginning of the year	125,655	118,550
Impairment losses recognized	5,744	7,873
Impairment losses reversed	-	(653)
Impairment losses written off	(1,632)	(115)
At end of the year	129,767	125,655

Company

	Year ended December 31,	
	2014	2013
At beginning and end of the year	80,111	80,111

32. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover the majority portion of the amounts due from subsidiaries within one year from the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

33. Held-to-maturity investments

Group

	As at December 31,	
	2014	2013
Debt securities		
- Public sector and quasi-government bonds	4,244,173	4,511,154
- Financial institution bonds	2,011,790	2,262,411
- Corporate bonds	786,560	818,733
Total	7,042,523	7,592,298

Company

	As at December 31,	
	2014	2013
Debt securities		
- Financial institution bonds	210,000	499,928

All held-to-maturity investments held by the Group and the Company are traded in interbank market in China which are classified as listed outside Hong Kong. The fair values are disclosed in note V.68.1 and are derived from quoted market prices.

34. Properties held for sale

Group

	As at December 31,	
	2014	2013
Completed properties	3,091,000	2,294,921
Properties under development	26,811,481	15,463,704
Others	30,354	31,229
Total	29,932,835	17,789,854
Including:		
Pledged for borrowings	10,394,131	8,486,484

As at December 31, 2014 and 2013, included in the properties held for sale are amounts of RMB17,517.10 million and RMB12,102.40 million, respectively, which represent 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 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

35. Investment properties

Group

	Year ended December 31, 2014	Year ended December 31, 2013
Cost		
At beginning of the year	2,570,793	2,878,445
Additions during the year	25,796	3,101
Transfer-in	17,602	66,364
Disposals	(334,161)	(377,117)
At end of the year	2,280,030	2,570,793
Accumulated depreciation		
At beginning of the year	(695,546)	(752,572)
Charge for the year	(88,222)	(106,913)
Transfer-in	(3,600)	6,158
Disposals	114,870	157,781
At end of the year	(672,498)	(695,546)
Allowance for impairment losses		
At beginning of the year	(17,277)	(26,179)
Disposals	16,042	8,902
At end of the year	(1,235)	(17,277)
Net book value		
At beginning of the year	1,857,970	2,099,694
At end of the year	1,606,297	1,857,970
Net book value of investment properties pledged for borrowings	445,713	1,374,731

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

35. 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, 2014	As at December 31, 2013
Held in Hong Kong:		
- on medium-term lease (10-50 years)	11,228	284
Held outside Hong Kong:		
- on long-term lease (over 50 years)	638,651	737,479
- on medium-term lease (10-50 years)	929,420	1,115,825
- on short-term lease (less than 10 years)	26,998	4,382
Subtotal	1,595,069	1,857,686
Total	1,606,297	1,857,970

As at December 31, 2014 and 2013, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB31.42 million and RMB41.53 million, respectively.

Company

	Year ended December 31, 2014	Year ended December 31, 2013
Cost		
At beginning the year	429,667	429,667
Addition	9,091	-
At end of the year	438,758	429,667
Accumulated depreciation		
At beginning of the year	(55,097)	(39,355)
Charge for the year	(15,938)	(15,742)
At end of the year	(71,035)	(55,097)
Net book value		
At beginning of the year	374,570	390,312
At end of the year	367,723	374,570

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

35. 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,	
	2014	2013
Held outside Hong Kong:		
- on medium-term lease (10-50 years)	367,723	374,570

36. Interests in subsidiaries

Company

	As at December 31,	
	2014	2013
At cost	25,502,767	22,398,334
Allowance for impairment losses	-	-
Net carrying amounts	25,502,767	22,398,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

36. 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, 2014 (In '000)	Proportion of ownership held by the Group As at December 31, 2014 %	Proportion of ownership held by the Group As at December 31, 2013 %	Proportion of voting rights held by the Group As at December 31, 2014 %	Proportion of voting rights held by the Group As at December 31, 2013 %	Principal activities
CINDA Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	99.33	99.33	99.33	99.33	Securities brokerage
China Cinda (HK) Holdings Co., Ltd.* [(1)]	Hong Kong, PRC	December 16, 1998	HK$1,400,000	100.00	100.00	100.00	100.00	Investment holding
Happy Life Insurance Co., Ltd.*[(2)]	Beijing, PRC	November 5, 2007	RMB5,340,876	50.99	50.99	50.99	50.99	Life insurance
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	100.00	100.00	100.00	100.00	Business investment
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	April 2, 1996	RMB30,000	100.00	100.00	100.00	100.00	Investment management
First State CINDA Fund Management Co., Ltd.*	Shenzhen, PRC	June 5, 2006	RMB100,000	54.00	54.00	54.00	54.00	Fund management
China Jingu International Trust Co., Ltd.*	Beijing, PRC	April 21, 1993	RMB2,200,000	92.29	92.29	92.29	92.29	Trust service
CINDA Property and Casualty Insurance Co., Ltd.*	Beijing, PRC	August 31, 2009	RMB3,000,000	51.00	51.00	51.00	51.00	Property and casualty insurance
CINDA Financial Leasing Co., Ltd.*[(3)]	Lanzhou, PRC	December28, 1996	RMB3,505,249	99.91	99.56	99.91	99.56	Financial leasing
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HK$1,000	100.00	100.00	100.00	100.00	Investment holding
CINDA Real Estate Co., Ltd.[(I)]	Beijing, PRC	December 23, 2008	RMB1,524,260	57.12	58.53	57.12	58.53	Real estate development
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	October 10, 2010	RMB112,500	100.00	100.00	100.00	100.00	Investment holding
Sanya Horizon Industry Co., Ltd.	Sanya, PRC	December 19, 1992	RMB60,000	51.00	51.00	51.00	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd.[(4)(I)]	Shanghai, PRC	July 27, 1991	RMB139,144	41.02	41.02	41.02	41.02	Real estate development
Shenzhen Jianxin Investment Development Co., Ltd.	Shenzhen, PRC	April 21, 1993	RMB40,000	100.00	100.00	100.00	100.00	Investment holding
Hebei CINDA Jinjian Investment Co., Ltd.	Langfang, PRC	November 24, 1998	RMB76,000	100.00	100.00	100.00	100.00	Real estate development
Jilin CINDA Jindu Industries Co., Ltd. [(6)]	Changchun, PRC	March 18, 2008	RMB60,000	-	100.00	-	100.00	Industry development
Yantai Jingdu Property Management Co., Ltd.	Yantai, PRC	April 28, 2004	RMB1,000	71.71	71.71	80.00	80.00	Property management
CINDA (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HK$10	100.00	100.00	100.00	100.00	Investment holding
China CINDA Fundation Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HK$0.002	100.00	100.00	100.00	100.00	Fund management
China CINDA (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HK$0.001	100.00	100.00	100.00	100.00	Investment holding
Sinoday Limited[(II)]	The British Virgin Islands	July 3, 2007	USD0.001	100.00	100.00	100.00	100.00	Investment holding
China CINDA (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HK$0.002	100.00	100.00	100.00	100.00	Investment holding
China CINDA (Macau) Asset Management Co., Ltd.	Macau, PRC	May 28, 1999	MOP$100	100.00	100.00	100.00	100.00	Asset management

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

36. 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, 2014 (In '000)	Proportion of ownership held by the Group As at December 31,		Proportion of voting rights held by the Group As at December 31,		Principal activities
				2014 %	2013 %	2014 %	2013 %	
Beijing Yintai Property Management Co., Ltd.	Beijing, PRC	September 24, 1998	RMB10,000	100.00	100.00	100.00	100.00	Property management
CINDA Futures Co., Ltd.	Hangzhou, PRC	December 21, 2007	RMB500,000	99.33	99.33	100.00	100.00	Futures and brokerage
CINDA Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	70.00	70.00	70.00	70.00	Real estate development
Henan Jinboda Investment Co., Ltd.	Zhengzhou, PRC	November 28,2013	RMB60,000	100.00	100.00	100.00	100.00	Property leasing
CINDA Capital Management Co., Ltd.	Tianjin, PRC	December 9, 2009	RMB100,000	82.22	82.22	100.00	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	June 9, 2009	RMB282,000	90.25	90.25	90.25	90.25	Hotel management
Dalian CINDA Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB111,110	55.00	55.00	55.00	55.00	Project investment
CINDA Equity Investment (Tianjin) Co., Ltd. (5)	Tianjin, PRC	December 29, 2011	RMB790,000	49.15	49.15	49.15	49.15	Private fund
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB200,000	99.33	99.33	100.00	100.00	Investment management
Guangxi Xintou Real Estate Co. , Ltd.(6)	Nanning, PRC	December 10, 2012	RMB30,000	-	100.00	-	100.00	Real estate development
CINDA Innovation Investment Co., Ltd.	Beijing, PRC	August 20, 2013	RMB100,000	99.33	99.33	100.00	100.00	Project investment

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* These subsidiaries are directly held by the Company.

(I) The shares of these subsidiaries are listed in mainland China.

(II) A subsidiary of this company named CINDA International Holdings Ltd. is listed in Hong Kong.

V. EXPLANATORY NOTES - continued

36. Interests in subsidiaries - continued

Company - continued

(1) The Company has changed its name from "Well Kent International Investment Co., Ltd." to "China Cinda (HK) Holdings Co., Ltd." on August 6, 2014.

(2) The Company and third party shareholders made an additional capital injection of RMB1,104.43 million and RMB1,061.32 million, respectively in December 2014 to this subsidiary. After the capital injection, the authorized capital of this subsidiary increased from RMB 3,897.04 million to RMB 5,340.88 million.

(3) The Company made an additional capital injection of RMB2,000 million in May 2014 to this subsidiary. Zhongrun Economic Development Co., Ltd, another subsidiary of this Company, purchased 5,800,000 shares of this subsidiary from third party shareholder in August 2014. Therefore, the Group's shareholding in this subsidiary increased to 99.91% after the transfer of shares. The authorized capital of this subsidiary was also increased to RMB3,505.25 million.

(4) The shareholding percentage of other shareholders is widely dispersed and the top ten shareholders hold around 10% shares of Shanghai Tongda Venture Capital Co.,Ltd. The Group is entitled to appoint 3 executive directors out of a total of 4 Non independent directors in the board of directors of Shanghai Tongda. So the Group can direct Shanghai Tongda's relevant activities, and it is accounted for as a subsidiary of the Company.

(5) The Group's shareholding in CINDA Equity Investment (Tianjin) Co., Ltd is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution for the this company are all from the Group. So the Group can direct its relevant activities, and it is accounted for as subsidiary of the Company.

(6) The subsidiary was disposed of in 2014.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

37. Non-controlling interests in the subsidiaries of the Group

The subsidiary that has significant non-controlling interests to the Group is Cinda Real Estate Co., Ltd. General information about this subsidiary has been set out in note V.36. Summarized financial information about this subsidiary and the entities controlled by it, before intra-group eliminations, is as follows:

	As at December 31,	
	2014	2013
Current assets	35,497,983	22,365,580
Non-current assets	2,216,187	2,044,899
Current liabilities	16,395,253	9,442,225
Non-current liabilities	13,088,055	7,357,744
Total equity	8,230,862	7,610,510
Non-controlling interests of the subsidiary	3,780,913	3,425,511

	Year ended December 31,	
	2014	2013
Total revenue	4,850,494	4,479,506
Profit before tax	1,031,489	735,560
Total comprehensive income	755,705	715,036
Profit attributable to non-controlling interests of the subsidiary during the year	322,592	323,568
Dividend distribution to non-controlling interests	57,642	97,251

	Year ended December 31,	
	2014	2013
Net cash flow used in operating activities	(5,832,061)	(3,205,034)
Net cash flow from investing activities	114,717	680,970
Net cash flow from financing activities	5,194,251	2,661,884
Net cash flow	(523,093)	137,820

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

38. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts, asset management plans, wealth management products and mutual funds, where the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then 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 holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the trusts, asset management plans, wealth management products and mutual funds where the Group involves as manager or trustee and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trusts, asset management plans, wealth management products and mutual funds that is of such significance that it indicates that the Group is a principal. The trusts, asset management plans, wealth management products and mutual funds shall be consolidated if the Group acts in the role of principal.

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, 2014 (In RMB'000)	Proportion of interests held by the Group As at December 31, 2014 %	2013 %	Principal activities
Ningbo Chunhong Investment Management Partnership (Limited Partnership)	4,475,250	10.01	10.00	Investment management
Ningbo Chunhong Investment Management Partnership Ⅱ (Limited Partnership)	2,011,000	3.38	-	Investment management
Ningbo Qiushi Investment Management Limited Partnership (Limited Partnership)	7,305,400	3.65	6.44	Investment management
Shanghai Dongsheng Investment Management Partnership (Limited Partnership)	2,000,000	100.00	100.00	Investment management
Ningbo Datai Investment Partnership (Limited Partnership)	10,585,000	18.36	18.72	Investment management
Ningbo Xinfeng Investment Partnership (Limited Partnership)	1,000,600	86.11	-	Investment management
Ningbo Dongdaxin Investment Partnership (Limited Partnership)	1,800,000	100.00	-	Investment management
Jinggu-Xiamen Xiangshan Yacht Beneficial Right Trust	1,197,873	29.86	29.86	Trust

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

38. Interests in consolidated structured entities - continued

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

Interests in all consolidated structured entities directly held by the Company amounted to RMB7,204.06 million and RMB2,540.90 million, at December 31, 2014 and 2013, respectively.

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated income statement and included in other liabilities in the consolidated statement of financial position as set out in note V.54.

39. Interests in associates

Group

	As at December 31,	
	2014	2013
Carrying amount of investment	10,139,968	8,961,606
Allowance for impairment losses	(60,413)	-
Net carrying amounts	10,079,555	8,961,606

Company

	As at December 31,	
	2014	2013
Carrying amount of investment	3,916,062	6,010,243
Allowance for impairment losses	-	-
Net carrying amounts	3,916,062	6,010,243

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

39. Interests in associates - continued

Details of the Group's principal associates are as follows:

Name of entity	Place of incorporation/ establishment	Authorized/paid-in capital as at December 31, 2014 (In '000)	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
			2014 %	2013 %	2014 %	2013 %	
Qinghai Salt Lake Industry Co., Ltd.(1)	Ge'ermu, PRC	RMB1,590,509	7.27	7.27	7.27	7.27	Material products
Bank of Xi'an Co., Ltd .(2)	Xi'an, PRC	RMB3,000,000	2.52	23.52	2.52	23.52	Banking
Silver Grant International Industries Limited(3)	Hong Kong, PRC	HKD800,000	19.54	19.54	19.54	19.54	Asset management
Shenzhen Jianheheng Investment Co., Ltd.	Shenzhen, PRC	RMB944,000	40.00	40.00	40.00	40.00	Investment holding
Ningbo Qinlun Investment Center (LP)	Ningbo, PRC	RMB800,000	20.75	20.75	42.86	42.86	Industry investment
Ningbo Shanshan Hongfa Real Estate Co., Ltd.	Ningbo, PRC	RMB50,000	45.00	45.00	45.00	45.00	Real estate development
Hainan Jincui Real Estate Co., Ltd.	Haikou, PRC	RMB169,380	35.00	35.00	35.00	35.00	Real estate development
Huzhou Xinhua Real Estate Co., Ltd.	Huzhou, PRC	RMB100,000	30.00	30.00	30.00	30.00	Real estate development
Jiaxing Jingfang Real Estate Co., Ltd.	Jiaxing, PRC	RMB60,000	49.00	49.00	49.00	49.00	Real estate development
Shaoxing Yincheng Development and Construction Co., Ltd.	Shaoxing, PRC	RMB100,000	35.00	35.00	35.00	35.00	Real estate development
Beijing Xingya Real Estate Co., Ltd.	Beijing, PRC	RMB200,000	20.00	20.00	20.00	20.00	Real estate development
Shanghai Wangrong Real Estate Co., Ltd.	Shanghai, PRC	RMB300,000	40.00	40.00	40.00	40.00	Real estate development
Shenzhen Zhonglong Xinhe Investment Co., Ltd.	Shenzhen, PRC	RMB50,000	49.00	49.00	49.00	49.00	Real estate development
Longchuan Waitai Oil Camellia Development Co., Ltd.	Longchuan, PRC	RMB48,445	25.69	25.69	25.69	25.69	Oil Camellia development

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. The directors consider the associates results and net assets are insignificant to the Group individually and therefore do not disclose them separately.

(1) According to the company's articles of association, the board of directors is the company's daily financial and operating decision-making body. The Group can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake Industry Co., Ltd. by nominating a director to this company. The Group accounts for this investment by equity method as an associate.

V. EXPLANATORY NOTES - continued

39. Interests in associates - continued

(2) The Company signed an irrevocable shares sale agreement with Xi'an DaTang West Market Culture Industry Investment Group in September 2014 to dispose of 21% of Bank of Xi'an Co., Ltd. that it held at a consideration of RMB 2,245.58 million. The transaction is expected to be completed in one year. As the Group can not exercise significant influence on the financial and operating policy decision of Bank of Xi'an Co., Ltd. after the shares sale, it is not accounted as an associate. The Group reclassified its 21% interests to asset held for sale and the remaining 2.52% as available-for-sale financial assets.

(3) The Group has nominated 2 directors out of a total of 6 directors on the board and can exercise significant influence on the financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

40. Interests in unconsolidated structured entities

Structured entities the Group served as general partner, manager or trustee, therefore had power over them during the year include private equity funds, trusts, assets management plans, wealth management products and mutual funds. Except for the structured entities the Group has consolidated as detailed in note V.38, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant nor the Group has the power on these entities. The Group therefore did not consolidate these structured entities.

The carrying amount of the Group's investments in unconsolidated private equity funds classified as interests in associates or available-for-sale financial assets amounted to RMB3,649 million and RMB616 million as at December 31, 2014 and 2013, respectively.

The size of unconsolidated trusts managed by the Group amounted to RMB692million and nil as at December 31, 2014 and 2013, respectively. The size of unconsolidated asset management plans managed by the Group amounted to RMB24 million and RMB30 million as at December 31, 2014 and 2013, respectively. The size of unconsolidated wealth management products managed by the Group amounted to RMB2,853 million and RMB2,623 million as at December 31, 2014 and 2013, respectively. The size of unconsolidated mutual funds managed by the Group amounted to RMB251 million and RMB276 million as at December 31, 2014 and 2013, respectively. The Group classified the investments in these unconsolidated trusts, asset management plans, wealth management products and mutual funds as available-for-sale financial assets or financial assets at fair value through profit or loss as at December 31, 2014 and 2013, as appropriate.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

41. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Additions	12,095	22,081	52,120	18,165	341,416	445,877
Disposal of subsidiaries	(88,529)	(15,763)	(3,596)	(4,572)	-	(112,460)
Disposals	(12,288)	(1,929)	(25,104)	(10,105)	-	(49,426)
Transfer	7,736	6,680	1,685	-	(16,101)	-
Transfer-out	(15,664)	-	-	-	(10,572)	(26,236)
As at December 31, 2014	3,600,337	237,738	616,310	331,901	555,790	5,342,076
Accumulated depreciation						
As at January 1, 2014	(782,543)	(90,335)	(396,049)	(174,910)	-	(1,443,837)
Charge for the year	(101,592)	(39,535)	(76,467)	(37,994)	-	(255,588)
Disposal of subsidiaries	23,743	13,733	3,048	2,732	-	43,256
Disposals	2,645	1,593	22,208	6,785	-	33,231
Transfer-out	6,031	-	-	-	-	6,031
As at December 31, 2014	(851,716)	(114,544)	(447,260)	(203,387)	-	(1,616,907)
Allowance for impairment losses						
As at January 1, 2014	(19,809)	(16)	-	(464)	-	(20,289)
Provided for the year	-	(17,261)	-	-	-	(17,261)
As at December 31, 2014	(19,809)	(17,277)	-	(464)	-	(37,550)
Net book value						
As at January 1, 2014	2,894,635	136,318	195,156	153,039	241,047	3,620,195
As at December 31, 2014	2,728,812	105,917	169,050	128,050	555,790	3,687,619
Including:						
Net book value of assets pledged as at December 31, 2014	144,745	-	-	-	-	144,745

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

41. Property and equipment - continued

Group - continued

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Additions	206,239	94,255	55,255	17,957	230,363	604,069
Disposal of subsidiaries	(58,106)	-	(1,086)	(1,574)	-	(60,766)
Disposals	(15,847)	(17,356)	(24,359)	(13,057)	(700)	(71,319)
Transfer	201,268	17,094	17,619	-	(235,981)	-
Transfer-out	(27,444)	-	-	-	(98,732)	(126,176)
As at December 31, 2013	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Accumulated depreciation						
As at January 1, 2013	(693,610)	(72,758)	(340,186)	(144,859)	-	(1,251,413)
Charge for the year	(97,262)	(31,866)	(77,228)	(38,290)	-	(244,646)
Disposal of subsidiaries	5,584	-	826	954	-	7,364
Disposals	4,448	14,289	20,539	7,285	-	46,561
Transfer-out	(1,703)	-	-	-	-	(1,703)
As at December 31, 2013	(782,543)	(90,335)	(396,049)	(174,910)	-	(1,443,837)
Allowance for impairment losses						
As at January 1, 2013	(19,809)	(16)	-	(481)	-	(20,306)
Disposals	-	-	-	17	-	17
As at December 31, 2013	(19,809)	(16)	-	(464)	-	(20,289)
Net book value						
As at January 1, 2013	2,677,458	59,902	203,590	179,747	346,097	3,466,794
As at December 31, 2013	2,894,635	136,318	195,156	153,039	241,047	3,620,195
Including:						
Net book value of assets pledged as at December 31, 2013	152,846	-	-	-	-	152,846

As at December 31, 2014 and 2013, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB15.52 million and RMB14.16 million, respectively.

As at December 31, 2014 and 2013, the Group's property and equipment which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB676.52 million and RMB760.61 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

41. Property and equipment - continued

Group - continued

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31, 2014	As at December 31, 2013
Held in Hong Kong:		
- on long-term lease (over 50 years)	302	322
- on medium-term lease (10-50 years)	1,092	1,924
Subtotal	1,394	2,246
Held outside Hong Kong:		
- on long-term lease (over 50 years)	4,614	12,235
- on medium-term lease (10-50 years)	2,717,735	2,876,186
- on short-term lease (less than 10 years)	5,069	3,968
Subtotal	2,727,418	2,892,389
Total	2,728,812	2,894,635

Company

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	202,274	439	201,550	109,446	250,771	764,480
Additions	-	-	17,245	5,300	312,772	335,317
Disposals	-	-	(7,471)	(5,547)	-	(13,018)
As at December 31, 2014	202,274	439	211,324	109,199	563,543	1,086,779
Accumulated depreciation						
As at January 1, 2014	(60)	(250)	(134,765)	(56,162)	-	(191,237)
Charge for the year	(6,889)	(42)	(32,178)	(11,753)	-	(50,862)
Disposals	-	-	5,940	3,293	-	9,233
As at December 31, 2014	(6,949)	(292)	(161,003)	(64,622)	-	(232,866)
Net book value						
As at January 1, 2014	202,214	189	66,785	53,284	250,771	573,243
As at December 31, 2014	195,325	147	50,321	44,577	563,543	853,913

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

41. Property and equipment - continued

Company - continued

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	213	704	180,352	109,411	35,592	326,272
Additions	202,061	4	27,017	9,671	240,656	479,409
Disposals	-	(269)	(5,819)	(9,636)	(25,477)	(41,201)
As at December 31, 2013	202,274	439	201,550	109,446	250,771	764,480
Accumulated depreciation						
As at January 1, 2013	(53)	(446)	(112,782)	(50,106)	-	(163,387)
Charge for the year	(7)	(65)	(26,941)	(12,215)	-	(39,228)
Disposals	-	261	4,958	6,159	-	11,378
As at December 31, 2013	(60)	(250)	(134,765)	(56,162)	-	(191,237)
Net book value						
As at January 1, 2013	160	258	67,570	59,305	35,592	162,885
As at December 31, 2013	202,214	189	66,785	53,284	250,771	573,243

As at December 31, 2014 and 2013, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB13.29 million and RMB2.46 million, respectively.

The net book value of buildings located on land with the following remaining lease terms is as follows:

	As at December 31, 2014	As at December 31, 2013
Held outside Hong Kong:		
- on medium-term lease (10-50 years)	195,325	202,214

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

42. Deferred taxation

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

Group

	As at December 31,	
	2014	2013
Deferred tax assets	3,442,600	3,937,398
Deferred tax liabilities	(664,465)	(450,849)
	2,778,135	3,486,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. 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	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	Assets revaluation	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sales	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
January 1, 2014	2,900,175	86,274	19,460	67,465	(175,260)	379,639	170,642	41,892	68,379	248,331	(291,054)	(29,394)	3,486,549
Credit/(charge) to profit or loss	246,685	(46,959)	(5,125)	25,876	-	201,939	112,946	46,481	(5,038)	(311,016)		38,666	304,455
Charge to other comprehensive income	(465,531)	-	-	-	-	-	-	-	-	-	(544,831)		(1,010,362)
Others	-	-	-	-	-	-	-	-	-	-	-	(2,507)	(2,507)
December 31, 2014	2,681,329	39,315	14,335	93,341	(175,260)	581,578	283,588	88,373	63,341	(62,685)	(835,885)	6,765	2,778,135
January 1, 2013	1,573,008	153,618	7,445	100,098	(156,388)	267,958	135,321	56,804	73,191	254,244	(149,662)	(49,407)	2,266,230
Credit/(charge) to profit or loss	1,327,167	(67,344)	12,015	(32,633)	-	111,681	35,321	(14,912)	(4,812)	(5,913)	-	31,148	1,391,718
Charge to other comprehensive income	-	-	-	-	-	-	-	-	-	-	(141,392)	-	(141,392)
Changes in revaluation	-	-	-	-	(18,872)	-	-	-	-	-	-	-	(18,872)
Others	-	-	-	-	-	-	-	-	-	-	-	(11,135)	(11,135)
December 31, 2013	2,900,175	86,274	19,460	67,465	(175,260)	379,639	170,642	41,892	68,379	248,331	(291,054)	(29,394)	3,486,549

(Amounts in thousands of RMB, unless otherwise stated)

V. 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, 2014	As at December 31, 2013
Unused tax losses	4,264,272	3,654,569
Unused temporary differences	564,328	1,930,742
	4,828,600	5,585,311

On December 31, 2014，the Group's unrecognized deferred tax assets will expire from 2015 to 2019 (December 31, 2013: will expire from 2014 to 2018).

Company

	As at December 31, 2014	As at December 31, 2013
Deferred tax assets	2,253,176	3,117,264
Deferred tax liabilities	-	-
	2,253,176	3,117,264

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

	Allowance for impairment losses	Unrealized financing income	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2014	2,526,605	86,274	201,787	57,327	318,938	(73,667)	3,117,264
Credit/(Charge) to profit or loss	3,028	(46,959)	44,963	(1,644)	(70,134)	-	(70,746)
Charge to other comprehensive income	(465,531)	-	-	-	-	(327,811)	(793,342)
December 31, 2014	2,064,102	39,315	246,750	55,683	248,804	(401,478)	2,253,176
January 1, 2013	1,378,624	153,618	161,564	58,339	265,105	23,207	2,040,457
Credit/(Charge) to profit or loss	1,147,981	(67,344)	40,223	(1,012)	53,833	-	1,173,681
Charge to other comprehensive income	-	-	-	-	-	(96,874)	(96,874)
December 31, 2013	2,526,605	86,274	201,787	57,327	318,938	(73,667)	3,117,264

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

43. Other assets

Group

	As at December 31,	
	2014	2013
Other receivables	3,021,707	2,114,097
Asset classified as held for sale (1)	2,245,582	-
Statutory deposits (2)	1,379,409	1,379,409
Assets in satisfaction of debts (3)	1,255,882	1,366,177
Interest receivable	1,929,069	1,351,629
Prepayments and guarantee deposits	426,890	605,341
Dividend receivable	835,946	542,279
Prepaid taxes	299,924	208,730
Land use rights (4)	127,975	182,638
Others	1,021,678	1,177,235
Total	12,544,062	8,927,535

Company

	As at December 31,	
	2014	2013
Other receivables	372,844	313,268
Asset classified as held for sale(1)	2,245,582	-
Assets in satisfaction of debts(3)	1,066,998	1,298,344
Dividend receivable	799,722	496,008
Interest receivable	103,899	255,475
Land use rights(4)	47,060	48,361
Prepayments and guarantee deposits	223,014	2,723
Others	95,359	450,803
Total	4,954,478	2,864,982

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

43. Other assets - continued

(1) Asset classified as held for sale

The Company signed an irrevocable shares sale agreement with Xi'an Datang West Market Culture Industry Investment Group Limited in September 2014 to disposed of 21% of Bank of Xi'an Co., Ltd. that it held at a consideration of RMB2,245.58million. The transaction is expected to be completed in one year. As a result, the related interests are classified as asset held for sale.

(2) Statutory deposits

In accordance with the PRC relevant laws and regulations, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. The statutory deposits are not allowed to be used unless the subsidiaries go into liquidation and have to pay off their debts.

(3) Assets in satisfaction of debts

Assets in satisfaction of debts include those that were obtained from the Group's debtors to settle their defaulted debts and those that were acquired directly from financial institutions, which came into their possession through similar arrangement.

Group

	As at December 31,	
	2014	2013
Buildings	1,191,746	1,303,466
Land use rights	125,738	130,715
Others	42,667	63,957
Subtotal	1,360,151	1,498,138
Less: Allowance for impairment losses	(104,269)	(131,961)
Net book value	1,255,882	1,366,177

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

43. Other assets - continued

(3) Assets in satisfaction of debts - continued

Company

	As at December 31,	
	2014	2013
Buildings	1,011,960	1,242,682
Land use rights	125,738	130,715
Others	33,569	56,908
Subtotal	1,171,267	1,430,305
Less: Allowance for impairment losses	(104,269)	(131,961)
Net book value	1,066,998	1,298,344

(4) Land use rights

The carrying amount of land use rights analyzed by the remaining lease term is as follows:

Group

	As at December 31,	
	2014	2013
Held outside Hong Kong:		
- on medium-term lease (10-50 years)	127,975	182,638

Company

	As at December 31,	
	2014	2013
Held outside Hong Kong:		
- on medium-term lease (10-50 years)	47,060	48,361

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

44. Borrowings from central bank

Group and Company

	As at December 31, 2014	As at December 31, 2013
Borrowings from central bank	986,058	4,912,977

The borrowings from the People's Bank of China were used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As of December 31, 2014, the loans principal have been repaid in full, and the outstanding balance represents interest payable to central bank.

45. Accounts payable to brokerage clients

Group

	As at December 31, 2014	As at December 31, 2013
Personal customers	10,455,535	6,157,075
Corporate customers	1,207,799	323,722
Total	11,663,334	6,480,797

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 RMB10,075.47 million at December 31, 2014 (December 31, 2013: RMB5,078.87 million) is interest bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the readers of these financial statements in view of the nature of this business.

As at December 31, 2014 and 2013, included in the Group's accounts payable to brokerage clients were approximately RMB700.41 million and RMB149.36 million respectively of cash collateral received from clients for margin financing and securities lending arrangement.

The Company had no accounts payable to brokerage clients at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

46. Financial assets sold under repurchase agreements

Group

	As at December 31, 2014	As at December 31, 2013
By collateral type:		
Debt securities	4,467,849	6,641,824
Finance lease receivables	599,500	2,501,000
Loans to margin clients	4,872,300	300,000
Total	9,939,649	9,442,824

The Company had no financial assets sold under repurchase agreements at the end of 2014 and 2013.

47. Placements from banks and a financial institution

Group

	As at December 31, 2014	As at December 31, 2013
Placements from banks	10,000,000	9,400,000
Placements from a financial institution	1,827,000	1,077,000
Total	11,827,000	10,477,000

Company

	As at December 31, 2014	As at December 31, 2013
Placements from a bank	10,000,000	8,000,000
Total	10,000,000	8,000,000

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

48. Borrowings

Group

	As at December 31, 2014	As at December 31, 2013
Banks and other financial institutions borrowings		
Unsecured loans	248,021,408	161,394,681
Loans secured by properties	5,878,575	6,554,913
Other secured loans	9,289,328	5,367,595
Other borrowings		
Unsecured loans	263,100	517,500
Total	263,452,411	173,834,689

Loans secured by properties were collateralized by property and equipment, investment properties, and properties and held for sale at an aggregate carrying amount of RMB10,985 million as at December 31, 2014 (December 31, 2013: RMB10,014 million). Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB6,441 million as at December 31, 2014(December 31, 2013: RMB3,235 million).

	As at December 31, 2014	As at December 31, 2013
Carrying amount repayable*:		
Within one year	152,118,997	91,078,143
More than one year, but not exceeding two years	61,966,877	46,367,191
More than two years, but not exceeding five years	48,091,146	35,704,336
More than five years	344,838	188,990
Subtotal	262,521,858	173,338,660
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	894,721	466,371
More than one year, but not exceeding two years	2,570	5,220
More than two years, but not exceeding five years	7,950	5,542
More than five years	25,312	18,896
Subtotal	930,553	496,029
Total	263,452,411	173,834,689

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

48. Borrowings - continued

Group - continued

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31, 2014	As at December 31, 2013
Fixed-rate borrowings:		
Within one year	137,762,187	85,127,824
More than one year, but not exceeding two years	50,314,501	37,171,026
More than two years, but not exceeding five years	28,667,000	6,910,576
More than five years	370,150	188,990
	217,113,838	129,398,416

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 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, 2014	As at December 31, 2013
Effective interest rate		
Fixed-rate borrowings	4.38% to 11.8%	2.71% to 12.40%
Variable-rate borrowings	2.36% to 7.2%	2.70% to 8.61%

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

48. Borrowings - continued

Company

	As at December 31, 2014	As at December 31, 2013
Bank borrowings		
Unsecured loans	212,495,000	139,069,331
Carrying amount repayable*:		
Within one year	118,600,000	70,352,331
More than one year, but not exceeding two years	51,332,000	39,250,000
More than two years, but not exceeding five years	42,563,000	29,467,000
	212,495,000	139,069,331

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31, 2014	As at December 31, 2013
Fixed-rate borrowings:		
Within one year	110,600,000	65,700,000
More than one year, but not exceeding two years	41,265,000	31,250,000
More than two years, but not exceeding five years	27,563,000	4,400,000
	179,428,000	101,350,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC or SHIBOR.

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, 2014	As at December 31, 2013
Effective interest rate		
Fixed-rate borrowings	4.95% to 7.30%	4.75% to 6.90%
Variable-rate borrowings	4.98% to 6.00%	5.10% to 6.25%

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

49. Accounts payable

Group

	As at December 31, 2014	As at December 31, 2013
Amount due to the MOF (1)	9,710,682	21,676,664
Accounts payable associated with real estate business (2)	3,483,473	979,637
Reinsurance premium payable	101,803	-
Others	595,219	157,837
Total	13,891,177	22,814,138

Company

	As at December 31, 2014	As at December 31, 2013
Amount due to the MOF (1)	9,710,682	21,676,664
Others	450,000	-
Total	10,160,682	21,676,664

(1) Amount due to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration is repayable in five equal installments of RMB9.71 billion over a five-year period, representing an effective annual interest rate of 1.69%, with the first repayment date no later than December 31, 2011.

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

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

50. Investment contract liabilities for policyholders

Group

	Year ended December 31, 2014	Year ended December 31, 2013
At beginning of the year	3,244,367	3,213,126
Deposits received	4,631,374	887,738
Deposits withdrawn	(1,557,431)	(779,880)
Fees deducted	(54,208)	(60,116)
Interest credited	201,560	112,256
Others	(214,436)	(128,757)
At end of the year	6,251,226	3,244,367

The Company had no investment contract liabilities for policyholders at the end of 2014 and 2013.

51. Tax payable

Group

	As at December 31, 2014	As at December 31, 2013
Enterprise income tax	1,590,236	1,868,545
Land appreciation tax	142,904	182,970
Hong Kong profits tax	9,615	9,051
Total	1,742,755	2,060,566

Company

	As at December 31, 2014	As at December 31, 2013
Enterprise income tax	722,159	1,367,274
Land appreciation tax	-	6,156
Total	722,159	1,373,430

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

52. Insurance contract liabilities

Group

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

	January 1, 2013	Increase	Decrease	December 31, 2013
Short-term insurance contracts				
- Unearned premium reserves	1,154,407	3,099,508	(3,019,574)	1,234,341
- Outstanding claim reserves	658,765	1,837,037	(1,445,716)	1,050,086
Long-term life insurance contracts	15,772,496	4,053,815	(1,388,286)	18,438,025
Total	17,585,668	8,990,360	(5,853,576)	20,722,452

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

	As at December 31, 2014			As at December 31, 2013		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
- Unearned premium reserves	1,242,446	159,473	1,401,919	1,122,882	111,459	1,234,341
- Outstanding claim reserves	766,991	517,539	1,284,530	606,151	443,935	1,050,086
Long-term life insurance contracts	5,568	22,526,988	22,532,556	4,708	18,433,317	18,438,025
Total	2,015,005	23,204,000	25,219,005	1,733,741	18,988,711	20,722,452

The Company had no insurance contract liabilities at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

53. Bonds issued

Group

	Notes	As at December 31, 2014	2013
10-year 7.2% fixed rate subordinated bonds	(1)	504,207	504,207
3-year 4.35% fixed rate financial bonds	(2)	5,030,718	5,025,631
5-year 4.65% fixed rate financial bonds	(3)	5,027,024	5,023,998
3-year 5.2% fixed rate financial bonds	(4)	10,268,403	-
5-year 5.35% fixed rate financial bonds	(5)	10,273,732	-
3-year 4% fixed rate RMB bonds	(6)	1,996,936	1,989,200
90-day 6% fixed rate commercial papers	(7)	-	715,014
5-year 4% fixed rate USD notes	(8)	6,079,033	-
10-year 5.625% fixed rate USD notes	(8)	3,051,216	-
15-year 5.2% fixed rate USD notes	(9)	1,402,934	-
5-year 4% fixed rate HKD bonds	(10)	7,991	7,964
5-year 4% fixed rate HKD bonds	(10)	7,972	7,945
5-year 4% fixed rate HKD bonds	(11)	3,181	3,171
5-year 4% fixed rate HKD bonds	(12)	7,914	7,887
5-year 4% fixed rate HKD bonds	(13)	8,043	-
5-year 4% fixed rate HKD bonds	(13)	8,023	-
5-year 4% fixed rate HKD bonds	(14)	1,675	-
5-year 4% fixed rate HKD bonds	(14)	7,907	-
5-year 4% fixed rate HKD bonds	(15)	7,943	-
Total		43,694,852	13,285,017

Company

	Notes	As at December 31, 2014	2013
3-year 4.35% fixed rate financial bonds	(2)	5,024,692	5,014,576
5-year 4.65% fixed rate financial bonds	(3)	5,016,865	5,010,720
3-year 5.2% fixed rate financial bonds	(4)	10,249,919	-
5-year 5.35% fixed rate financial bonds	(5)	10,253,451	-
Total		30,544,927	10,025,296

V. EXPLANATORY NOTES - continued

53. Bonds issued - continued

(1) The fixed rate subordinated bonds issued in September 2011 with a principal of RMB495 million by a subsidiary of the Company have a tenure of 10 years and a fixed coupon rate of 7.2% per annum, payable annually. The subsidiary has an option to redeem all of the bonds at face value in September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.

(2) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 3 years and a fixed coupon rate of 4.35% per annum, payable annually.

(3) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 5 years and a fixed coupon rate of 4.65% per annum, payable annually.

(4) The fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 3 years and a fixed coupon rate of 5.2% per annum, payable annually.

(5) The fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 5 years and a fixed coupon rate of 5.35% per annum, payable annually.

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

(7) The fixed rate commercial papers issued in November 2013 with a principal of RMB1,000 million by a subsidiary of the Company have a tenure of 90 days and a fixed coupon rate of 6% per annum, payable at maturity of the commercial papers together with the principal. The Company purchased RMB290 million of the commercial papers in November 2013. The commercial papers were fully redeemed by the subsidiary of the Company in February 2014.

V. EXPLANATORY NOTES - continued

53. Bonds issued - continued

(8) The 5-year and 10-year fixed rate USD Guarantee Senior Notes with principal of USD1,000 million and USD500 million issued in May 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of the Company's subsidiary - Well Kent International Investment Company Limited, have tenures of 5 years and 10 years and with fixed coupon rate of 4% per annum and 5.625% per annum, payable semi-annually, respectively.

At any time prior to the date of maturity of the Notes, the Issuer or Well Kent may redeem the Notes, in whole or in part, at a redemption price equal to the greater of i) 100% of the principal amount of the Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year Notes and 50 basis points in the case of the 10-year Notes, plus any accrued and unpaid interest.

(9) The 15-year fixed rate USD Guarantee Senior Notes with a principal of USD230 million issued in December 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of the Company's subsidiary - Well Kent International Investment Company Limited, have a tenure of 15 years and with a fixed coupon rate of 5.2% per annum, payable semi-annually.

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

(11) The fixed rate HKD bonds issued in October 2013 in Hong Kong with a principal of HKD4 million by a subsidiary of the Company have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

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

(13) The two series of fixed rate HKD bonds issued in July 2014 in Hong Kong with the principal of HKD10 million each by a subsidiary of the Company both have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(14) The two series of fixed rate HKD bonds issued in September 2014 in Hong Kong with the principal of HKD2 million and HKD10 million respectively by a subsidiary of the Company both have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(15) The fixed rate HKD bonds issued in October 2014 in Hong Kong with a principal of HKD10 million by a subsidiary of the Company have a tenure of 5 years, and a fixed coupon rate of 4% per annum, payable semi-annually.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

54. Other liabilities

Group

	As at December 31,	
	2014	2013
Payables to interest holders of consolidated structured entities (note V.38)	30,875,902	16,801,781
Guarantee deposits received on leasing business	5,270,981	4,020,657
Other payables	4,627,307	2,750,516
Receipts in advance from property sales	4,295,466	2,852,996
Staff costs payable(1)	2,792,271	1,966,984
Special dividend payable (note V.19)	-	1,202,804
Liabilities related to insurance business	1,296,150	1,213,647
Interest payable	1,113,054	606,004
Deferred income related to leasing business	946,469	433,159
Sundry taxes payable	590,952	299,475
Receipts in advance associated with disposal of distressed assets	356,727	158,016
Provisions(2)	284,987	324,229
Others	744,952	618,877
Total	53,195,218	33,249,145

(1) Staff costs payable

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,755,362	3,813,669	(3,096,046)	2,472,985
Social insurance	46,721	503,737	(446,697)	103,761
Defined contribution plan	5	38,595	(38,600)	-
Housing funds	4,692	180,595	(180,294)	4,993
Labor union fees and staff education expenses	134,686	125,822	(86,057)	174,451
Others	25,518	186,196	(175,633)	36,081
Total	1,966,984	4,848,614	(4,023,327)	2,792,271

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

54. Other liabilities - continued

Group - continued

(1) Staff costs payable - continued

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,395,220	3,202,960	(2,842,818)	1,755,362
Social insurance	33,447	386,588	(373,314)	46,721
Defined contribution plan	-	29,961	(29,956)	5
Housing funds	2,104	166,353	(163,765)	4,692
Labor union fees and staff education expenses	98,819	104,322	(68,455)	134,686
Others	24,331	141,636	(140,449)	25,518
Total	1,553,921	4,031,820	(3,618,757)	1,966,984

(2) Movements of provisions

	Year ended December 31,	
	2014	2013
At beginning of the year	324,229	307,062
Provided for the year	5,281	104,279
Settled	(44,523)	(87,112)
At end of the year	284,987	324,229

Company

	As at December 31,	
	2014	2013
Special dividends payable (note V.19)	-	1,202,804
Other payables	1,576,955	1,010,960
Staff costs payable(1)	986,608	807,149
Interest payable	750,689	407,662
Receipts in advance associated with disposal of distressed assets	356,727	158,016
Provisions(2)	253,615	280,022
Sundry taxes payable	212,503	99,087
Others	113,226	60,286
Total	4,250,323	4,025,986

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

54. Other liabilities - continued

Company - continued

(1) Staff costs payable

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	748,235	899,193	(730,550)	916,878
Social insurance	12,909	116,561	(115,447)	14,023
Defined contribution plan	5	38,595	(38,600)	-
Housing funds	105	63,247	(63,088)	264
Labor union fees and staff education expenses	38,907	34,369	(25,102)	48,174
Others	6,988	61,228	(60,947)	7,269
Total	807,149	1,213,193	(1,033,734)	986,608

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	610,988	772,300	(635,053)	748,235
Social insurance	8,638	95,592	(91,321)	12,909
Defined contribution plan	-	29,961	(29,956)	5
Housing funds	389	54,792	(55,076)	105
Labor union fees and staff education expenses	20,033	34,743	(15,869)	38,907
Others	1,875	51,912	(46,799)	6,988
Total	641,923	1,039,300	(874,074)	807,149

(2) Movements of provisions

	Year ended December 31,	
	2014	2013
At beginning of the year	280,022	233,357
Provided for the year	1,080	50,713
Settled	(27,487)	(4,048)
At end of the year	253,615	280,022

V. EXPLANATORY NOTES - continued

55. Share capital

Group and Company

	Year ended December 31, 2014	Year ended December 31, 2013
Authorized, issued and fully paid, of RMB1 each:		
At beginning of the year	35,458,864	30,140,024
Issue of shares (1)	797,826	5,318,840
At end of the year	36,256,690	35,458,864

Notes:

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

A summary of the movements of the Company's issued shares (in thousands of shares) during the years is as follows:

	2014			
	As at January 1,	Issuance	Transfer (a)	As at December 31, (b)
Domestic shares				
- MOF	24,669,736	-	(72,804)	24,596,932
H shares	10,789,128	797,826	72,804	11,659,758
Total	35,458,864	797,826	-	36,256,690

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

55. Share capital - continued

Group and Company - continued

	2013			
	As at January 1,	Conversion/ Issuance	Transfer (a)	As at December 31, (b)
Promoter's shares				
- MOF	25,155,097	(24,669,736)	(485,361)	-
Other shares	4,984,927	(4,984,927)	-	-
Domestic shares				
- MOF	-	24,669,736	-	24,669,736
H shares	-	10,303,767	485,361	10,789,128
Total	30,140,024	5,318,840	-	35,458,864

(a) In accordance with the relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer the shares and pay the equivalent amount in cash to the National Council for Social Security Fund (the "NCSSF"), in proportion to their respective holdings in the Company, of a total amount equivalent to 10% of the number of shares offered pursuant to the Company's H share offering. Under this arrangement, the MOF transferred 72,804,080 shares to the NCSSF during the year (Year ended December 31, 2013: 485,360,536 shares).

(b) As at December 31, 2014, 4,931,425,119 H shares were subject to lock-up restriction (December 31,2013: 24,669,736,396 domestic shares and 4,938,403,639 H shares were subject to lock-up restriction).

56. Capital reserve

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

57. Investment revaluation reserve

Group

Investment revaluation reserve attributable to equity holders of the Company is set out below:

	Year ended December 31,	
	2014	2013
At beginning of the year	730,574	406,054
Fair value changes on available-for-sale financial assets		
- fair value changes arising during the year	4,622,971	(3,106,570)
- amounts reclassified to profit or loss upon disposal	(956,734)	113,559
- amounts reclassified to profit or loss upon impairment	554,379	3,431,993
Income tax effect	(980,785)	(163,331)
Share of other comprehensive income of associates	498	48,869
Subtotal	3,240,329	324,520
At end of the year	3,970,903	730,574

Company

	Year ended December 31,	
	2014	2013
At beginning of the year	193,135	(124,613)
Fair value changes on available-for-sale financial assets		
- fair value changes arising during the year	3,135,704	(2,445,893)
- amounts reclassified to profit or loss upon disposal	(516,715)	(585,502)
- amounts reclassified to profit or loss upon impairment	554,379	3,418,889
Income tax effect	(793,342)	(96,874)
Share of other comprehensive income of associates	-	27,128
Subtotal	2,380,026	317,748
At end of the year	2,573,161	193,135

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

58. 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 respective entity.

59. General reserve

For the years ended December 31, 2014 and 2013, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB595.17 million and RMB2,397.26 million, respectively to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred RMB380.86 million and RMB2,055.61 million, respectively to general reserve.

60. Retained earnings

During the years ended December 31, 2014 and 2013, the retained earnings of the Company were as follows:

	Year ended December 31,	
	2014	2013
At beginning of the year	13,754,571	12,118,383
Profit for the year	9,111,891	7,230,732
Appropriation to surplus reserve	(911,189)	(723,074)
Appropriation to general reserve	(380,861)	(2,055,607)
Dividends recognized as distribution	-	(2,815,863)
At end of the year	21,574,412	13,754,571

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

61. Cash and cash equivalents

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

	As at December 31,	
	2014	2013
Cash on hand	3,319	3,358
Unrestricted balances with original maturity of less than 3 months		
Bank balances	31,611,885	47,119,485
Clearing settlement funds	312,049	149,816
Placements with financial institutions	2,000,000	290,000
Financial assets held under resale agreements	426,741	629,387
Financial assets at fair value through profit or loss	6,900	-
Available-for-sale financial assets	116,026	-
Cash and cash equivalents	34,476,920	48,192,046

62. Major non-cash transactions of the group

	Year ended December 31,	
	2014	2013
Debt-to-equity swap (Note) - financial assets at fair value through profit or loss transferred into available-for-sale financial assets	42,738	436,367
Equity swap (Note)	61,280	439,397

Note: As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap equity swap with counterparties in the ordinary course of business during the years.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

63. 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, 2014 and 2013, total claim amount of pending litigations were RMB1,527.92 million and RMB1,811.53 million for the Group and RMB1,514.53 million and RMB1,686.03 million for the Company respectively, and provisions of RMB122.38 million and RMB127.97 million for the Group and RMB122.38 million and RMB127.97 million for the Company respectively were made based on court judgments or the advice of legal counsels. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Commitments other than operating lease commitments

Group

	As at December 31,	
	2014	2013
Contracted but not provided for		
- commitments for the acquisition of property and equipment	18,195	107,161
- commitments for the acquisition of investments	1,200,000	828,000
Total	1,218,195	935,161

Company

	As at December 31,	
	2014	2013
Contracted but not provided for		
- commitments for the acquisition of property and equipment	17,075	25,639
- commitments for the acquisition of investments	-	828,000
Total	17,075	853,639

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

63. Contingent liabilities and commitments - continued

(3) Operating lease commitments

At the end of 2014 and 2013, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31,	
	2014	2013
Within 1 year	289,317	238,507
1-2 years	182,971	133,137
2-3 years	83,302	69,447
3-5 years	71,367	66,502
Over 5 years	28,324	34,156
Total	655,281	541,749

Company

	As at December 31,	
	2014	2013
Within 1 year	54,585	82,585
1-2 years	45,814	15,735
2-3 years	26,662	11,338
3-5 years	18,146	13,836
Over 5 years	-	1,861
Total	145,207	125,355

(4) Other guarantees provided by the Group

(i) The Group provided credit enhancements for the trust plans issued by China Jingu International Trust Co., Ltd. ("Jingu Trust"), a subsidiary of the Company. As at December 31, 2014, the exposure to the credit enhancements amounted to RMB1,500 million for the Group (December 31, 2013: RMB1,719 million), plus any shortfall from the guaranteed returns ranging from 5.2% to 20% that might arise. As a result of the credit enhancements provided by the Group, related trust plans issued by Jingu Trust for external beneficial parties are consolidated, because the Group is exposed to a significant variable return on trust plans that it has power upon.

V. EXPLANATORY NOTES - continued

63. Contingent liabilities and commitments - continued

(4) Other guarantees provided by the Group - continued

(ii) During 2012, the Company, Cinda Investment Co., Ltd. and Cinda Capital Management Co., Ltd., being subsidiaries of the Company, jointly set up Ningbo Qiushi Investment Management Limited Partnership together with Kunlun Trust Co, Ltd. ("Kunlun Trust"). The Group provided purchase commitments to Kunlun Trust in respect of its capital contribution and guaranteed a basic return in case the project does not achieve the pre-determined return. As at December 31, 2014, the capital subscribed and paid in by Kunlun Trust amounted to RMB15,490 million and RMB7,039 million (December 31, 2013: RMB9,690 million and RMB5,899 million), respectively. The guaranteed basic return ranges from 7.5% to 8.2%, depends on the duration period of the investment projects.

(iii) Ningbo Chunhong Investment Management Limited Partnership ("Ningbo Chunhong") was set up by the Company together with three subsidiaries of the Company in 2013. Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, which is one of the limited partners of Chunhong, then set up a Designated Asset Management Plan (the "Plan") with funds raised by Chunhong. The Group provided unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their contributions plus any shortfall from the guaranteed returns of 8.2% (which depends on the duration period of the investment projects) that might rise. The size of the Plan is RMB4,500 million. As at December 31, 2014, the subscription amount of the Plan was RMB4,027 million (December 31, 2013: RMB2,817 million).

(iv) Cinda-Taikang Alternative Asset Investment Partnership (Limited Partnership) was set up by the Company, a subsidiary of the Company, together with Taikang Asset Management Co., Ltd. in 2013. The Group provided unconditional purchase commitment to Taikang at an aggregate amount of its investment plus any shortfall from the guaranteed returns ranging from 6.6% to 7.0% (which depends on the duration period of the investment projects) that might arise, if the annualized return falls below this range. The capital subscribed by Taikang amounted to RMB12,000 million. As at December 31, 2014, Taikang has made contribution of RMB10,362 million (December 31, 2013: RMB4,170 million).

(v) As a result of the purchase commitments and guarantee provided by the Group entities, the funds managed by the Group as set out in note (ii) to (iv) above are consolidated, because the Group is exposed to significant variable returns on these private funds and the Group has the ability to use its power over the funds to affect their returns.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

63. Contingent liabilities and commitments - continued

(4) Other guarantees provided by the Group - continued

(vi) During 2012, Hainan Jianxin Investment Management Co., Ltd. ("Hainan Jianxin"), a subsidiary, transferred 35% of its interests in Hainan Jincui Real Estate Co., Ltd. to Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. ("Shoutai Jinxin"). Hainan Jianxin provided guaranteed return to Shoutai Jinxin for a period of 3 years. Cinda Investment Co., Ltd., as the holding company of Hainan Jianxin, provided undertaking for Hainan Jianxin's guarantee. As at December 31, 2014, maximum exposure to the Group resulted from the return guarantee amounted to RMB456 million (December 31, 2013: RMB480 million).

64. Transfers of financial assets

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 exists an event of default on the secured lending.

	Carrying amount of pledged assets		Related liabilities	
	December 31,		December 31,	
	2014	2013	2014	2013
Held-for-trading debt securities	915,863	2,355,332	469,582	1,943,056
Available-for-sale debt securities	2,449,745	3,747,977	2,147,308	2,752,921
Held-to-maturity debt securities	1,933,507	2,205,151	1,850,959	1,945,847
Finance lease receivables	645,543	2,310,054	599,500	2,501,000
Loans to margin clients	5,469,422	339,042	4,872,300	300,000
Total	11,414,080	10,957,556	9,939,649	9,442,824

V. EXPLANATORY NOTES - continued

65. Segment information

Information relating to business lines are reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Segment revenue include income from distressed debt assets classified as receivables, fair value changes on distressed debt assets, investment income, net insurance premiums earned and others.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company, including the management of assets arising from acquisition of distressed debts and debt-to-equity swap and the provision of clearing settlement and fiduciary services.

Financial investment and asset management operations

The financial investment and asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the management of financial investments on private funds and companies in certain other industries.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

65. Segment information - continued

Segment income, expense, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended December 31, 2014	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	18,242,771	-	-	(129,205)	18,113,566
Fair value changes on distressed debt assets	4,157,172	-	-	(79,674)	4,077,498
Fair value changes on other financial assets	-	203,253	1,977,280	-	2,180,533
Investment income	6,583,216	1,256,472	1,588,072	(311,291)	9,116,469
Net insurance premiums earned	-	-	7,446,494	(3,509)	7,442,985
Interest income	1,492,573	3,850,238	3,683,002	(215,274)	8,810,539
Revenue from sales of inventories	-	4,340,500	-	-	4,340,500
Commission and fee income	261,047	244,905	2,844,548	(342,319)	3,008,181
Net gains on disposal of subsidiaries and associates	-	639,610	3,338	-	642,948
Other income and other net gains or losses	758,318	1,631,952	(8,696)	(324,731)	2,056,843
Total	31,495,097	12,166,930	17,534,038	(1,406,003)	59,790,062
Interest expense	(13,185,126)	(1,265,234)	(1,946,484)	435,723	(15,961,121)
Insurance costs	-	-	(6,865,310)	-	(6,865,310)
Employee benefits	(1,213,194)	(608,938)	(2,780,762)	2,337	(4,600,557)
Purchases and changes in inventories	-	(2,824,007)	-	-	(2,824,007)
Commission and fee expense	(1,395)	(12,212)	(1,020,711)	-	(1,034,318)
Business tax and surcharges	(817,742)	(638,064)	(525,456)	-	(1,981,262)
Depreciation and amortization expenses	(73,254)	(226,111)	(156,995)	-	(456,360)
Other expenses	(797,038)	(1,175,073)	(1,306,974)	406,503	(2,872,582)
Impairment losses on assets	(3,977,330)	(727,409)	(733,328)	-	(5,438,067)
Total	(20,065,079)	(7,477,048)	(15,336,020)	844,563	(42,033,584)
Change in net assets attributable to other holders of consolidated structured entities	-	(1,552,887)	(357,058)	-	(1,909,945)
Profit before share of results of associates and tax	11,430,018	3,136,995	1,840,960	(561,440)	15,846,533
Share of results of associates	66,353	378,213	15,600	-	460,166
Profit before tax	11,496,371	3,515,208	1,856,560	(561,440)	16,306,699
Income tax expense					(4,163,950)
Profit for the year					12,142,749
Capital expenditure	349,106	55,178	156,210	(11,369)	549,125
As at December 31, 2014					
Segment assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Including: Interests in associates	3,181,993	6,617,764	279,798	-	10,079,555
Total assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Segment liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155
Total liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

65. Segment information - continued

Year ended December 31, 2013	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	10,144,157	-	-	-	10,144,157
Fair value changes on distressed debt assets	4,668,294	-	-	(50,660)	4,617,634
Fair value changes on other financial assets	11,955	78,400	448,649	-	539,004
Investment income	5,247,534	769,834	1,028,900	(2,422)	7,043,846
Net insurance premiums earned	-	-	5,782,164	(10,296)	5,771,868
Interest income	1,261,228	1,494,344	2,379,742	(76,110)	5,059,204
Revenue from sales of inventories	-	4,321,948	-	-	4,321,948
Commission and fee income	146,066	17,787	2,538,449	(182,194)	2,520,108
Net gains on disposal of subsidiaries and associates	-	200,517	-	-	200,517
Other income and other net gains or losses	370,571	2,094,017	(43,984)	(225,698)	2,194,906
Total	21,849,805	8,976,847	12,133,920	(547,380)	42,413,192
Interest expense	(6,214,918)	(445,242)	(1,272,948)	129,352	(7,803,756)
Insurance costs	-	-	(5,018,782)	-	(5,018,782)
Employee benefits	(1,039,300)	(490,284)	(2,274,883)	7,023	(3,797,444)
Purchases and changes in inventories	-	(2,720,323)	-	-	(2,720,323)
Commission and fee expense	-	(30,488)	(848,131)	9,176	(869,443)
Business tax and surcharges	(330,176)	(497,460)	(406,237)	-	(1,233,873)
Depreciation and amortization expenses	(60,679)	(235,784)	(147,492)	166	(443,789)
Other expenses	(789,264)	(905,283)	(1,198,573)	332,864	(2,560,256)
Impairment losses on assets	(5,156,070)	(528,379)	(468,832)	-	(6,153,281)
Total	(13,590,407)	(5,853,243)	(11,635,878)	478,581	(30,600,947)
Change in net assets attributable to other holders of consolidated structured entities	-	(540,461)	-	-	(540,461)
Profit before share of results of associates and tax	8,259,398	2,583,143	498,042	(68,799)	11,271,784
Share of results of associates	54,856	428,549	16,854	-	500,259
Profit before tax	8,314,254	3,011,692	514,896	(68,799)	11,772,043
Income tax expense					(2,671,071)
Profit for the year					9,100,972
Capital expenditure	268,317	65,094	109,565	(18,000)	424,976
As at December 31, 2013					
Segment assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Including: Interests in associates	4,016,959	4,929,660	14,987	-	8,961,606
Total assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Segment liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286
Total liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

66. Related party transactions

(1) The MOF

Group

As at December 31, 2014, the MOF directly owned 67.84% (December 31, 2013: 69.57%) of the share capital of the Company.

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

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31,	
	2014	2013
Financial assets at fair value through profit or loss	38,691	-
Available-for-sale financial assets	76,889	73,081
Financial assets classified as receivables	117,700	142,700
Accounts receivable	164,769	164,769
Interest receivable	26,436	21,506
Accounts payable	9,710,682	21,676,664

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

	Year ended December 31,	
	2014	2013
Interest income	12,920	9,175
Interest expense	375,831	591,534

Company

The Company had the following balances with the MOF:

	As at December 31,	
	2014	2013
Accounts receivable	164,769	164,769
Accounts payable	9,710,682	21,676,664

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

66. Related party transactions - continued

(1) The MOF - continued

Company - continued

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

	Year ended December 31, 2014	2013
Interest expense	375,831	591,534

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31, 2014	2013
Placements	-	350,000
Financial assets at fair value through profit or loss	1,259,081	1,204,449
Financial assets held under resale agreements	300,000	-
Financial assets classified as receivables	2,314,567	-
Held-to-maturity investments	-	289,928
Property and equipment	18,000	18,000
Amounts due from subsidiaries	876,392	1,509,756
Bonds issued	54,949	24,332
Other payables	60,079	102,209

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

	Year ended December 31, 2014	2013
Investment in subsidiaries	3,104,433	1,807,594
Interest income	78,067	77,925
Rental income	30,672	25,606
Investment income	40,091	2,127
Gains/(losses) on disposal of distressed debt assets	174,005	(104,487)
Gains on disposal of debt assets	195,054	-
Fair value changes on other financial assets	62,237	45,207
Dividend income	189,054	239,803
Commission and fee income	38,057	5,829
Business and management fees	210,299	176,604
Capital reserve	-	47,803

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

66. Related party transactions - continued

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

	As at December 31,	
	2014	2013
Available-for-sale financial assets	23,131	9,758
Loans and advances to customers	368,329	230,000
Interest receivable	3,423	8,291
Prepayment	4,344	-
Dividend receivable	6,800	-
Other receivables	369,564	266,511
Borrowings	-	25,000
Bonds issued	-	150,000
Interest payable	-	3,123
Other payables	4,908	241

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

	Year ended December 31,	
	2014	2013
Interest income	30,484	20,326
Commission and fee income	1,038	9,880
Dividend income	95,302	229,556
Net realized gain on disposal of available-for-sale financial assets	-	2,572
Net insurance premiums earned	10,029	2,316
Rental income	100	100
Interest expense	9,340	16,210

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

66. Related party transactions - continued

(3) Associates - continued

Company

The Company has entered into the following transaction with its associates:

	Year ended December 31,	
	2014	2013
Dividend income	70,752	100,025

(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. None of them were individually significant.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(5) Defined contribution plan

Group and Company

The Group and the Company have the following transactions with the Defined Contribution Plan set up by the Company:

	Year ended December 31,	
	2014	2013
Contribution to Defined Contribution Plan	38,595	29,961

V. EXPLANATORY NOTES - continued

67. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

67.1 Credit risk

(i) 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 classified as receivables, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets classified as receivables and other debt assets. Risk management of distressed assets is detailed in note V.67.4.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(i) Credit risk management - continued

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;

- Obtaining effective collaterals from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest rate. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;

- a breach of contract, such as default or delinquency in interest or principal payments;

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  - adverse changes in the payment status of borrowers in the portfolio; and

  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(ii) Impairment assessment - continued

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

(iii) 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 adavance to customers and treasury operations. At the end of each reporting period, maximum exposure to credit risk is as follows:

Group

	As at December 31,	
	2014	2013
Bank balances	43,887,930	57,055,749
Clearing settlement funds	5,145,163	1,707,859
Deposits with exchanges and a financial institution	918,240	831,073
Placements with financial institutions	3,000,000	290,000
Financial assets at fair value through profit or loss	10,348,285	6,386,713
Financial assets held under resale agreements	11,454,214	1,053,527
Available-for-sale financial assets	31,647,432	23,429,039
Financial assets classified as receivables	180,913,089	116,662,697
Loans and advance to customers	80,224,726	48,636,362
Accounts receivables	7,022,083	6,448,944
Held-to-maturity investments	7,042,523	7,592,298
Other assets	3,359,288	3,162,937
Total	384,962,973	273,257,198

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

Company

	As at December 31,	
	2014	2013
Bank balances	11,520,985	30,659,935
Placements with financial institutions	2,000,000	640,000
Financial assets held under resale agreements	8,795,500	-
Available-for-sale financial asset	14,354,107	8,601,643
Financial assets classified as receivables	177,893,099	113,966,668
Accounts receivable	6,053,629	5,647,620
Amounts due from subsidiaries	876,392	1,509,756
Held-to-maturity investments	210,000	499,928
Other assets	153,899	683,725
Total	221,857,611	162,209,275

Distressed debt assets designated as at fair value through profit or loss contain certain elements of credit risk. The risks such assets exposed to are detailed in note V.67.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB42,302.04 million and RMB16,391.69 million for the Group and RMB42,169.39 million and RMB16,784.11 million for the Company as at December 31, 2014 and 2013, respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

Group

	As at December 31,	
	2014	2013
Distressed debt assets classified as receivables	167,464,326	100,913,177
Loans and advances to customers	82,014,924	49,578,118
Subtotal	249,479,250	150,491,295
Allowance for impairment losses		
Distressed debt assets classified as receivables	(5,355,398)	(2,942,608)
Loans and advances to customers	(1,790,198)	(941,756)
Subtotal	(7,145,596)	(3,884,364)
Net carrying amounts		
Distressed debt assets classified as receivables	162,108,928	97,970,569
Loans and advances to customers	80,224,726	48,636,362
Total	242,333,654	146,606,931

Company

	As at December 31,	
	2014	2013
Distressed debt assets classified as receivables	170,066,543	100,913,177
Allowance for impairment losses	(5,431,995)	(2,942,608)
Net carrying amounts	164,634,548	97,970,569

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

By geographical area

Group

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Bohai Rim	60,154,329	24.1	35,130,328	23.3
Western Region	56,130,984	22.5	41,048,567	27.3
Central Region	44,517,209	17.8	24,194,073	16.1
Pearl River Delta	43,559,069	17.5	18,844,209	12.5
Yangtze River Delta	24,454,015	9.8	16,494,090	11.0
Northeastern Region	17,928,307	7.2	12,194,618	8.1
Overseas	2,735,337	1.1	2,585,410	1.7
Total	249,479,250	100.0	150,491,295	100.0

Company

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Bohai Rim	40,631,111	23.9	21,592,257	21.3
Western Region	38,492,062	22.6	27,218,829	27.0
Pearl River Delta	35,618,024	20.9	15,623,087	15.5
Central Region	28,276,072	16.6	17,336,839	17.2
Yangtze River Delta	16,759,534	9.9	11,698,730	11.6
Northeastern Region	10,289,740	6.1	7,443,435	7.4
Total	170,066,543	100.0	100,913,177	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

By geographical area - continued

Notes:

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

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

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

Yangtze River Delta: Including Shanghai, Jiangsu, Zhejiang.

Pearl River Delta: Including Guangdong, Shenzhen, Fujian.

Northeastern Region: Including Liaoning, Jilin and Heilongjiang.

Overseas: Including Hong Kong and other overseas regions.

By industry

Group

	As at December 31,			
	2014		2013	
Industry	Gross amount	%	Gross amount	%
Real estate	127,229,829	51.0	75,621,505	50.2
Manufacturing	31,041,663	12.4	16,671,187	11.1
Water, environment and public utilities management	12,835,564	5.1	12,465,025	8.3
Leasing and commercial services	10,921,858	4.4	12,017,224	8.0
Construction	10,226,657	4.1	6,417,030	4.3
Transportation, logistics and postal services	10,128,874	4.1	5,710,212	3.8
Mining	9,972,818	4.0	5,419,715	3.6
Others	37,121,987	14.9	16,169,397	10.7
Total	249,479,250	100.0	150,491,295	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

By industry - continued

Company

	As at December 31,			
	2014		2013	
Industry	Gross amount	%	Gross amount	%
Real estate	99,090,956	58.3	60,844,377	60.3
Manufacturing	14,048,905	8.3	5,661,599	5.6
Leasing and commercial services	9,318,969	5.5	10,567,224	10.5
Construction	8,756,934	5.1	4,977,126	4.9
Transportation, logistics and postal services	6,560,568	3.9	3,101,035	3.1
Water, environment and public utilities management	4,019,338	2.4	5,741,497	5.7
Mining	2,714,784	1.6	1,283,467	1.3
Others	25,556,089	14.9	8,736,852	8.6
Total	170,066,543	100.0	100,913,177	100.0

By contractual maturity and security type

Group

	Gross amount as at December 31, 2014				Gross amount as at December 31, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	1,856,760	3,229,247	-	5,086,007	1,431,729	1,135,110	-	2,566,839
Guaranteed	3,322,465	65,492,431	2,011,276	70,826,172	2,703,922	41,746,971	462,346	44,913,239
Mortgaged	14,252,678	106,919,306	2,958,551	124,130,535	5,025,380	72,857,219	1,323,217	79,205,816
Pledged	10,765,650	36,172,203	2,498,683	49,436,536	3,194,166	19,595,835	1,015,400	23,805,401
Total	30,197,553	211,813,187	7,468,510	249,479,250	12,355,197	135,335,135	2,800,963	150,491,295

Company

	Gross amount as at December 31, 2014				Gross amount as at December 31, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	-	1,775	-	1,775	293,467	397,664	-	691,131
Guaranteed	1,380,303	46,923,655	-	48,303,958	2,703,922	28,660,463	-	31,364,385
Mortgaged	5,201,095	89,445,728	-	94,646,823	3,586,768	49,709,939	-	53,296,707
Pledged	997,529	26,116,458	-	27,113,987	348,316	15,212,638	-	15,560,954
Total	7,578,927	162,487,616	-	170,066,543	6,932,473	93,980,704	-	100,913,177

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

Group

	As at December 31, 2014					As at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	1,356,213	2,107,743	910,500	-	4,374,456	108,845	1,075,748	409,303	-	1,593,896
Loans and advances to customers	235,224	1,677,266	322,174	-	2,234,664	423,205	195,034	214,942	-	833,181
Total	1,591,437	3,785,009	1,232,674	-	6,609,120	532,050	1,270,782	624,245	-	2,427,077

Company

	As at December 31, 2014					As at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	1,356,213	2,107,743	910,500	-	4,374,456	108,845	1,075,748	409,303	-	1,593,896

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

Group

	As at December 31,	
	2014	2013
Neither past due nor impaired	242,870,130	147,944,672
Past due but not impaired(1)	2,841,659	1,009,706
Impaired(2)	3,767,461	1,536,917
Subtotal	249,479,250	150,491,295
Allowance for impairment losses	(7,145,596)	(3,884,364)
Net carrying amount	242,333,654	146,606,931

Company

	As at December 31,	
	2014	2013
Neither past due nor impaired	165,692,087	99,319,281
Past due but not impaired(1)	2,337,347	583,162
Impaired(2)	2,037,109	1,010,734
Subtotal	170,066,543	100,913,177
Allowance for impairment losses	(5,431,995)	(2,942,608)
Net carrying amount	164,634,548	97,970,569

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

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

Group

	Gross amount as at December 31, 2014					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivable	1,263,415	768,940	304,992	-	2,337,347	51,013	314,147	218,002	-	583,162
Loans and advances to customers	234,721	119,895	149,696	-	504,312	423,205	3,339	-	-	426,544
Total	1,498,136	888,835	454,688	-	2,841,659	474,218	317,486	218,002	-	1,009,706

Company

	Gross amount as at December 31, 2014					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	1,263,415	768,940	304,992	-	2,337,347	51,013	314,147	218,002	-	583,162

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

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

Group

	As at December 31, 2014			As at December 31, 2013		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables						
- individually assessed	2,037,109	(506,533)	1,530,576	1,010,734	(194,228)	816,506
Loans and advances to customers						
- individually assessed	1,730,352	(370,761)	1,359,591	526,183	(172,402)	353,781
Total	3,767,461	(877,294)	2,890,167	1,536,917	(366,630)	1,170,287

Company

	As at December 31, 2014			As at December 31, 2013		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables						
- Individually assessed	2,037,109	(506,533)	1,530,576	1,010,734	(194,228)	816,506

Group and Company

	As at December 31,	
	2014	2013
Distressed debt assets classified as receivables		
Individually assessed and impaired	2,037,109	1,010,734
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	1.2	1.0
Fair value of collateral		
	1,949,716	816,506

Group

	As at December 31,	
	2014	2013
Loans and advances to customers		
Individually assessed and impaired	1,730,352	526,183
Individually assessed and impaired as a % of total loans and advances to customers (%)	2.1	1.1
Fair value of collateral	1,131,788	248,095

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

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

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

Group - continued

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

Distressed debt assets classified as receivables

Group and Company

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Western Region	1,147,818	56.3	42,915	4.3
Bohai Rim	393,980	19.3	263,047	26.0
Central Region	222,877	11.0	133,118	13.2
Northeastern Region	145,723	7.2	498,554	49.3
Yangtze River Delta	126,711	6.2	73,100	7.2
Total	2,037,109	100.0	1,010,734	100.0

Loans and advances to customers

Group

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Central Region	1,100,200	63.6	46,971	8.9
Western Region	246,533	14.2	-	-
Yangtze River Delta	239,311	13.8	354,289	67.4
Bohai Rim	143,641	8.4	124,923	23.7
Pearl River Delta	494	-	-	-
Northeastern Region	173	-	-	-
Total	1,730,352	100.0	526,183	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products.

Group

	As at December 31,	
	2014	2013
Neither past due nor impaired(1)	67,402,909	55,795,849
Past due but not impaired(2)	-	250,000
Impaired(3)	1,182,216	60,000
Subtotal	68,585,125	56,105,849
Allowance for impairment losses		
- individually assessed	(676,700)	(5,671)
Net carrying amounts	67,908,425	56,100,178

Company

	As at December 31,	
	2014	2013
Neither past due nor impaired(1)	27,822,658	25,097,670
Allowance for impairment losses		
- individually assessed	-	-
Net carrying amounts	27,822,658	25,097,670

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(1) Neither past due nor impaired investment products

Group

	As at December 31, 2014					As at December 31, 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	38,691	76,889	-	-	115,580	-	73,081	-	-	73,081
Public sector and quasi-government bonds	932,062	3,956,771	4,244,173	-	9,133,006	1,646,201	4,479,842	4,511,154	-	10,637,197
Financial institution bonds	698,301	1,639,576	2,011,790	-	4,349,667	947,024	1,647,823	2,262,411	-	4,857,258
Corporate bonds	6,140,307	5,111,992	786,560	-	12,038,859	2,557,042	4,537,896	818,733	-	7,913,671
Certificate treasury bonds	-	-	-	117,700	117,700	-	-	-	142,700	142,700
Trust products and rights to trust assets	-	2,609,166	-	3,443,958	6,053,124	-	1,913,179	-	2,019,000	3,932,179
Wealth management products	2,521,569	1,238,116	-	-	3,759,685	1,218,363	1,273,424		-	2,491,787
Debt instruments	-	13,002,708	-	-	13,002,708	-	8,502,079	-	-	8,502,079
Asset management plans	-	2,608,289	-	1,806,000	4,414,289	-	902,151	-	230,000	1,132,151
Asset backed securities	-	605,156	-	-	605,156	-	-	-	-	-
Structured debt arrangements	-	-	-	13,258,551	13,258,551	-	-	-	15,996,099	15,996,099
Others	17,355	537,229	-	-	554,584	18,083	99,564	-	-	117,647
Total	10,348,285	31,385,892	7,042,523	18,626,209	67,402,909	6,386,713	23,429,039	7,592,298	18,387,799	55,795,849

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(1) Neither past due nor impaired investment products - continued

Company

	As at December 31, 2014					As at December 31, 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	-	-	210,000	-	210,000	-	-	499,928	-	499,928
Debt instruments	-	13,002,708	-	-	13,002,708	-	8,502,079	-	-	8,502,079
Asset management plan	-	740,697	-	-	740,697	-	-	-	-	-
Structured debt arrangements	-	-	-	13,258,551	13,258,551	-	-	-	15,996,099	15,996,099
Asset backed securities	-	571,156	-	-	571,156	-	-	-	-	-
Others	-	39,546	-	-	39,546	-	99,564	-	-	99,564
Total	-	14,354,107	210,000	13,258,551	27,822,658	-	8,601,643	499,928	15,996,099	25,097,670

(2) Past due but not impaired investment products

There was no past due but not impaired investment products for the Group at December 31, 2014 and it was a trust product with gross amount of RMB250.00 million at December 31, 2013.

(3) Impaired investment products

The impaired investment product for the Group is a trust product with gross amount of RMB1,182.22 million and RMB60.00 million as at December 31, 2014 and 2013 respectively. The Group made an allowance for impairment loss of RMB676.7 million and RMB5.67 million as at December 31, 2014 and 2013, respectively, as the trust plan payment was past due.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2014						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	-	-	-	-	115,580	115,580	983	-	-	-	72,098	73,081
Public sector and quasi-government bonds	1,102,571	-	-	-	8,030,435	9,133,006	1,763,706	-	-	-	8,873,491	10,637,197
Financial institution bonds	3,231,190	1,118,477	-	-	-	4,349,667	3,897,342	959,916	-	-	-	4,857,258
Corporate bonds	3,766,936	7,519,339	-	384,787	367,797	12,038,859	2,943,363	4,504,969	-	-	465,339	7,913,671
Certificate treasury bonds	-	-	-	-	117,700	117,700	-	-	-	-	142,700	142,700
Trust products and rights to trust assets	-	800,000	-	-	5,758,640	6,558,640	-	-	-	-	4,236,508	4,236,508
Wealth management products	-	-	-	-	3,759,685	3,759,685	-	-	-	-	2,491,787	2,491,787
Debt instruments	-	-	-	-	13,002,708	13,002,708	-	-	-	-	8,502,079	8,502,079
Asset management plans	-	-	-	-	4,414,289	4,414,289	-	-	-	-	902,151	902,151
Asset backed securities	171,156	10,000	-	-	424,000	605,156	-	-	-	-	-	-
Structured debt arrangements	-	-	-	-	13,258,551	13,258,551	-	-	-	-	15,996,099	15,996,099
Others	-	-	-	-	554,584	554,584					347,647	347,647
Total	8,271,853	9,447,816	-	384,787	49,803,969	67,908,425	8,605,394	5,464,885	-	-	42,029,899	56,100,178

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.1 Credit risk - continued

(viii) Investment products analyzed by credit rating from reputable rating agencies - continued

Company

	As at December 31, 2014						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	-	210,000	-	-	-	210,000	-	499,928	-	-	-	499,928
Debt instruments	-	-	-	-	13,002,708	13,002,708	-	-	-	-	8,502,079	8,502,079
Structured debt arrangements	-	-	-	-	13,258,551	13,258,551	-	-	-	-	15,996,099	15,996,099
Asset management plan					740,697	740,697	-	-	-	-	-	-
Asset Backed Securities	171,156	-	-	-	400,000	571,156	-	-	-	-	-	-
Others	-	-	-	-	39,546	39,546	-	-	-	-	99,564	99,564
Total	171,156	210,000	-	-	27,441,502	27,822,658	-	499,928	-	-	24,597,742	25,097,670

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates 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)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 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 or maturity dates are as follows:

Group

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	37,379,119	1,331,663	2,395,148	2,782,000	-	3,319	43,891,249
Clearing settlement funds	5,145,163	-	-	-	-	-	5,145,163
Deposits with exchanges and a financial institution	337,263	-	-	-	-	580,977	918,240
Placements with financial institutions	3,000,000	-	-	-	-	-	3,000,000
Financial assets at fair value through profit or loss	994,002	437,868	1,108,713	2,378,467	4,814,142	47,487,329	57,220,521
Financial assets held under resale agreements	10,590,587	284,260	422,404	156,963	-	-	11,454,214
Available-for-sale financial assets	229,150	13,703,581	2,052,248	9,886,770	4,713,178	55,209,627	85,794,554
Financial assets classified as receivables	10,450,487	11,972,651	65,349,832	92,390,119	750,000	-	180,913,089
Loans and advances to customers	37,218,381	1,496,755	12,613,827	28,895,763	-	-	80,224,726
Accounts receivable	1,024,892	-	2,543,133	1,407,443	-	2,046,615	7,022,083
Held-to-maturity investments	30,001	-	236,371	1,790,671	4,985,480	-	7,042,523
Other financial assets	269,467	33,139	56,904	1,279,409	-	1,979,879	3,618,798
Total financial assets	106,668,512	29,259,917	86,778,580	140,967,605	15,262,800	107,307,746	486,245,160
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Accounts payable to brokerage clients	(10,075,472)	-	-	-	-	(1,587,862)	(11,663,334)
Financial liabilities at fair value through profit or loss	(271)	-	(33,123)	(3,611)	-	-	(37,005)
Financial assets sold under repurchase agreements	(4,252,349)	(965,000)	(3,012,300)	(1,710,000)	-	-	(9,939,649)
Placements from banks and a financial intitution	-	(11,077,000)	(750,000)	-	-	-	(11,827,000)
Borrowings	(2,537,447)	(44,703,468)	(130,839,804)	(85,001,542)	(370,150)	-	(263,452,411)
Accounts payable	-	-	(9,710,682)	-	-	(4,180,495)	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	-	-	-	-	-	(6,251,226)
Bonds issued	-		(11,967,394)	(26,530,678)	(4,426,724)	(770,056)	(43,694,852)
Other financial liabilities	-	-	-	-	-	(33,346,340)	(33,346,340)
Total financial liabilities	(23,116,765)	(56,745,468)	(156,313,303)	(113,245,831)	(4,796,874)	(40,870,811)	(395,089,052)
Interest rate gap	83,551,747	(27,485,551)	(69,534,723)	27,721,774	10,465,926	66,436,935	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Interest rate risk - continued

Group - continued

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	50,098,941	828,800	3,318,008	2,810,000	-	3,358	57,059,107
Clearing settlement funds	1,707,859	-	-	-	-	-	1,707,859
Deposits with exchanges and a financial institution	159,578	-	-	-	-	671,495	831,073
Placements with financial institutions	290,000	-	-	-	-	-	290,000
Financial assets at fair value through profit or loss	459,692	219,031	145,309	2,976,120	1,770,799	19,607,547	25,178,498
Financial assets held under resale agreements	613,750	15,637	400,695	23,445	-	-	1,053,527
Available-for-sale financial assets	2,823,351	6,569,115	1,938,331	5,039,399	5,737,581	50,639,378	72,747,155
Financial assets classified as receivables	4,005,570	5,767,554	53,544,287	53,345,286	-	-	116,662,697
Loans and advances to customers	662,517	27,114,238	5,554,502	15,305,105	-	-	48,636,362
Accounts receivable	329,184	-	4,254,067	767,468	-	1,098,225	6,448,944
Held-to-maturity investments	-	79,906	210,187	1,927,132	5,375,073	-	7,592,298
Other financial assets	325,950	24,331	412,996	785,809	-	1,783,528	3,332,614
Total financial assets	61,476,392	40,618,612	69,778,382	82,979,764	12,883,453	73,803,531	341,540,134
Borrowings from central bank	-	-	(4,912,977)	-	-	-	(4,912,977)
Accounts payable to brokerage clients	(6,480,797)	-	-	-	-	-	(6,480,797)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(48,465)	(48,465)
Financial assets sold under repurchase agreements	(6,665,924)	(376,900)	(1,900,000)	(500,000)	-	-	(9,442,824)
Placements from banks and a financial intitution	(1,400,000)	(8,877,000)	(200,000)	-	-	-	(10,477,000)
Borrowings	(8,672,924)	(45,150,676)	(75,740,497)	(44,081,602)	(188,990)	-	(173,834,689)
Accounts payable	-	-	(2,730,839)	(18,945,825)	-	(1,137,474)	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)	-	-	-	-	-	(3,244,367)
Bonds issued	-	(715,014)	(87,612)	(12,482,391)	-	-	(13,285,017)
Other financial liabilities	-	-	-	(2,312,130)	-	(16,430,021)	(18,742,151)
Total financial liabilities	(26,464,012)	(55,119,590)	(85,571,925)	(78,321,948)	(188,990)	(17,615,960)	(263,282,425)
Interest rate gap	35,012,380	(14,500,978)	(15,793,543)	4,657,816	12,694,463	56,187,571	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Interest rate risk - continued

Company

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	10,704,423	216,562	600,000	-	-	745	11,521,730
Placements with financial institutions	1,800,000	200,000	-	-	-	-	2,000,000
Financial assets at fair value through profit or loss	-	-	-	-	-	42,837,267	42,837,267
Financial assets held under resale agreements	8,795,500	-	-	-	-	-	8,795,500
Available-for-sale financial assets	39,546	13,002,708	-	671,156	-	44,283,180	57,996,590
Financial assets classified as receivables	10,206,511	11,799,405	65,685,248	90,201,935	-	-	177,893,099
Accounts receivable	774,040	-	2,543,133	1,407,443	-	1,329,013	6,053,629
Amounts due from subsidiaries	386,961	-	102,739	-	-	386,692	876,392
Held-to-maturity investments	-	-	-	-	210,000	-	210,000
Other financial assets	-	-	-	-	-	153,899	153,899
Total financial assets	32,706,981	25,218,675	68,931,120	92,280,534	210,000	88,990,796	308,338,106
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(431,742)	(431,742)
Placement from a bank		(10,000,000)					(10,000,000)
Borrowings	-	(39,767,000)	(103,900,000)	(68,828,000)	-	-	(212,495,000)
Accounts payable	-	-	(9,710,682)	-	-	(450,000)	(10,160,682)
Bonds issued	-	-	(9,968,817)	(19,879,042)	-	(697,068)	(30,544,927)
Other financial liabilities	-	-	-	-	-	(811,923)	(811,923)
Total financial liabilities	-	(49,767,000)	(123,579,499)	(88,707,042)	-	(3,376,791)	(265,430,332)
Interest rate gap	32,706,981	(24,548,325)	(54,648,379)	3,573,492	210,000	85,614,005	42,907,774

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Interest rate risk - continued

Company - continued

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	29,849,457	210,478	600,000	-	-	689	30,660,624
Placements with financial institutions	440,000	200,000	-	-	-	-	640,000
Financial assets at fair value through profit or loss	-	-	-	-	-	17,419,393	17,419,393
Available-for-sale financial assets	2,601,643	6,000,000	-	-	-	42,448,699	51,050,342
Financial assets classified as receivables	3,641,241	5,677,554	53,069,287	51,578,586	-	-	113,966,668
Accounts receivable	329,184	-	4,254,067	561,271	-	503,098	5,647,620
Amounts due from subsidiaries	-	-	1,262,000	10,617	-	237,139	1,509,756
Held-to-maturity investments	-	289,928	-	-	210,000	-	499,928
Other financial assets	-	-	-	-	-	683,725	683,725
Total financial assets	36,861,525	12,377,960	59,185,354	52,150,474	210,000	61,292,743	222,078,056
Borrowings from central bank	-	-	(4,912,977)	-	-	-	(4,912,977)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(226,786)	(226,786)
Placement from a bank		(8,000,000)					(8,000,000)
Borrowings	(2,672,331)	(41,147,000)	(59,600,000)	(35,650,000)	-	-	(139,069,331)
Accounts payable	-	-	(2,730,839)	(18,945,825)	-	-	(21,676,664)
Bonds issued	-	-	(74,123)	(9,951,173)	-	-	(10,025,296)
Other financial liabilities	-	-	-	-	-	(539,338)	(539,338)
Total financial liabilities	(2,672,331)	(49,147,000)	(67,317,939)	(64,546,998)	-	(766,124)	(184,450,392)
Interest rate gap	34,189,194	(36,769,040)	(8,132,585)	(12,396,524)	210,000	60,526,619	37,627,664

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Interest rate risk - continued

Interest rate sensitivity analysis

Group

	As at December 31,			
	2014		2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	310,903	(564,045)	155,468	(534,539)
- 100 basis points	(310,903)	611,240	(155,468)	578,285

Company

	As at December 31,			
	2014		2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(96,059)	-	(9,259)	-
- 100 basis points	96,059	-	9,259	-

Foreign exchange risk

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Foreign exchange risk - continued

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	37,653,046	5,504,755	733,105	343	43,891,249
Clearing settlement funds	5,077,084	33,253	34,826	-	5,145,163
Deposits with exchanges and a financial institution	911,682	1,183	5,375	-	918,240
Placements with financial institutions	3,000,000	-	-	-	3,000,000
Financial assets at fair value through profit or loss	56,167,313	265,037	788,171	-	57,220,521
Financial assets held under resale agreements	11,454,214	-	-	-	11,454,214
Available-for-sale financial assets	83,448,372	1,114,883	1,231,299	-	85,794,554
Financial assets classified as receivables	180,913,089	-	-	-	180,913,089
Loans and advances to customers	75,998,235	1,755,267	2,471,224	-	80,224,726
Accounts receivable	6,818,562	8,106	195,388	27	7,022,083
Held-to-maturity investments	7,042,523	-	-	-	7,042,523
Other financial assets	3,506,291	43,923	68,584	-	3,618,798
Total financial assets	471,990,411	8,726,407	5,527,972	370	486,245,160
Borrowings from central bank	(986,058)	-	-	-	(986,058)
Accounts payable to brokerage clients	(11,553,059)	(71,662)	(38,613)	-	(11,663,334)
Financial liabilities at fair value through profit or loss	(37,005)	-	-	-	(37,005)
Financial assets sold under repurchase agreements	(9,939,649)	-	-	-	(9,939,649)
Placements from banks and a financial institution	(11,827,000)	-	-	-	(11,827,000)
Borrowings	(260,749,787)	(2,044,390)	(658,234)	-	(263,452,411)
Accounts payable	(13,584,831)	-	(306,346)	-	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	-	-	-	(6,251,226)
Bonds issued	(33,101,020)	(10,533,183)	(60,649)		(43,694,852)
Other financial liabilities	(33,325,790)	(10,592)	(9,804)	(154)	(33,346,340)
Total financial liabilities	(381,355,425)	(12,659,827)	(1,073,646)	(154)	(395,089,052)
Net exposure	90,634,986	(3,933,420)	4,454,326	216	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Foreign exchange risk - continued

Group - continued

	As at December 31, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	40,128,590	1,033,437	15,896,733	347	57,059,107
Clearing settlement funds	1,654,597	32,349	20,913	-	1,707,859
Deposits with exchanges and a financial institution	822,781	1,646	6,646	-	831,073
Placements with financial institutions	290,000	-	-	-	290,000
Financial assets at fair value through profit or loss	24,779,617	-	398,881	-	25,178,498
Financial assets held under resale agreements	1,053,527	-	-	-	1,053,527
Available-for-sale financial assets	72,377,205	265,405	104,545	-	72,747,155
Financial assets classified as receivables	116,662,697	-	-	-	116,662,697
Loans and advances to customers	46,889,126	152,407	1,594,829	-	48,636,362
Accounts receivable	6,305,288	6,231	137,397	28	6,448,944
Held-to-maturity investments	7,592,298	-	-	-	7,592,298
Other financial assets	3,299,788	-	32,826	-	3,332,614
Total financial assets	321,855,514	1,491,475	18,192,770	375	341,540,134
Borrowings from central bank	(4,912,977)	-	-	-	(4,912,977)
Accounts payable to brokerage clients	(6,358,722)	(79,765)	(42,310)	-	(6,480,797)
Financial liabilities at fair value through profit or loss	(48,465)	-	-	-	(48,465)
Financial assets sold under repurchase agreements	(9,442,824)	-	-	-	(9,442,824)
Placements from banks and a financial institution	(10,477,000)				(10,477,000)
Borrowings	(170,500,506)	(1,524,068)	(1,810,115)	-	(173,834,689)
Accounts payable	(22,678,157)	-	(135,981)	-	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)	-	-	-	(3,244,367)
Bonds issued	(13,258,050)	-	(26,967)	-	(13,285,017)
Other financial liabilities	(18,721,945)	(7,267)	(12,902)	(37)	(18,742,151)
Total financial liabilities	(259,643,013)	(1,611,100)	(2,028,275)	(37)	(263,282,425)
Net exposure	62,212,501	(119,625)	16,164,495	338	78,257,709

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Foreign exchange risk - continued

Foreign exchange rate sensitivity analysis

The table below indicates 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,	
	2014	2013
5% appreciation	(26,056)	(802,260)
5% depreciation	26,056	802,260

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

Certain financial assets such as financial assets at fair value through profit and loss, asset classified as held for sale and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it may also be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.2 Market risk - continued

Price risk - continued

Group

	As at December 31,			
	2014		2013	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	572,205	1,000,465	251,785	583,261
-1 percent	(572,205)	(1,000,465)	(251,785)	(583,261)

Company

	As at December 31,			
	2014		2013	
	Profit before tax	Equity	Profit before tax	Equity
+ 1 percent	428,373	633,817	174,194	315,457
- 1 percent	(428,373)	(633,817)	(174,194)	(315,457)

67.3 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 maturities 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)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

Group

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	28,217,570	9,201,889	1,413,727	2,538,559	3,143,410	-	44,515,155
Clearing settlement funds	-	5,147,586	-	-	-	-	-	5,147,586
Deposits with exchanges and a financial institution	918,407	-	-	-	-	-	-	918,407
Placements with financial institutions	-	-	3,011,336	-	-	-	-	3,011,336
Financial assets at fair value through profit or loss	47,577,654	900,000	897,135	87,371	570,356	3,886,433	5,761,415	59,680,364
Financial assets held under resale agreements	-	-	10,894,385	317,905	457,452	180,042	-	11,849,784
Available-for-sale financial assets	54,051,617	3,649,031	136,120	14,004,924	1,115,409	13,634,650	6,861,184	93,452,935
Financial assets classified as receivables	4,684,456	-	6,672,433	12,369,963	73,706,690	119,617,002	899,990	217,950,534
Loans and advances to customers	1,523,380	160,172	1,290,436	4,166,755	25,227,686	58,362,346	1,601,500	92,332,275
Accounts receivable	1,282,272	1,618,283	250,852	346	2,650,163	1,575,755	-	7,377,671
Held-to-maturity investments	-	-	38,442	72,124	480,635	2,973,407	6,952,112	10,516,720
Other financial assets	-	153,406	126,599	33,564	108,785	1,450,991	-	1,873,345
Total financial assets	110,037,786	39,846,048	32,519,627	32,466,679	106,855,735	204,824,036	22,076,201	548,626,112
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(11,664,610)	-	-	-	-	-	(11,664,610)
Financial liabilities at fair value through profit or loss	-	-	(271)	-	(33,123)	(3,611)	-	(37,005)
Financial assets sold under repurchase agreements	-	-	(4,259,874)	(906,272)	(3,220,072)	(1,977,997)	-	(10,364,215)
Placements from banks and a financial institution	-	-	(1,329)	(10,088,590)	(1,827,000)	-	-	(11,916,919)
Borrowings	-	-	(3,814,625)	(18,036,728)	(145,428,091)	(118,713,876)	(404,261)	(286,397,581)
Accounts payable	(461,629)	(3,407,070)	(310,570)	-	(215,476)	(9,713,673)	-	(14,108,418)
Investment contract liabilities for policyholders	(372)	(118,950)	(23,024)	(46,308)	(210,357)	(1,208,536)	(8,125,953)	(9,733,500)
Bonds issued	-	-	-	-	(8,554,665)	(35,685,765)	(4,684,428)	(48,924,858)
Other financial liabilities	(243,773)	(1,104,651)	-	(8,329)	(632)	-	(30,875,901)	(32,233,286)
Total financial liabilities	(1,691,832)	(16,295,281)	(8,409,693)	(29,086,227)	(159,489,416)	(167,303,458)	(44,090,543)	(426,366,450)
Net position	108,345,954	23,550,767	24,109,934	3,380,452	(52,633,681)	37,520,578	(22,014,342)	122,259,662

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	30,161,873	19,976,899	919,602	3,440,572	3,307,635	-	57,806,581
Clearing settlement funds	-	1,708,614	-	-	-	-	-	1,708,614
Deposits with exchanges and a financial institution	831,152	-	-	-	-	-	-	831,152
Placements with financial institutions	-	-	290,339	-	-	-	-	290,339
Financial assets at fair value through profit or loss	19,607,547	-	424,773	87,913	276,130	4,183,955	2,136,225	26,716,543
Financial assets held under resale agreements	-	-	617,183	16,982	434,575	27,484	-	1,096,224
Available-for-sale financial assets	57,890,772	371,039	2,767,607	6,140,010	1,640,998	7,570,481	7,830,841	84,211,748
Financial assets classified as receivables	1,903,896	-	2,307,850	5,873,509	60,186,055	66,889,009	105,051	137,265,370
Loans and advances to customers	833,181	194,375	1,078,192	4,387,523	16,832,075	33,091,771	527,752	56,944,869
Accounts receivable	303,385	286,107	335,902	370,786	4,773,767	949,373	-	7,019,320
Held-to-maturity investments	-	-	8,442	155,018	474,340	3,229,144	7,454,865	11,321,809
Other financial assets	-	519,164	259,160	24,661	467,423	884,807	-	2,155,215
Total financial assets	81,369,933	33,241,172	28,066,347	17,976,004	88,525,935	120,133,659	18,054,734	387,367,784
Borrowings from central bank	-	-	-	-	(4,989,343)	-	-	(4,989,343)
Accounts payable to brokerage clients	-	(6,481,309)	-	-	-	-	-	(6,481,309)
Financial liabilities at fair value through profit or loss	-	-	-	-	(24,131)	(24,334)	-	(48,465)
Financial assets sold under repurchase agreements	-	-	(6,678,920)	(118,982)	(2,145,073)	(610,241)	-	(9,553,216)
Placements from banks and a financial institution	-	-	(1,407,988)	(9,013,875)	(207,179)	-	-	(10,629,042)
Borrowings	-	(653,275)	(7,156,197)	(8,358,155)	(85,078,004)	(88,880,970)	(205,185)	(190,331,786)
Accounts payable	(604)	(12,421)	(156,421)	(968,014)	(2,730,844)	(19,432,091)	-	(23,300,395)
Investment contract liabilities for policyholders	(1,661)	(95,110)	(10,023)	(20,144)	(91,385)	(519,559)	(3,925,337)	(4,663,219)
Bonds issued	-	-	-	(718,451)	(485,640)	(13,684,662)	-	(14,888,753)
Other financial liabilities	(199,041)	(1,127,542)	-	(4,551)	(3,232)	(16,801,781)	-	(18,136,147)
Total financial liabilities	(201,306)	(8,369,657)	(15,409,549)	(19,202,172)	(95,754,831)	(139,953,638)	(4,130,522)	(283,021,675)
Net position	81,168,627	24,871,515	12,656,798	(1,226,168)	(7,228,896)	(19,819,979)	13,924,212	104,346,109

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

Company

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	8,705,168	2,007,808	218,124	619,800	-	-	11,550,900
Placements with financial institutions	-	-	1,811,194	202,300	-	-	-	2,013,494
Financial assets at fair value through profit or loss	42,837,267	-	-	-	-	-	-	42,837,267
Financial assets held under resale agreements	-	-	8,822,921	-	-	-	-	8,822,921
Available-for-sale financial assets	45,804,767	-	40,000	13,775,161	146,000	598,853	-	60,364,781
Financial assets classified as receivables	4,374,456	-	6,672,433	12,283,332	73,620,734	114,151,193	-	211,102,148
Accounts receivable	1,154,209	1,028,956	-	346	2,649,952	1,575,755	-	6,409,218
Amounts due from subsidiaries	-	423,653	350,000	-	102,739	-	-	876,392
Held-to-maturity investments	-	-	-	-	11,760	47,040	221,760	280,560
Other financial assets	-	-	-	-	50,000	-	-	50,000
Total financial assets	94,170,699	10,157,777	19,704,356	26,479,263	77,200,985	116,372,841	221,760	344,307,681
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Financial liabilities at fair value through profit or loss	(431,742)	-	-	-	-	-	-	(431,742)
Placement from a bank	-	-	-	(10,087,500)	-	-	-	(10,087,500)
Borrowings	-	-	(1,110,723)	(10,778,834)	(117,262,686)	(101,788,127)	-	(230,940,370)
Accounts payable	(450,000)	-	-	-	(214,375)	(9,713,546)	-	(10,377,921)
Bonds issued	-	-	-	-	(6,505,000)	(28,645,000)	-	(35,150,000)
Other financial liabilities	-	(61,234)	-	-	-	-	-	(61,234)
Total financial liabilities	(1,867,800)	(61,234)	(1,110,723)	(20,866,334)	(123,982,061)	(140,146,673)	-	(288,034,825)
Net position	92,302,899	10,096,543	18,593,633	5,612,929	(46,781,076)	(23,773,832)	221,760	56,272,856

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	14,582,592	15,292,945	211,995	686,050	-	-	30,773,582
Placements with financial institutions	-	-	441,508	202,326	-	-	-	643,834
Financial assets at fair value through profit or loss	17,419,393	-	-	-	-	-	-	17,419,393
Available-for-sale financial assets	49,474,540	-	2,607,547	6,090,750	-	-	-	58,172,837
Financial assets classified as receivables	1,593,896	-	2,301,636	5,846,202	59,446,458	64,568,523	-	133,756,715
Accounts receivable	303,385	43,042	329,184	-	4,762,966	775,860	-	6,214,437
Amounts due from subsidiaries	-	234,017	-	-	1,331,334	12,085	-	1,577,436
Held-to-maturity investments	-	-	-	294,217	11,760	47,040	233,520	586,537
Other financial assets	-	428,250	-	-	-	-	-	428,250
Total financial assets	68,791,214	15,287,901	20,972,820	12,645,490	66,238,568	65,403,508	233,520	249,573,021
Borrowings from central bank	-	-	-	-	(4,989,343)	-	-	(4,989,343)
Financial liabilities at fair value through profit or loss	-	-	-	(4,416)	(27,639)	(194,731)	-	(226,786)
Placement from a bank	-	-	-	(8,121,357)	-	-	-	(8,121,357)
Borrowings	-	-	(2,708,992)	(5,550,049)	(69,344,417)	(74,862,906)	-	(152,466,364)
Accounts payable	-	-	-	-	(2,730,839)	(19,427,092)	-	(22,157,931)
Bonds issued	-	-	-	-	(450,000)	(10,915,000)	-	(11,365,000)
Other financial liabilities	-	(57,553)	-	-	-	-	-	(57,553)
Total financial liabilities	-	(57,553)	(2,708,992)	(13,675,822)	(77,542,238)	(105,399,729)	-	(199,384,334)
Net position	68,791,214	15,230,348	18,263,828	(1,030,332)	(11,303,670)	(39,996,221)	233,520	50,188,687

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

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

Group

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	30,161,802	19,940,497	828,800	3,318,008	2,810,000	-	57,059,107
Clearing settlement funds	-	1,707,859	-	-	-	-	-	1,707,859
Deposits with exchanges and a financial institution	831,073	-	-	-	-	-	-	831,073
Placements with financial institutions	-	-	290,000	-	-	-	-	290,000
Financial assets at fair value through profit or loss	19,607,547	-	411,021	55,000	59,544	3,240,262	1,805,124	25,178,498
Financial assets held under resale agreements	-	-	613,750	15,637	400,695	23,445	-	1,053,527
Available-for-sale financial assets	50,864,931	371,039	2,705,642	6,000,000	1,080,584	5,742,653	5,982,306	72,747,155
Financial assets classified as receivables	1,685,080	-	2,248,874	5,701,675	53,490,316	53,536,752	-	116,662,697
Loans and advances to customers	678,950	194,375	825,325	3,644,316	14,096,625	28,749,953	446,818	48,636,362
Accounts receivable	223,273	286,107	335,902	333,457	4,501,571	768,634	-	6,448,944
Held-to-maturity investments	-	-	-	79,906	210,187	1,927,132	5,375,073	7,592,298
Other financial assets	52,720	592,070	440,194	537,380	842,729	867,521	-	3,332,614
Total financial assets	73,943,574	33,313,252	27,811,205	17,196,171	78,000,259	97,666,352	13,609,321	341,540,134
Borrowings from central bank	-	-	-	-	(4,912,977)	-	-	(4,912,977)
Accounts payable to brokerage clients	-	(6,480,797)	-	-	-	-	-	(6,480,797)
Financial liabilities at fair value through profit or loss	-	-	-	-	(24,131)	(24,334)	-	(48,465)
Financial assets sold under repurchase agreements	-	-	(6,665,924)	(83,700)	(2,093,700)	(599,500)	-	(9,442,824)
Placements from banks and a financial institution	-	-	(1,400,000)	(8,877,000)	(200,000)	-	-	(10,477,000)
Borrowings	-	(496,029)	(3,794,637)	(6,015,413)	(81,268,093)	(82,071,527)	(188,990)	(173,834,689)
Accounts payable	(605)	(12,421)	(151,430)	(968,014)	(2,730,844)	(18,950,824)	-	(22,814,138)
Investment contract liabilities for policyholders	(1,661)	(95,110)	-	-	-	-	(3,147,596)	(3,244,367)
Bonds issued	-	-	-	(715,014)	(87,612)	(12,482,391)	-	(13,285,017)
Other financial liabilities	(199,151)	(1,092,300)	(133,272)	(469,600)	(46,047)	(16,801,781)	-	(18,742,151)
Total financial liabilities	(201,417)	(8,176,657)	(12,145,263)	(17,128,741)	(91,363,404)	(130,930,357)	(3,336,586)	(263,282,425)
Net position	73,742,157	25,136,595	15,665,942	67,430	(13,363,145)	(33,264,005)	10,272,735	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.3 Liquidity risk - continued

Company

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	8,705,168	2,000,000	216,562	600,000	-	-	11,521,730
Placements with financial institutions	-	-	1,800,000	200,000	-	-	-	2,000,000
Financial assets at fair value through profit or loss	42,837,267	-	-	-	-	-	-	42,837,267
Financial assets sold under repurchase agreements	-	-	8,795,500	-	-	-	-	8,795,500
Available-for-sale financial assets	43,642,483	-	39,546	13,597,405	146,000	571,156	-	57,996,590
Financial assets classified as receivables	3,758,365	-	6,448,146	11,799,405	65,685,247	90,201,936	-	177,893,099
Accounts receivable	1,074,097	1,028,956	-	-	2,543,133	1,407,443	-	6,053,629
Amounts due from subsidiaries	-	423,653	350,000	-	102,739	-	-	876,392
Held-to-maturity investments	-	-	-	-	-	-	210,000	210,000
Other financial assets	-	-	36,226	8,151	109,468	54	-	153,899
Total financial assets	91,312,212	10,157,777	19,469,418	25,821,523	69,186,587	92,180,589	210,000	308,338,106
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Financial liabilities at fair value through profit or loss	(431,742)	-	-	-	-	-	-	(431,742)
Placements from a bank	-	-	-	(10,000,000)	-	-	-	(10,000,000)
Borrowings	-	-	-	(8,700,000)	(109,900,000)	(93,895,000)	-	(212,495,000)
Accounts payable	(450,000)	-	-	-	(157,966)	(9,552,716)	-	(10,160,682)
Bonds issued	-	-	-	-	(5,686,602)	(24,858,325)	-	(30,544,927)
Other financial liabilities	-	(61,234)	-	(377,100)	(148,696)	(224,893)	-	(811,923)
Total financial liabilities	(1,867,800)	(61,234)	-	(19,077,100)	(115,893,264)	(128,530,934)	-	(265,430,332)
Net position	89,444,412	10,096,543	19,469,418	6,744,423	(46,706,677)	(36,350,345)	210,000	42,907,774

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	-	14,582,592	15,267,554	210,478	600,000	-	-	30,660,624
Placements with financial institutions	-	-	440,000	200,000	-	-	-	640,000
Financial assets at fair value through profit or loss	17,419,393	-	-	-	-	-	-	17,419,393
Available-for-sale financial assets	42,448,699	-	2,601,643	6,000,000	-	-	-	51,050,342
Financial assets classified as receivables	1,380,751	-	2,248,874	5,701,675	53,015,316	51,620,052	-	113,966,668
Accounts receivable	223,273	43,042	329,184	-	4,490,771	561,350	-	5,647,620
Amounts due from subsidiaries	-	234,017	-	-	1,264,000	11,739	-	1,509,756
Held-to-maturity investments	-	-	-	289,928	-	-	210,000	499,928
Other financial assets	52,070	428,250	30,526	1,806	171,073	-	-	683,725
Total financial assets	61,524,186	15,287,901	20,917,781	12,403,887	59,541,160	52,193,141	210,000	222,078,056
Borrowings from central bank	-	-	-	-	(4,912,977)	-	-	(4,912,977)
Financial liabilities at fair value through profit or loss	-	-	-	(4,416)	(27,639)	(194,731)	-	(226,786)
Placements from a bank	-	-	-	(8,000,000)	-	-	-	(8,000,000)
Borrowings	-	-	(2,672,331)	(3,600,000)	(64,080,000)	(68,717,000)	-	(139,069,331)
Accounts payable	-	-	-	-	(2,730,839)	(18,945,825)	-	(21,676,664)
Bonds issued	-	-	-	-	(74,123)	(9,951,173)	-	(10,025,296)
Other financial liabilities	-	(57,553)	(5,528)	(403,517)	(72,740)	-	-	(539,338)
Total financial liabilities	-	(57,553)	(2,677,859)	(12,007,933)	(71,898,318)	(97,808,729)	-	(184,450,392)
Net position	61,524,186	15,230,348	18,239,922	395,954	(12,357,158)	(45,615,588)	210,000	37,627,664

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.4 Risk management of distressed assets

1. 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.

The Group's risk of distressed assets arise from distressed debts which the Group initially classifies as financial assets at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

2. 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 initially designated as 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 initially classified as receivables mainly comprise credit risk.

2.1 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 designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. 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), collaterals provided, repayment sources, etc.;

- 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.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.4 Risk management of distressed assets - continued

2. Risk management of distressed debt assets - continued

2.2 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 are 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;
- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

2.3 Credit risk

In addition to distressed debt assets classified as receivable, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated 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 a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor;
- 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 classified as receivables.

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;
- Require counterparties to provide collaterals which fully cover the credit exposure.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.4 Risk management of distressed assets - continued

3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were 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;
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between willing and knowledgeable counterparties or realizable value of the underlying assets.

5. Impairment assessment

The Group performs impairment assessment on distressed debt assets designated as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note V.67.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolong decline in value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or counterparty or macroeconomic conditions that have a negative impact on the business operation of the investee.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.5 Insurance risk

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

1. Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance event incurred (frequency risk), the difference between the actual and estimated cost of risk event (severity risk) and the change of the amount of obligations to policyholder at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious disease, enormous changes of life style, and natural disaster could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have impact on insurance risk are the continuous improvement of medical treatment level and social welfare which lead to longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disaster and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

1.1 Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures the Group undertakes to minimize the risks include:

- Use conservative incurrence rate and margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;

- Set up plan for strategic asset allocation and set pricing margin based on long-term investment yield associated with the strategic asset allocation;

- Set up plan for business planning and expense budgeting and reinforce rigorous expense management system.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.5 Insurance risk - continued

1. Types of insurance risks - continued

1.2 Insurance reserve risk

Insurance reserve risk is the risk that insurance reserve provided is not sufficient to fulfill the obligation for claims due to inappropriate standard or method was used. Measures the Group takes to minimize the risk include:

- Calculate insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long term life insurance contract liabilities and short term insurance contract liabilities which include unearned premium reserves and claim reserves;

- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

1.3 Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurer with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and price, etc.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.5 Insurance risk - continued

2. 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.

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

	Year ended December 31,			
	2014		2013	
	Amount	%	Amount	%
Life insurance	7,579,569	68.3	4,107,239	57.5
Motor vehicles insurance contract	2,960,119	26.7	2,543,605	35.6
General property insurance	197,495	1.8	185,580	2.6
Others	358,854	3.2	311,846	4.3
Total	11,096,037	100.0	7,148,270	100.0

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

	As at December 31,			
	2014		2013	
	Amount	%	Amount	%
Life insurance	22,511,568	89.3	18,424,119	88.9
Motor vehicle commercial insurance	2,073,410	8.2	1,742,741	8.4
Health insurance contract	104,581	0.4	116,025	0.6
Others	529,446	2.1	439,567	2.1
Total	25,219,005	100.0	20,722,452	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.5 Insurance risk - continued

3. Key assumptions and sensitivity analysis

3.1 Property and casualty insurance contract and short-term life insurance contract

The primary assumption that has impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly delay in payment. The table below illustrates the potential impact of a reasonable change of insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2014		2013	
	Profit before tax	Equity	Profit before tax	Equity
+1%	(17,882)	(17,882)	(16,368)	(16,368)
-1%	17,882	17,882	16,368	16,368

3.2 Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include mortality ratio, morbidity ratio, lapse rate, discount rate and cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on 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 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 expected future investment yield of the associated asset portfolios.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.5 Insurance risk - continued

3. Key assumptions and sensitivity analysis - continued

3.2 Long-term life and health insurance contract - continued

The table below illustrates the potential impact of a 10 basis points change of discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2014		2013	
	Profit before tax	Equity	Profit before tax	Equity
+10bps	14,805	14,805	17,110	17,110
-10bps	(15,138)	(15,138)	(17,463)	(17,463)

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,			
	2014		2013	
	Profit before tax	Equity	Profit before tax	Equity
+10%	(39,979)	(39,979)	(33,121)	(33,121)
-10%	39,979	39,979	33,121	33,121

67.6 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.

V. EXPLANATORY NOTES - continued

67. Financial risk management - continued

67.6 Capital management - continued

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

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2014 and 2013, the Company complied with the regulatory requirements on the minimum CAR.

68. Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments; and

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

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

Group

	As at December 31,			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	180,913,089	181,654,374	116,662,697	117,032,300
Loans and advances to customers	80,224,726	80,322,027	48,636,362	48,718,628
Accounts receivable	7,022,083	7,038,675	6,448,944	6,577,962
Held-to-maturity investments	7,042,523	7,054,912	7,592,298	6,948,212
Total	275,202,421	276,069,988	179,340,301	179,277,102
Financial liabilities				
Borrowings	(263,452,411)	(264,220,147)	(173,834,689)	(174,071,284)
Bonds issued	(43,694,852)	(43,337,333)	(13,285,017)	(12,963,269)
Total	(307,147,263)	(307,557,480)	(187,119,706)	(187,034,553)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

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

	As at December 31, 2013			
Group	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	-	-	117,032,300	117,032,300
Loans and advances to customers	-	-	48,718,628	48,718,628
Accounts receivable	-	-	6,577,962	6,577,962
Held-to-maturity investments	-	6,948,212	-	6,948,212
Total	-	6,948,212	172,328,890	179,277,102
Borrowings	-	-	(174,071,284)	(174,071,284)
Bonds issued	-	(12,432,094)	(531,175)	(12,963,269)
Total	-	(12,432,094)	(174,602,459)	(187,034,553)

Company

	As at December 31,			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets classified as receivables	177,893,099	179,152,135	113,966,668	114,336,272
Accounts receivable	6,053,629	6,070,674	5,647,620	5,776,638
Held-to-maturity investments	210,000	210,260	499,928	485,623
Total	184,156,728	185,433,069	120,114,216	120,598,533
Borrowings	(212,495,000)	(213,262,736)	(139,069,331)	(139,305,927)
Bonds issued	(30,544,927)	(30,260,395)	(10,025,296)	(9,704,688)
Total	(243,039,927)	(243,523,131)	(149,094,627)	(149,010,615)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Company - continued

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	-	-	179,152,135	179,152,135
Accounts receivable	-	-	6,070,674	6,070,674
Held-to-maturity investments	-	210,260	-	210,260
Total	-	210,260	185,222,809	185,433,069
Borrowings	-	-	(213,262,736)	(213,262,736)
Bonds issued	-	(30,260,395)	-	(30,260,395)
Total	-	(30,260,395)	(213,262,736)	(243,523,131)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	-	-	114,336,272	114,336,272
Accounts receivable	-	-	5,776,638	5,776,638
Held-to-maturity investments	-	485,623	-	485,623
Total	-	485,623	120,112,910	120,598,533
Borrowings	-	-	(139,305,927)	(139,305,927)
Bonds issued	-	(9,704,688)	-	(9,704,688)
Total	-	(9,704,688)	(139,305,927)	(149,010,615)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

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

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

Group

Financial assets/financial liabilities	Fair value as at December 31, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Held-for-trading financial assets	10,997,069	5,947,927				
Debt securities	7,064,738	4,096,566				
- Government bonds traded in stock exchange	7,249	-	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Government bonds traded in inter-bank market	31,442	-	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	932,062	1,646,201	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
- Corporate bonds traded in stock exchange	4,428,408	1,376,699	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in inter-bank market	1,665,577	1,073,666	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments listed or traded on exchanges	2,409,893	735,989	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	861,282	439,967				
- Finance	349,965	12,454				
- Mining	21,769	64,416				
- Production and supply of power, heat, gas and water	382,722	-				
- Real estate	432,863	37,529				
- Information transmission, software and information technology services	175,113	56,515				
- others	186,179	125,108				
Mutual funds	1,505,083	1,097,289	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Listed outside HongKong	739,556	711,125				
- Quoted outside HongKong	765,527	386,164				
Derivatives	17,355	18,083	Level 3	• Note (1)	Note (1)	Note (1)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Financial assets designated as at fair value through profit or loss	46,223,452	19,230,571				
Distressed debt assets	42,302,037	16,391,690	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	744,623	1,053,701				
- Financial institution convertible bonds traded in stock exchange	698,301	947,024	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate convertible bonds traded in stock exchange	2,934	69,567	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate convertible bonds not traded in active market	43,388	37,110	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to expected risk level.	• The lower the the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	• Risk-free rates that are specific to the market.	• The lower the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	2,521,569	1,218,363	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments	655,223	566,817				
- Equity investments in unlisted companies	655,223	566,817	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
3) Available-for-sale financial asset	45,586,589	35,382,151				
Debt securities	10,785,228	10,738,642				
- Government bonds traded in stock exchange	76,889	73,081	Level 1	• Quoted bid prices in an active market	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	3,956,771	4,479,842	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
- Financial institution bonds traded in inter-bank market	1,639,576	1,647,823	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
- Corporate bonds traded in stock exchange	2,926,490	2,568,281	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
- Corporate bonds traded in inter-bank market	2,185,502	1,969,615	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Listed equity instruments	8,583,295	7,382,774	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Mining	4,307,748	4,046,699				
- Manufacturing	2,339,704	2,105,853				
- Other industries	1,935,843	1,230,222				
Unlisted equity instruments	700,000	-	Level 2	• Calculated based on the quoted prices of similar equity instruments	N/A	N/A
- Other industries	700,000	-				
Debt instruments	13,002,708	8,502,079	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds	5,587,784	4,561,118				
- Listed outside Hong Kong	1,909,919	1,026,776	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Quoted outside Hong Kong	645,677	1,299,797	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Investing in listed securities	104,098	-	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- Investing in entrusted loans	2,928,090	2,234,545	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	2,870,706	1,913,179				
- Trust products investing in listed shares	218,830	144,697	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
- Other trust products and rights to trust assets	2,651,876	1,768,482	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.
Assets management plan	1,667,550	902,151				
-Assets management plan	1,307,550	602,151	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- Assets management plan investing in equity instruments	360,000	300,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products	1,238,116	1,273,424				
- Issued by banks or other financial institutions with quoted prices	488,116	573,424	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A
- Issued by banks or other financial institutions without quoted prices	750,000	700,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset backed securities	605,156	-	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value 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, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Others	546,046	108,784				
- Investments in debt asset portfolios	497,683	-	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
- Others	48,363	108,784	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	(37,005)	(48,465)				
Income guarantee and repurchase commitment	(37,005)	(48,465)	Level 3	• Note (1)	Note (1)	Note (1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Company

Financial assets/financial liabilities	Fair value as at December 31, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets designated as at fair value through profit or loss	42,837,267	17,419,393				
Distressed debt assets	42,169,392	16,784,112	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.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Investment fund	667,875	635,281	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.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets/financial liabilities	Fair value as at December 31, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Available-for-sale financial asset	21,974,399	14,396,308				
Equity instruments listed outside Hong Kong	6,431,019	5,524,665	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Mining	4,305,281	4,028,028				
- Manufacturing	1,360,760	756,404				
- Other industries	764,978	740,233				
Quoted preference shares	500,000	-	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
- Other industries	500,000	-				
Debt instruments	13,002,708	8,502,079	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 rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets/financial liabilities	Fair value as at December 31, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds investing in entrusted loans	1,429,970	270,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset backed securities	571,156	-	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• 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 rates, the higher the fair value.
Others	39,546	99,564	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)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets/financial liabilities	Fair value as at December 31, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Financial liabilities at fair value through profit or loss	(431,742)	(226,786)				
Income guarantee and repurchase commitment	(431,742)	(226,786)	Level 3	Note (1)	Note (1)	Note (1)

Note:

(1) These financial liabilities at fair value through profit or loss are insignificant to the Group. Their fair values are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

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

Group

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	9,051,868	5,150,650	43,018,003	57,220,521
Available-for-sale financial assets	14,142,270	10,648,806	20,795,513	45,586,589
Total assets	23,194,138	15,799,456	63,813,516	102,807,110
Financial liabilities at fair value through profit or loss	-	-	(37,005)	(37,005)
Total liabilities	-	-	(37,005)	(37,005)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,226,568	3,938,230	17,013,700	25,178,498
Available-for-sale financial assets	12,350,709	9,526,336	13,505,106	35,382,151
Total assets	16,577,277	13,464,566	30,518,806	60,560,649
Financial liabilities at fair value through profit or loss	-	-	(48,465)	(48,465)
Total liabilities	-	-	(48,465)	(48,465)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Company

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	42,837,267	42,837,267
Available-for-sale financial assets	6,431,019	539,546	15,003,834	21,974,399
Total assets	6,431,019	539,546	57,841,101	64,811,666
Financial liabilities at fair value through profit or loss	-	-	(431,742)	(431,742)
Total liabilities	-	-	(431,742)	(431,742)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	17,419,393	17,419,393
Available-for-sale financial assets	5,524,665	99,564	8,772,079	14,396,308
Total assets	5,524,665	99,564	26,191,472	31,815,701
Financial liabilities at fair value through profit or loss	-	-	(226,786)	(226,786)
Total liabilities	-	-	(226,786)	(226,786)

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

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.3. Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	17,013,700	13,505,106	(48,465)
Recognized in profit or loss	4,108,469	(340,677)	(8,983)
Fair value changes transfer out upon disposal	(3,699,673)	-	-
Purchases	31,573,376	7,931,002	-
Settlements/disposals at cost	(5,977,869)	(299,918)	20,443
As at December 31, 2014	43,018,003	20,795,513	(37,005)
Total gain/(loss) for the year for assets /liabilities held as at December 31, 2014 - included in profit or loss	408,796	(340,677)	(8,983)

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2013	8,170,809	2,379,113	(49,845)
Recognized in profit or loss	4,663,534	-	-
Fair value changes transfer out upon disposal	(4,272,209)	-	-
Purchases	12,782,819	11,125,993	(52,538)
Settlements/disposals at cost	(4,331,253)	-	53,918
As at December 31, 2013	17,013,700	13,505,106	(48,465)
Total gain for the year for assets/liabilities held as at December 31, 2013 - included in profit or loss	391,325	-	-

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

68. Fair value of financial instruments - continued

68.3. Reconciliation of Level 3 fair value measurements - continued

Company

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	17,419,393	8,772,079	(226,786)
Recognized in profit or loss	4,138,104	-	(204,956)
Fair value changes transfer out upon disposal	(3,653,006)	-	-
Purchases	30,796,340	6,231,755	-
Settlements/disposals at cost	(5,863,564)	-	-
As at December 31, 2014	42,837,267	15,003,834	(431,742)
Total gain/(loss) for the year for assets /liabilities held as at December 31, 2014 - included in profit or loss	485,098	-	(204,956)

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2013	8,641,665	-	-
Recognized in profit or loss	4,565,753	-	(226,786)
Fair value changes transfer out upon disposal	(4,237,501)	-	-
Purchases	12,284,578	8,772,079	-
Settlements/disposals at cost	(3,835,102)	-	-
As at December 31, 2013	17,419,393	8,772,079	(226,786)
Total gain/(loss) for the year for assets /liabilities held as at December 31, 2013 - included in profit or loss	328,252	-	(226,786)

The total gains of the Group for the year included an unrealized gain of RMB 400 million relating to financial assets/financial liabilities that were measured at fair value for the year ended December 31, 2014(Year ended December 31, 2013: RMB 391million). Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

The total gains of the Company for the year included an unrealized gain of RMB280 million relating to financial assets/financial liabilities that were measured at fair value for the year ended December 31, 2014 (Year ended December 31, 2013: RMB101million). Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES - continued

69. Disposal of subsidiaries

During the year, the Group disposed of a number of subsidiaries. These subsidiaries of the Group mainly operate in the real estate and property management industry.

None of these disposals were individually significant. Their aggregated information is set out below:

Consideration received:

	Year ended December 31,	
	2014	2013
Cash received	1,292,181	426,830
	1,292,181	426,830

Analysis of assets and liabilities over which control was lost:

	Year ended December 31,	
	2014	2013
Current assets	2,736,448	185,129
Non-current assets	75,225	58,223
Current liabilities	1,436,145	44,624
Non-current liabilities	500,000	-

Net cash flows arising on disposal:

	Year ended December 31,	
	2014	2013
Cash consideration received	1,292,181	426,830
Less: cash and cash equivalent balances disposed of	92,864	10,645
Net cash flows	1,199,317	416,185

VI. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current years' presentation.

VII. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the meeting of the Board of Directors on March 27, 2015, the proposal of the profit appropriations of the Company for the year ended December 31, 2014 is set out as follows:

(i) An appropriation of RMB911.19 million to the statutory surplus reserve;
(ii) An appropriation of RMB1,689.91 million to the general reserve; and
(iii) A dividend of RMB3,571.28 million in total in respect of the year.

As at December 31, 2014, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

Independent Auditor's Report

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 130 to 351 which comprise the consolidated and Company statements of financial position as at December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2013 and of the Group's profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2014

Consolidated Income Statement

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31,	
	Notes V	**2013**	2012
Income from distressed debt assets classified as receivables	1	**10,144,157**	3,518,395
Fair value changes on distressed debt assets	2	**4,617,634**	3,878,253
Fair value changes on other financial assets		**539,004**	399,294
Investment income	3	**7,043,846**	6,528,841
Net insurance premiums earned	4	**5,771,868**	5,324,922
Interest income	5	**5,059,204**	2,493,321
Revenue from sales of inventories	6	**4,321,948**	3,924,082
Commission and fee income	7	**2,520,108**	2,226,348
Net gains on disposal of subsidiaries and associates	8	**200,517**	2,585,340
Other income and other net gains or losses	9	**2,194,906**	1,456,412
Total		**42,413,192**	32,335,208
Interest expense	10	**(7,803,756)**	(3,697,619)
Insurance costs	11	**(5,018,782)**	(4,690,060)
Employee benefits	12	**(3,797,444)**	(3,417,564)
Purchases and changes in inventories	6	**(2,720,323)**	(2,391,784)
Commission and fee expense	13	**(869,443)**	(900,738)
Business tax and surcharges		**(1,233,873)**	(785,664)
Depreciation and amortization expenses		**(443,789)**	(449,111)
Other expenses		**(2,560,256)**	(2,266,579)
Impairment losses on assets	14	**(6,153,281)**	(4,600,951)
Total		**(30,600,947)**	(23,200,070)
Change in net assets attributable to other holders of consolidated structured entities	37	**(540,461)**	(151,539)
Profit before share of results of associates and tax		**11,271,784**	8,983,599
Share of results of associates		**500,259**	612,264
Profit before tax	15	**11,772,043**	9,595,863
Income tax expense	16	**(2,671,071)**	(2,378,727)
Profit for the year		**9,100,972**	7,217,136

Consolidated Income Statement

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, **2013**	2012
Profit attributable to:			
Equity holders of the Company		**9,027,278**	7,306,250
Non-controlling interests		**73,694**	(89,114)
		9,100,972	7,217,136
Earnings per share attributable to equity holders of the Company *(Expressed in RMB Yuan per share)*	17		
— Basic		**0.30**	0.25
— Diluted		**0.30**	N/A

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2013	2012
Profit for the year	**9,100,972**	7,217,136
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**(4,055,637)**	(1,656,743)
— amounts reclassified to profit or loss upon disposal	**858,993**	(109,882)
— amounts reclassified to profit or loss upon impairment	**3,436,227**	3,170,177
Income tax effect	**(160,264)**	(245,351)
	79,319	1,158,201
Share of other comprehensive income of associates	**48,869**	60,223
Exchange differences arising on translation of foreign operations	**(28,402)**	2,572
Other comprehensive income for the year, net of income tax	**99,786**	1,220,996
Total comprehensive income for the year	**9,200,758**	8,438,132
Total comprehensive income attributable to:		
Equity holders of the Company	**9,323,396**	8,453,808
Non-controlling interests	**(122,638)**	(15,676)
	9,200,758	8,438,132

Consolidated Statement of Financial Position

As at December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2013	2012
Assets			
Cash and bank balances	21	**57,059,107**	42,726,288
Clearing settlement funds	22	**1,707,859**	1,525,844
Deposits with exchanges and a financial institution	23	**831,073**	907,226
Placements with banks and a financial institution	24	**290,000**	2,000,000
Financial assets at fair value through profit or loss	25	**25,178,498**	16,922,973
Financial assets held under resale agreements	26	**1,053,527**	57,232
Available-for-sale financial assets	27	**72,747,155**	64,376,565
Financial assets classified as receivables	28	**116,662,697**	51,195,120
Loans and advances to customers	29	**48,636,362**	25,041,518
Accounts receivable	30	**6,448,944**	5,257,293
Held-to-maturity investments	32	**7,592,298**	7,343,274
Properties held for sale	33	**17,789,854**	13,815,367
Investment properties	34	**1,857,970**	2,099,694
Interests in associates	38	**8,961,606**	7,476,276
Property and equipment	40	**3,620,195**	3,466,794
Goodwill	41	**323,721**	361,591
Other intangible assets	43	**159,608**	137,154
Deferred tax assets	44	**3,937,398**	2,622,975
Other assets	45	**8,927,535**	7,281,174
Total assets		**383,785,407**	254,614,358
Liabilities			
Borrowings from central bank	46	**4,912,977**	7,053,442
Accounts payable to brokerage clients	47	**6,480,797**	6,629,525
Financial liabilities at fair value through profit or loss		**48,465**	53,400
Financial assets sold under repurchase agreements	48	**9,442,824**	11,993,646
Placements from banks and a financial institution	49	**10,477,000**	—
Borrowings	50	**173,834,689**	76,099,160
Accounts payable	51	**22,814,138**	39,539,426
Investment contract liabilities for policyholders	52	**3,244,367**	3,213,126
Tax payable	53	**2,060,566**	2,132,074
Insurance contract liabilities	54	**20,722,452**	17,585,668
Bonds issued	55	**13,285,017**	12,534,554
Deferred tax liabilities	44	**450,849**	356,745
Other liabilities	56	**33,249,145**	16,538,849
Total liabilities		**301,023,286**	193,729,615

Consolidated Statement of Financial Position

As at December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2013	2012
Equity			
Share capital	57	**35,458,864**	30,140,024
Capital reserve	58	**15,903,578**	6,520,646
Investment revaluation reserve	59	**730,574**	406,054
Surplus reserve	60	**2,483,115**	1,760,041
General reserve	61	**2,967,886**	912,279
Retained earnings	62	**18,874,633**	15,426,502
Foreign currency translation reserve		**(420,380)**	(391,978)
Equity attributable to equity holders of the Company		**75,998,270**	54,773,568
Non-controlling interests		**6,763,851**	6,111,175
Total equity		**82,762,121**	60,884,743
Total equity and liabilities		**383,785,407**	254,614,358

The consolidated financial statements on pages 130 to 351 are authorized for issue by the Board of Directors and signed on its behalf by:

Hou Jianhang
CHAIRMAN

Zang Jingfan
PRESIDENT

Statement of Financial Position

As at December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2013	2012
Assets			
Cash and bank balances	21	**30,660,624**	18,500,329
Placements with banks and a financial institution	24	**640,000**	2,000,000
Financial assets at fair value through profit or loss	25	**17,419,393**	8,780,229
Available-for-sale financial assets	27	**51,050,342**	47,909,938
Financial assets classified as receivables	28	**113,966,668**	48,068,188
Accounts receivable	30	**5,647,620**	4,283,058
Amounts due from subsidiaries	31	**1,509,756**	2,735,193
Held-to-maturity investments	32	**499,928**	210,000
Investment properties	34	**374,570**	390,312
Interests in subsidiaries	35	**22,398,334**	20,823,220
Interests in consolidated structured entities	37	**2,540,901**	1,553,849
Interests in associates	38	**6,010,243**	4,973,530
Property and equipment	40	**573,243**	162,885
Other intangible assets	43	**22,046**	16,442
Deferred tax assets	44	**3,117,264**	2,040,457
Other assets	45	**2,864,982**	2,765,392
Total assets		**259,295,914**	165,213,022
Liabilities			
Borrowings from central bank	46	**4,912,977**	7,053,442
Financial liabilities at fair value through profit or loss		**226,786**	—
Placements from a bank	49	**8,000,000**	—
Borrowings	50	**139,069,331**	55,831,334
Accounts payable	51	**21,676,664**	38,146,087
Tax payable	53	**1,373,430**	1,202,031
Bonds issued	55	**10,025,296**	10,007,054
Other liabilities	56	**4,025,986**	2,297,267
Total liabilities		**189,310,470**	114,537,215
Equity			
Share capital	57	**35,458,864**	30,140,024
Capital reserve	58	**15,127,873**	5,869,695
Investment revaluation reserve	59	**193,135**	(124,615)
Surplus reserve	60	**2,483,115**	1,760,041
General reserve	61	**2,967,886**	912,279
Retained earnings	62	**13,754,571**	12,118,383
Total equity		**69,985,444**	50,675,807
Total equity and liabilities		**259,295,914**	165,213,022

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2013	2012
OPERATING ACTIVITIES		
Profit before tax	**11,772,043**	9,595,863
Adjustments for:		
Impairment losses on assets	**6,153,281**	4,600,951
Depreciation of property and equipment, and investment properties	**351,559**	380,238
Amortization of intangible assets and other long-term assets	**92,230**	68,873
Share of results of associates	**(500,259)**	(612,264)
Net gains on disposal of property and equipment, and investment properties	**(721,831)**	(128,363)
Net gains on disposal of subsidiaries and associates	**(200,517)**	(2,585,340)
Fair value changes on financial assets	**(90,155)**	(582,549)
Investment income	**(7,043,846)**	(6,528,841)
Borrowing costs	**1,643,737**	1,304,271
Change in reserves for insurance contracts	**3,136,784**	5,284,802
Operating cash flows before movements in working capital	**14,593,026**	10,797,641
Decrease in bank balances	**1,796,148**	1,086,435
Increase in financial assets at fair value through profit or loss	**(8,165,369)**	(2,956,592)
Increase in financial assets held under resale agreements	**(416,609)**	(7,531)
Increase in financial assets classified as receivables	**(67,358,783)**	(39,849,362)
Increase in loans and advances to customers	**(24,098,155)**	(15,860,480)
Decrease/(increase) in accounts receivable	**1,065,782**	(359,318)
Increase in properties held for sale	**(3,943,388)**	(723,589)
Decrease in borrowings from central bank	**(2,140,465)**	(4,257,240)
Decrease in accounts payable to brokerage clients	**(148,728)**	(1,520,960)
(Decrease)/increase in financial assets sold under repurchase agreements	**(3,917,115)**	3,813,317
Increase in borrowings	**93,058,646**	46,825,205
Decrease in accounts payable	**(289,646)**	(394,453)
Increase in other operating assets	**(10,389,246)**	(2,328,396)
Increase in other operating liabilities	**25,069,522**	5,751,068
Cash generated from operations	**14,715,620**	15,745
Income taxes paid	**(4,134,298)**	(5,031,683)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**10,581,322**	(5,015,938)

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2013	2012
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		**14,911,000**	31,839,416
Dividends received from investment securities		**1,645,352**	1,628,907
Dividends received from associates		**254,088**	155,048
Interest received from investment securities		**2,048,469**	1,139,302
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**981,230**	505,500
Net cash flows from disposals of subsidiaries	72	**416,185**	1,863,168
Net cash flows from disposals of associates		**335,271**	1,241,756
Cash payments to acquire investment securities		**(42,303,173)**	(45,126,079)
Net cash flows from acquisition of subsidiaries	71	**—**	192,258
Net cash flows from consolidated structured entities		**10,812,640**	3,025,494
Cash payments for purchase of property and equipment, investment properties and other assets		**(488,563)**	(598,556)
Cash payments for establishment and acquisition of interests in associates		**(1,538,666)**	(774,919)
NET CASH USED IN INVESTING ACTIVITIES		**(12,926,167)**	(4,908,705)
FINANCING ACTIVITIES			
Net proceeds from issue of shares		**14,974,565**	10,368,648
Capital contribution from non-controlling interests of subsidiaries of the Company		**927,100**	1,569,879
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		**95,783**	68,555
Cash payments to acquire additional interests in subsidiaries		**(35,240)**	(294,763)
Cash receipts from borrowings raised		**9,854,515**	8,731,673
Cash receipts from bonds issued		**734,678**	12,000,000
Cash receipts from financial assets sold under repurchase agreements		**5,816,656**	4,450,363
Cash repayments on financial assets sold under repurchase agreements		**(4,450,363)**	(3,190,554)
Cash repayments of borrowings		**(5,177,632)**	(4,636,659)
Interest expenses on borrowings paid		**(1,620,529)**	(1,230,271)
Dividends paid		**(1,613,059)**	(1,806,410)
Dividends paid to non-controlling interests of subsidiaries		**(93,434)**	(187,521)
Cash payments for transaction cost of bonds issued		**(7,423)**	(34,445)
NET CASH FROM FINANCING ACTIVITIES		**19,405,617**	25,808,495

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31,	
	Note V	**2013**	2012
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,060,772**	15,883,852
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF THE YEAR		**31,093,404**	15,210,071
Effect of foreign exchange changes		**37,870**	(519)
CASH AND CASH EQUIVALENTS			
AT END OF THE YEAR	63	**48,192,046**	31,093,404
Net cash flows from operating activities include:			
Interest received		**4,579,020**	1,828,316
Interest paid		**6,160,019**	2,393,348

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes V	Share capital (Note V.57)	Capital reserve (Note V.58)	Investment revaluation reserve (Note V.59)	Surplus reserve (Note V.60)	General reserve (Note V.61)	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2013		30,140,024	6,520,646	406,054	1,760,041	912,279	15,426,502	(391,978)	54,773,568	6,111,175	60,884,743
Profit for the year		–	–	–	–	–	9,027,278	–	9,027,278	73,694	9,100,972
Other comprehensive income/ (expense) for the year		–	–	324,520	–	–	–	(28,402)	296,118	(196,332)	99,786
Total comprehensive income/ (expense) for the year		–	–	324,520	–	–	9,027,278	(28,402)	9,323,396	(122,638)	9,200,758
Shares issued	57, 58	5,318,840	9,305,983	–	–	–	–	–	14,624,823	–	14,624,823
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	578,921	578,921
Acquisition of additional interests in subsidiaries		–	(324,000)	–	–	–	11,587	–	(312,413)	276,815	(35,598)
Acquisition of interests in subsidiaries		–	–	–	–	–	–	–	–	9,288	9,288
Disposal of partial interests in subsidiaries		–	400,949	–	–	–	3,810	–	404,759	42,985	447,744
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	–	(39,261)	(39,261)
Appropriation to surplus reserve	60	–	–	–	723,074	–	(723,074)	–	–	–	–
Appropriation to general reserve	61	–	–	–	–	2,055,607	(2,055,607)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(93,434)	(93,434)
Dividends recognized as distribution	18	–	–	–	–	–	(2,815,863)	–	(2,815,863)	–	(2,815,863)
As at December 31, 2013		35,458,864	15,903,578	730,574	2,483,115	2,967,886	18,874,633	(420,380)	75,998,270	6,763,851	82,762,121

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes V	Share capital (Note V.57)	Capital reserve (Note V.58)	Investment revaluation reserve (Note V.59)	Surplus reserve (Note V.60)	General reserve (Note V.61)	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2012		25,155,097	1,192,499	(738,932)	1,222,355	501,622	10,875,005	(394,550)	37,813,096	5,029,576	42,842,672
Profit for the year		–	–	–	–	–	7,306,250	–	7,306,250	(89,114)	7,217,136
Other comprehensive income for the year		–	–	1,144,986	–	–	–	2,572	1,147,558	73,438	1,220,996
Total comprehensive income/(expense) for the year		–	–	1,144,986	–	–	7,306,250	2,572	8,453,808	(15,676)	8,438,132
Shares issued	57, 58	4,984,927	5,383,721	–	–	–	–	–	10,368,648	–	10,368,648
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	1,569,879	1,569,879
Acquisition of additional interests in subsidiaries		–	(55,574)	–	–	–	–	–	(55,574)	(72,600)	(128,174)
Acquisition of interests in subsidiaries		–	–	–	–	–	–	–	–	4,507	4,507
Disposal of partial interests in subsidiaries		–	–	–	–	–	–	–	–	68,555	68,555
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	–	(285,545)	(285,545)
Appropriation to surplus reserve	60	–	–	–	537,686	–	(537,686)	–	–	–	–
Appropriation to general reserve	61	–	–	–	–	410,657	(410,657)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(187,521)	(187,521)
Dividends recognized as distribution	18	–	–	–	–	–	(1,806,410)	–	(1,806,410)	–	(1,806,410)
As at December 31, 2012		30,140,024	6,520,646	406,054	1,760,041	912,279	15,426,502	(391,978)	54,773,568	6,111,175	60,884,743

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

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

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

The Company listed on the Stock Exchange of Hong Kong Limited on December 12, 2013. Details of the share issue are included in note V.57.

The Company and its subsidiaries are collectively referred to as the Group.

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

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

(Amounts in thousands of RMB, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In current year, the Group has applied the new and revised IFRSs that are effective for the Group's annual period beginning on January 1, 2013 and also early applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date, January 1, 2014.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The early adoption does not have any effect on the Group's consolidated financial statements.

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

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle(4)
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle(3)
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures(2)
IFRS 9	Financial Instruments(2)
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities(1)
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions(3)
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities(1)
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting(1)
IFRIC 21	Levies(1)

(1) Effective for annual periods beginning on or after January 1, 2014.

(2) Available for application: the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized.

(3) Effective for annual periods beginning on or after July 1, 2014.

(4) Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

For the application of the above-mentioned new and revised IFRSs, the directors are either in the process of assessing their impact or of the opinion that they will not have significant impact on the consolidated financial statements.

III. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including structured entities) controlled by the Company and its subsidiaries. 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.

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 size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

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.

In the Company's statement of financial position, its interests in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

Changes in the Group's ownership interests in existing subsidiaries

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations (continued)

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.

When a business combination is achieved without the transfer of consideration, the Group determines the amount of goodwill using the acquisition date fair value of the Group's interests in the acquiree as the acquisition date fair value of the consideration transferred, and the resulting gains or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were directly disposed of by the Group.

4. Goodwill

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 available-for-sale financial assets (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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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).

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 V.70.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.3 Classification, recognition and measurement of financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and financial assets classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets at fair value through profit or loss ("FVTPL")

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

III. 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 ("FVTPL") (continued)

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. Any interest income arising from financial assets designated as at fair value through profit or loss is also included in fair value changes of such assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include bank balances, deposits with exchanges and a financial institution, placements with banks and a financial institution, financial assets classified as receivables, loans and advances to customers and accounts receivable.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognized in profit or loss.

Debt securities with fixed or determinable payments but have no quoted price in an active market are classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt instruments issued by financial institutions as available-for-sale financial assets on initial recognition of those items.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Available-for-sale financial assets (continued)

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

7.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;

(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

— adverse changes in the payment status of borrowers in the portfolio; and

— national or local economic conditions that correlate with defaults on the assets in the portfolio;

(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collaterised financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

Impairment of financial assets measured at amortized cost (continued)

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment loss on available-for-sale equity investment at fair value is not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

III. 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 a collateralized borrowing 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 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.

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.

III. 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 (continued)

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the 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.

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 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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.

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. Interests in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Interests in associates (continued)

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 an associate 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 acquisition, after reassessment, is recognized immediately in profit or loss. The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. 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.

Upon disposal of an associate that results in the Group losing significant influence over that associate, 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 IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate 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 loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. 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 on a straight-line basis over the shorter of the term of the lease and 40 years.

11. 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.

(Amounts in thousands of RMB, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Property and equipment (continued)

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%–5%	1.90%–4.85%
Machinery and equipment	5–10 years	3%–5%	9.50%–19.40%
Electronic equipment and furnitures	3–10 years	3%–5%	9.50%–32.33%
Motor vehicles	5–10 years	3%–5%	9.50%–19.40%

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.

12. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Borrowing costs (continued)

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.

13. Intangible assets

Intangible assets include trading seat fee and computer software, 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Resale and repurchase agreements

15.1 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.

15.2 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.

16. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

17. 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 is permitted but not required to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable, and all obligations and rights arising from the deposit component are recognized.

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 should 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 judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

18. Insurance contracts liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities and short-term insurance contract liabilities which include 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

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.

- 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement 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 income statement, but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the income statement 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 sums insured 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

- 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.

Incurred but not reported reserves ("IBNR") are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method or Bornhuetter-Ferguson method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

Claim reserves (continued)

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.

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 income statement. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

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.

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 income statement.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts liabilities (continued)

Reinsurance (continued)

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.

19. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

19.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets classified as receivables and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in available-for-sale financial assets and assets in satisfaction of debts.

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables, gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as 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 receivable is detailed in note III.19.5.

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income. The accounting policy for dividend income is detailed in note III.19.6.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Revenue recognition (continued)

19.2 Fee and commission income

Income from investment contracts

Fees are charged for investment contracts issued by the Group for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in commission and fee income.

Other fee and commission income

The income from securities trading brokerage business is recognized as fee and commission income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as fee and commission income when the securities are allotted.

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognized on accrual basis when services are provided.

Fee from leasing business is recognized on accrual basis when services are provided.

Fee and commission income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Revenue recognition (continued)

19.3 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.

19.4 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other liabilities.

19.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Revenue recognition (continued)

19.6 Dividend income

Dividend income from investments is recognized when the shareholder's 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.

19.7 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, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

20. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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.

20.2 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Taxation (continued)

20.2 Deferred tax (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on 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 liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

21.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

21.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

21.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Leasing (continued)

21.3 Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

22. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer 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.

23. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Employee benefits (continued)

Annuity Scheme

The employees of the Company participate in Annuity Scheme set up by the Company (the "Annuity Scheme"). The Company made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Company has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

24. 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.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgments 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.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. 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 financial instruments.

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. 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 measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

7. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2013 and 2012, the carrying amount of goodwill is RMB323.72 million and RMB361.59 million respectively (net of accumulated impairment loss of RMB1,120.80 million at both year end dates). Details of the recoverable amount estimates are disclosed in note V.42.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (continued)

8. 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.

9. Control on structured entities

The Group's management needs to assess whether the Group has the power on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note V.37.

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 III.2.

V. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see note V.28).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at fair value through profit or loss during the year (see note V.25).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

3. Investment income

	Year ended December 31,	
	2013	2012
Net realized gain from disposal of		
— available-for-sale financial assets	**3,850,322**	3,908,183
Interest income from investment securities		
— available-for-sale financial assets	**596,506**	686,898
— debt securities classified as receivables	**426,132**	396,329
— held-to-maturity financial assets	**354,603**	289,460
Dividend income from		
— available-for-sale financial assets	**1,816,283**	1,247,971
Total	**7,043,846**	6,528,841

4. Net insurance premiums earned

	Year ended December 31,	
	2013	2012
Gross written premiums	**7,148,270**	8,101,449
Less: Premiums ceded to reinsurers	**(1,311,584)**	(2,258,690)
Change of unearned premium reserves	**(64,818)**	(517,837)
Total	**5,771,868**	5,324,922

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

	Year ended December 31,	
	2013	2012
Life insurance	**4,107,239**	5,707,059
Property and casualty insurance	**3,041,031**	2,394,390
Total	**7,148,270**	8,101,449

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

5. Interest income

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

	Year ended December 31,	
	2013	2012
Loans and advances to customers	**3,224,367**	1,593,080
Bank balances	**1,242,152**	652,088
Accounts receivable	**362,223**	58,641
Placements with banks and a financial institution	**105,067**	31,093
Financial assets held under resale agreements	**28,921**	4,529
Others	**96,474**	153,890
Total	**5,059,204**	2,493,321

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

	Year ended December 31,	
	2013	2012
Revenue from sales of inventories	**4,321,948**	3,924,082
Purchases and changes in inventories	**(2,720,323)**	(2,391,784)
Including:		
Revenue from sales of properties held for sales	**4,132,782**	3,752,852
Purchases and changes in properties held for sales	**(2,589,136)**	(2,254,448)
Gross profit from sales of properties	**1,543,646**	1,498,404
Revenue from other trading operations	**189,166**	171,230
Purchase and changes in inventories of other trading operations	**(131,187)**	(137,336)
Gross profit from other trading operations	**57,979**	33,894

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

7. Commission and fee income

	Year ended December 31,	
	2013	2012
Securities and futures brokerage	**1,013,811**	768,707
Trustee services	**754,660**	556,567
Consultancy and financial advisory	**361,575**	528,898
Fund and asset management business	**213,660**	178,209
Securities underwriting	**115,920**	134,856
Agency business	**42,224**	35,612
Others	**18,258**	23,499
Total	**2,520,108**	2,226,348

8. Net gains on disposal of subsidiaries and associates

	Year ended December 31,	
	2013	2012
Net gains on disposal of subsidiaries	**199,149**	1,602,186
Net gains on disposal of associates	**1,368**	983,154
Total	**200,517**	2,585,340

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

9. Other income and other net gains or losses

	Year ended December 31,	
	2013	2012
Net gains on disposal of investment properties	**679,134**	102,191
Net gains on disposal of other assets	**363,890**	189,115
Net losses on exchange differences	**(55,671)**	(23,007)
Rental income	**454,887**	467,655
Revenue from hotel operation	**386,789**	400,988
Revenue from property management business	**186,235**	190,796
Government grant and compensation	**36,370**	34,654
Others	**143,272**	94,020
Total	**2,194,906**	1,456,412

10. Interest expense

	Year ended December 31,	
	2013	2012
Borrowings from central bank		
— wholly repayable within five years	**(115,669)**	(196,822)
Accounts payable to brokerage clients	**(20,435)**	(26,208)
Financial assets sold under repurchase agreements	**(396,335)**	(326,895)
Borrowings		
— wholly repayable within five years	**(6,022,351)**	(2,137,419)
— not wholly repayable within five years	**(43,980)**	(65,288)
Amount due to the MOF	**(591,534)**	(810,488)
Bonds issued	**(585,340)**	(114,023)
Others	**(28,112)**	(20,476)
Total	**(7,803,756)**	(3,697,619)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

11. Insurance costs

	Year ended December 31, 2013	2012
Reserves for insurance contracts	**(3,024,986)**	(4,785,722)
Interest credited and policyholder dividends	**(388,294)**	(321,925)
Refund of reinsurance premiums	**1,210,831**	2,211,984
Other insurance expenses	**(2,816,333)**	(1,794,397)
Total	**(5,018,782)**	(4,690,060)

12. Employee benefits

	Year ended December 31, 2013	2012
Wages or salaries, bonuses, allowances and subsidies	**(3,016,764)**	(2,681,439)
Staff welfare	**(119,963)**	(107,036)
Social insurance	**(344,913)**	(313,446)
Annuity Scheme	**(29,961)**	(28,360)
Housing funds	**(159,017)**	(146,430)
Labor union and staff education fees	**(96,788)**	(85,197)
Others	**(30,038)**	(55,656)
Total	**(3,797,444)**	(3,417,564)

13. Commission and fee expense

	Year ended December 31, 2013	2012
Insurance sales	**(682,603)**	(702,123)
Securities brokerage	**(88,301)**	(105,450)
Others	**(98,539)**	(93,165)
Total	**(869,443)**	(900,738)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

14. Impairment losses on assets

	Year ended December 31,	
	2013	2012
(Allowances)/reversal of impairment losses on assets		
— Distressed debt assets classified as receivables	**(1,501,093)**	(1,471,739)
— Debt securities classified as receivables	**2,253**	(17,887)
— Available-for-sale financial assets	**(4,006,986)**	(3,340,160)
— Loans and advances to customers	**(503,311)**	(266,853)
— Accounts receivable	**(7,220)**	835,351
— Investment properties	**—**	(1,798)
— Property and equipment	**—**	(13,185)
— Other assets	**(136,924)**	(324,680)
Total	**(6,153,281)**	(4,600,951)

15. Profit before tax

	Year ended December 31,	
	2013	2012
Profit before tax for the year has been arrived at after charging:		
Auditor's remuneration	**(19,820)**	(18,727)
Operating lease expenses	**(245,253)**	(235,523)
Depreciation of property and equipment	**(244,646)**	(229,825)
Depreciation of investment properties	**(106,913)**	(150,413)
Amortization	**(92,230)**	(68,873)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

16. Income tax expense

	Year ended December 31,	
	2013	2012
Current income tax:		
— PRC Enterprise Income Tax	**(3,967,973)**	(3,756,053)
— PRC Land Appreciation Tax ("LAT")	**(230,350)**	(115,561)
— Hong Kong Profits Tax	**(4,354)**	(41)
Over-provision in prior years:		
— PRC Enterprise Income Tax	**139,888**	33,217
Subtotal	**(4,062,789)**	(3,838,438)
Deferred income tax		
— Current year (Note V.44)	**1,391,718**	1,459,711
Total	**(2,671,071)**	(2,378,727)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2012: 25%). A subsidiary of the Company set up in the Western Region (as defined in note V.69.1) of the PRC is taxed at 15% subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

16. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31,	
	2013	2012
Profit before tax	**11,772,043**	9,595,863
Income tax calculated at the tax rate of 25%	**(2,943,011)**	(2,398,966)
Tax effect of expenses not deductible for tax purpose (1)	**(206,601)**	(75,404)
Tax effect of income not taxable for tax purpose (2)	**573,047**	417,278
Tax effect of share of results of associates	**125,065**	153,066
Effect of tax losses not recognized	**(284,082)**	(458,972)
Effect of utilization of tax losses not previously recognized	**61,961**	43,746
LAT	**(230,350)**	(115,561)
Tax effect of LAT	**57,588**	28,890
Over-provision in prior years (3)	**139,888**	33,217
Effect of different tax rates of subsidiaries	**35,424**	(6,021)
Income tax expense	**(2,671,071)**	(2,378,727)

(1) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(2) Income not taxable for tax purpose mainly include interest income on treasury bonds and dividend income.

(3) The amount mainly arises from a subsidiary of the Company set up in the Western Region of the PRC reverses the income tax it previously provided for after obtaining the special approval from tax bureau on concessionary tax rate as detailed above and also the difference arising from the income tax expense recognized and the amount approved by relevant tax authorities of the Company and its subsidiaries.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

17. Earnings per share

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

	Year ended December 31, 2013	2012
Earnings:		
Profit attributable to equity holders of the Company	**9,027,278**	7,306,250
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**30,416,895**	28,859,113
Effect of dilutive potential ordinary shares — Over-allotment option (in thousand)	**41,531**	N/A
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**30,458,426**	N/A
Basic earnings per share (RMB Yuan)	**0.30**	0.25
Diluted earnings per share (RMB Yuan)	**0.30**	N/A

There was no potential ordinary share outstanding during the year of 2012.

18. Dividends

	Notes	Year ended December 31, 2013	2012
Special dividend	(1)	**1,202,804**	—
Final dividend for 2012	(2)	**1,613,059**	—
Final dividend for 2011	(3)	**—**	1,806,410
		2,815,863	1,806,410

V. EXPLANATORY NOTES (continued)

18. Dividends (continued)

Dividends recognized as distribution during the year:

(1) Distribution of Special Dividend

At the second extraordinary general meeting for 2013 held on August 5, 2013, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the reporting periods of the financial information included in the prospectus of the initial public offering to the last day of the month immediately prior to the completion of its initial public offering (the “Special Dividend Period”) (the “Special Dividend”) in an amount equal to the audited net profit of the Company for the Special Dividend Period, after the required appropriations to the statutory reserve and the general reserve (“Distributable Profits”). The Company’s Distributable Profits are determined in accordance with generally accepted accounting principles of the PRC (the “PRC GAAP”) and IFRSs, whichever is lower. Based on the audited Distributable Profits, a cash dividend of RMB1,202.80 million in total was determined.

The above Special Dividend had been recognized as distribution during the year ended December 31, 2013.

(2) Distribution of final dividend for 2012

A cash dividend of RMB1,613.06 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on June 28, 2013.

The above dividend had been recognized as distribution during the year ended December 31, 2013.

(3) Distribution of final dividend for 2011

A cash dividend of RMB1,806.41 million in total for the year of 2011 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2011 as determined under the PRC GAAP, at the annual general meeting held on June 5, 2012.

The above dividend had been recognized as distribution during the year ended December 31, 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

19. Emoluments of directors and supervisors

	Year ended December 31, 2013				
	Fees	Remuneration[13]	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors					
HOU Jianhang	–	887	65	263	1,215
ZANG Jingfan[1]	–	817	62	253	1,132
ZHUANG Enyue[9]	–	396	31	121	548
XU Zhichao	–	793	63	244	1,100
Non-executive directors					
WANG Shurong[2]	–	–	–	–	–
YIN Boqin[2]	–	–	–	–	–
XIAO Yuping[2]	–	–	–	–	–
LI Yanping[2] [10]	–	–	–	–	–
LIU Xianghui[2][3]	–	–	–	–	–
LU Shengliang[2]	–	–	–	–	–
YUAN Hong[2][4]	–	–	–	–	–
Independent non-executive directors					
LI Xikui	250	–	–	–	250
QIU Dong	250	–	–	–	250
YUEN Tin Fan Francis[11]	140	–	–	–	140
CHANG Tso Tung Stephen[5]	63	–	–	–	63
XU Dingbo[5]	63	–	–	–	63
Supervisors					
CHEN Weizhong	–	808	63	249	1,120
DONG Juan	200	–	–	–	200
ZHANG Guoying[6]	10	–	–	–	10
WU Deqiao[6]	10	–	–	–	10
WANG Ting[7]	10	–	–	–	10
LIU Xianghui[3][12]	–	–	–	–	–
LIN Jian[8]	10	–	–	–	10
WEI Jianhui[8]	10	–	–	–	10
	1,016	3,701	284	1,130	6,131

V. EXPLANATORY NOTES (continued)

19. Emoluments of directors and supervisors (continued)

(1) Zang Jingfan is also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(2) These non-executive directors did not receive any fees from the Company during the year.

(3) Liu Xianghui ceased to be non-executive director in June 2013 and was appointed as external supervisor in June 2013.

(4) Yuan Hong was appointed as non-executive director in June 2013.

(5) Chang Tso Tung Stephen and Xu Dingbo were appointed as independent non-executive directors in June 2013. The amounts only included fees for their services as independent non-executive directors.

(6) Zhang Guoying and Wu Deqiao ceased to be employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.

(7) Wang Ting ceased to be shareholder representative supervisor in June 2013. The amounts only included fee for her services as shareholder representative supervisor.

(8) Lin Jian and Wei Jianhui were appointed as employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.

(9) Zhuang Enyue ceased to be executive director in June 2013. The amount only included emolument for his services as executive director.

(10) Li Yanping ceased to be non-executive director in June 2013.

(11) Yuen Tin Fan Francis ceased to be independent non-executive director in June 2013. The amount only included fee for his services as independent non-executive director.

(12) Liu Xianghui did not receive any fee as external supervisor from the Company during the year.

(13) Remuneration includes salaries and bonuses.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

19. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2012				
	Fees	Remuneration[8]	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors					
HOU Jianhang	–	1,682	57	214	1,953
ZANG Jingfan[1]	–	1,506	55	205	1,766
ZHUANG Enyue	–	1,450	54	201	1,705
XU Zhichao	–	1,458	54	202	1,714
Non-executive directors					
WANG Shurong[2]	–	–	–	–	–
YIN Boqin[2]	–	–	–	–	–
XIAO Yuping[2]	–	–	–	–	–
LI Yanping[2]	–	–	–	–	–
LIU Xianghui[2]	–	–	–	–	–
LU Shengliang[2][3]	–	–	–	–	–
Independent non-executive directors					
LI Xikui	250	–	–	–	250
QIU Dong	250	–	–	–	250
YUEN Tin Fan Francis[4]	63	–	–	–	63
Supervisors					
CHEN Weizhong	–	1,480	55	204	1,739
DONG Juan	200	–	–	–	200
ZHANG Guoying[5][7]	20	–	–	–	20
WANG Ting[6]	20	–	–	–	20
WU Deqiao[7]	20	–	–	–	20
	823	7,576	275	1,026	9,700

V. EXPLANATORY NOTES (continued)

19. Emoluments of directors and supervisors (continued)

(1) Zang Jingfan is also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(2) These non-executive directors did not receive any fees from the Company during the year.

(3) Lu Shengliang was appointed as non-executive director in June 2012.

(4) Yuen Tin Fan Francis was appointed as independent non-executive director in October 2012.

(5) Zhang Guoying was appointed as employee representative supervisor in February 2012.

(6) Wang Ting was appointed as shareholder representative supervisor in May 2012.

(7) The amounts only included fees for their services as employee representative supervisors.

(8) Remuneration includes salaries and bonuses.

The total compensation packages for the above executive directors, supervisors and Chief Executive for the year ended December 31, 2013 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in note V.20 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)

V. EXPLANATORY NOTES (continued)

20. Key management personnel and five highest paid individuals

(1) Key management personnel

Group

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services excluding the directors, supervisors and Chief Executive whose details have been reflected in note V.19 is as follows:

	Year ended December 31,	
	2013	2012
Emoluments of key management personnel		
— Remuneration	**9,202**	9,944
— Employer's contribution to pension scheme	**616**	370
— Other benefits in kind	**2,588**	1,210
Total (before tax)	**12,406**	11,524

The total compensation packages for the above key management personnel for the year ended December 31, 2013 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 number of key management personnel whose emoluments within the following bands is as follows:

	Year ended December 31,	
	2013	2012
RMB500,001 to RMB1,000,000[i]	**3**	—
RMB1,000,001 to RMB1,500,000	**7**	—
RMB1,500,001 to RMB2,000,000	**—**	7
RMB2,500,001 to RMB3,000,000	**1**	—
	11	7

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

20. Key management personnel and five highest paid individuals

(1) Key management personnel (continued)

(i) The three key management personnel whose emoluments level were between RMB500,001 and RMB1,000,000 were not in office for the entire year ended December 31, 2013, the emoluments disclosed were salaries for their tenure at the Group.

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended December 31, 2013 were as follows:

	Year ended December 31,	
	2013	2012
Remuneration	**14,741**	21,291
Employer's contribution to pension scheme	**183**	164
Other benefits in kind	**588**	574
Total (before tax)	**15,512**	22,029

Among the five individuals with the highest emoluments in the Group, none of them was director.

The number of these five individuals whose emoluments within the following bands is as follows:

	Year ended December 31,	
	2013	2012
RMB2,000,001 to RMB2,500,000	**4**	—
RMB3,500,001 to RMB4,000,000	**—**	2
RMB4,000,001 to RMB4,500,000	**—**	2
RMB5,500,001 to RMB6,000,000	**—**	1
RMB6,000,001 to RMB6,500,000	**1**	—
	5	5

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

21. Cash and bank balances

Group

	As at December 31,	
	2013	2012
Cash	**3,358**	3,982
Bank balances		
— House accounts	**52,588,913**	38,303,096
— Cash held on behalf of clients	**4,466,836**	4,419,210
Total	**57,059,107**	42,726,288
Including:		
Restricted bank balances	**9,936,264**	13,783,176
— including pledged bank deposits	**732,000**	1,200,000

Company

	As at December 31,	
	2013	2012
Cash	**689**	675
Bank balances		
— House accounts	**30,659,935**	18,499,654
Total	**30,660,624**	18,500,329

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

22. Clearing settlement funds

Group

	As at December 31,	
	2013	2012
Clearing settlement funds held with clearing houses for:		
— House accounts	**149,816**	100,591
— Clients	**1,387,613**	1,216,019
held with commodity and futures exchanges for:		
— Clients	**170,430**	209,234
Total	**1,707,859**	1,525,844
Including:		
Restricted clearing settlement funds	**1,558,043**	1,425,253

As at December 31, 2013 and 2012, 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.

The Company had no balance in clearing settlement funds at the end of 2013 and 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and a financial institution

Group

	As at December 31,	
	2013	2012
Shanghai Stock Exchange	**18,795**	4,914
Shenzhen Stock Exchange	**14,673**	108,830
Hong Kong Stock Exchange	**4,004**	445
China Securities Finance Corporation Limited	**123,961**	—
Shanghai Futures Exchange	**124,293**	160,424
China Financial Futures Exchange	**242,107**	293,819
Hong Kong Futures Exchange	**1,463**	3,023
Dalian Commodity Exchange	**251,984**	266,381
Zhengzhou Commodity Exchange	**49,793**	69,390
Total	**831,073**	907,226

The Company had no deposits with exchanges and a financial institution at the end of 2013 and 2012.

24. Placements with banks and a financial institution

Group

	As at December 31,	
	2013	2012
Placements with a financial institution	**290,000**	—
Placements with banks	**—**	2,000,000
Total	**290,000**	2,000,000

Company

	As at December 31,	
	2013	2012
Placements with a financial institution and a subsidiary	**640,000**	—
Placements with banks	**—**	2,000,000
Total	**640,000**	2,000,000

The placements with banks and a financial institution as at December 31, 2013 and 2012 were repayable within three months after the end of the reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss

Group

	As at December 31,	
	2013	2012
Held-for-trading financial assets		
Debt securities		
— Public sector and quasi-government bonds	**1,646,201**	760,153
— Financial institution bonds	**—**	25,793
— Corporate bonds	**2,450,365**	3,368,856
	4,096,566	4,154,802
Equity instruments listed or traded on exchanges	**735,989**	813,105
Mutual funds	**1,097,289**	1,380,055
Derivatives	**18,083**	19,468
Subtotal	**5,947,927**	6,367,430

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

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

Group (continued)

	Note	As at December 31, **2013**	2012
Financial assets designated as at fair value through profit or loss			
Distressed debt assets		**16,391,690**	7,960,200
Financial institution convertible bonds		**947,024**	946,017
Corporate convertible bonds		**106,677**	72,752
Wealth management products		**1,218,363**	1,246,869
Unlisted equity instruments		**566,817**	329,705
Subtotal		**19,230,571**	10,555,543
Total		**25,178,498**	16,922,973
Analyzed as:			
Listed in Hong Kong		**262,817**	295,372
Listed outside Hong Kong	(1)	**6,297,453**	6,943,810
Unlisted		**18,618,228**	9,683,791
Total		**25,178,498**	16,922,973
Including:			
Debt securities analyzed as:			
Listed in Hong Kong		**28,226**	57,614
Listed outside Hong Kong	(1)	**4,068,340**	4,097,188
Total		**4,096,566**	4,154,802
Held-for-trading equity instruments analyzed as:			
Listed in Hong Kong		**234,591**	237,758
Listed outside Hong Kong		**501,398**	575,347
Total		**735,989**	813,105

(1) Debt securities listed outside Hong Kong included those traded in interbank market in China.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

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

Company

	As at December 31,	
	2013	2012
Held-for-trading financial assets		
Derivatives	**–**	19,468
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**16,784,112**	8,022,197
Unlisted equity instruments	**–**	138,564
Investment fund[(1)]	**635,281**	600,000
Total	**17,419,393**	8,780,229
Analyzed as:		
Unlisted	**17,419,393**	8,780,229

(1) This represents investment fund issued by a subsidiary of the Company.

26. Financial assets held under resale agreements

Group

	As at December 31,	
	2013	2012
By collateral type:		
Bonds	**568,683**	49,701
Equity instruments	**484,844**	7,531
Total	**1,053,527**	57,232

The Company had no financial assets held under resale agreements at the end of 2013 and 2012.

According to the resale agreements, the Group can resell or repledge certain financial assets that it received as collateral in the absence of default by their owners. As at December 31, 2013, the Group had received securities with a fair value of approximately RMB1,848.51 million (December 31, 2012: RMB74.13 million) that the Group can resell or repledge. The Group did not repledge any of such securities at the end of 2013 and 2012. The Group has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

27. Available-for-sale financial assets

Group

	Notes	As at December 31, 2013	2012
Debt securities			
— Government bonds		**73,081**	—
— Public sector and quasi-government bonds		**4,479,842**	3,229,605
— Financial institution bonds		**1,647,823**	1,997,819
— Corporate bonds		**4,537,896**	2,770,740
Subtotal		**10,738,642**	7,998,164
Equity instruments		**44,767,005**	50,441,494
Debt instruments issued by financial institutions and asset management plans	(1)	**9,404,230**	—
Funds		**4,541,891**	3,705,067
Wealth management products		**1,273,424**	980,000
Rights to trust assets		**1,073,250**	1,073,250
Trust products		**839,929**	158,004
Others		**108,784**	20,586
Total		**72,747,155**	64,376,565
Analyzed as:			
Listed in Hong Kong		**187,538**	214,445
Listed outside Hong Kong	(2)	**18,960,655**	20,816,414
Unlisted	(3)	**53,598,962**	43,345,706
Total		**72,747,155**	64,376,565

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

27. Available-for-sale financial assets (continued)

Group (continued)

	Notes	As at December 31, 2013	As at December 31, 2012
Including:			
Debt securities analyzed as:			
Listed outside Hong Kong	(2)	**10,738,642**	7,998,164
Equity instruments analyzed as:			
Listed in Hong Kong		**187,538**	214,445
Listed outside Hong Kong		**7,195,236**	11,098,404
Unlisted		**37,384,231**	39,128,645
Total		**44,767,005**	50,441,494
Including:			
Debt securities pledged for borrowings		**182,469**	334,776

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

27. Available-for-sale financial assets (continued)

Company

	Notes	As at December 31, 2013	2012
Equity instruments		**41,035,352**	46,985,078
Debt instruments issued by financial institutions	(1)	**8,502,079**	—
Funds		**1,413,347**	924,860
Others		**99,564**	—
Total		**51,050,342**	47,909,938
Analyzed as:			
Listed outside Hong Kong	(2)	**5,524,665**	9,152,044
Unlisted	(3)	**45,525,677**	38,757,894
Total		**51,050,342**	47,909,938
Including:			
Equity instruments analyzed as:			
Listed outside Hong Kong		**5,524,665**	9,152,044
Unlisted		**35,510,687**	37,833,034
Total		**41,035,352**	46,985,078

The Company had no available-for-sale financial assets pledged as securities for borrowings at the end of each reporting period.

(1) Debt instruments issued by financial institutions and asset management plans mainly include asset management plan and asset portfolios with inter-bank assets as underlying assets.

(2) Debt securities listed outside Hong Kong included those traded in interbank market in China.

(3) Included in the balances are amounts of equity instruments, funds and other financial assets of RMB39,599.55 million and RMB40,225.81 million of the Group and RMB36,924.04 million and RMB38,757.90 million of the Company as at December 31, 2013 and 2012, respectively, that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Financial assets classified as receivables

Group

	As at December 31,	
	2013	2012
Distressed debt assets		
— Loans acquired from financial institutions	**36,512,891**	19,294,465
— Accounts receivable acquired from non-financial institutions	**64,400,286**	30,256,028
	100,913,177	49,550,493
Less: Allowance for impairment losses		
— Individually assessed	**(194,228)**	(179,974)
— Collectively assessed	**(2,748,380)**	(1,302,331)
	(2,942,608)	(1,482,305)
Subtotal	**97,970,569**	48,068,188
Debt securities		
— Trust products	**2,329,000**	2,637,000
— Certificate treasury bonds	**142,700**	292,700
— Others	**230,000**	215,119
	2,701,700	3,144,819
Less: Allowance for impairment losses		
— Individually assessed	**(5,671)**	(17,887)
Subtotal	**2,696,029**	3,126,932
Structured debt arrangements[(1)]	**15,996,099**	—
Total	**116,662,697**	51,195,120

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Financial assets classified as receivables (continued)

Company

	As at December 31,	
	2013	2012
Distressed debt assets		
— Loans acquired from financial institutions	**36,512,891**	19,294,465
— Accounts receivable acquired from non-financial institutions	**64,400,286**	30,256,028
	100,913,177	49,550,493
Less: Allowance for impairment losses		
— Individually assessed	**(194,228)**	(179,974)
— Collectively assessed	**(2,748,380)**	(1,302,331)
	(2,942,608)	(1,482,305)
Subtotal	**97,970,569**	48,068,188
Structured debt arrangements[(1)]	**15,996,099**	—
Total	**113,966,668**	48,068,188

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Financial assets classified as receivables (continued)

Movements of allowance for impairment losses during the years are:

Group

	2013 Individually assessed allowance	2013 Collectively assessed allowance	2013 Total
As at January 1	**197,861**	**1,302,331**	**1,500,192**
Impairment losses recognized	**216,657**	**1,895,046**	**2,111,703**
Impairment losses reversed	**(163,866)**	**(448,997)**	**(612,863)**
Unwinding of discount on allowance	**(50,753)**	**—**	**(50,753)**
As at December 31	**199,899**	**2,748,380**	**2,948,279**

	2012 Individually assessed allowance	2012 Collectively assessed allowance	2012 Total
As at January 1	20,000	—	20,000
Impairment losses recognized	187,295	1,302,331	1,489,626
Unwinding of discount on allowance	(9,434)	—	(9,434)
As at December 31	197,861	1,302,331	1,500,192

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Financial assets classified as receivables (continued)

Company

	2013 Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	**179,974**	**1,302,331**	**1,482,305**
Impairment losses recognized	**216,657**	**1,895,046**	**2,111,703**
Impairment losses reversed	**(161,612)**	**(448,997)**	**(610,609)**
Unwinding of discount on allowance	**(40,791)**	**—**	**(40,791)**
As at December 31	**194,228**	**2,748,380**	**2,942,608**

	2012 Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	20,000	—	20,000
Impairment losses recognized	169,408	1,302,331	1,471,739
Unwinding of discount on allowance	(9,434)	—	(9,434)
As at December 31	179,974	1,302,331	1,482,305

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Loans and advances to customers

Group

	As at December 31,	
	2013	2012
Loans to customers		
— Unsecured loans	**50,000**	288,103
— Loans secured by properties	**4,132,636**	3,109,294
— Other secured loans	**1,445,442**	461,715
Loans to margin clients	**2,750,848**	447,662
Finance lease receivables	**25,700,934**	18,003,442
Entrusted loans	**15,498,258**	3,169,747
Subtotal	**49,578,118**	25,479,963
Less: Allowance for impairment losses		
— Individually assessed	**(172,402)**	(83,974)
— Collectively assessed	**(769,354)**	(354,471)
Subtotal	**(941,756)**	(438,445)
Total	**48,636,362**	25,041,518

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Loans and advances to customers (continued)

Group (continued)

Finance lease receivables are analyzed as follows:

	As at December 31,	
	2013	2012
Minimum finance lease receivables:		
Within 1 year (inclusive)	**10,600,630**	6,623,994
1 year to 5 years (inclusive)	**18,177,621**	13,554,153
Over 5 years	**527,752**	598,272
Gross investment in finance leases	**29,306,003**	20,776,419
Less: Unearned finance income	**(3,605,069)**	(2,772,977)
Net investment in finance leases	**25,700,934**	18,003,442
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**8,989,855**	5,502,529
1 year to 5 years (inclusive)	**16,256,892**	12,017,830
Over 5 years	**454,187**	483,083
Total	**25,700,934**	18,003,442
Including:		
Finance lease receivables pledged for borrowings	**2,320,547**	401,635

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Loans and advances to customers (continued)

Group (continued)

The movements of allowance for loans and advances to customers during the years are:

	2013		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**83,974**	**354,471**	**438,445**
Impairment losses recognized	**107,919**	**414,883**	**522,802**
Impairment losses reversed	**(19,491)**	**—**	**(19,491)**
As at December 31	**172,402**	**769,354**	**941,756**

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	—	171,592	171,592
Impairment losses recognized	83,974	182,879	266,853
As at December 31	83,974	354,471	438,445

The Company had no loans and advances to customers at the end of 2013 and 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31,	
	2013	2012
Accounts receivable relating to distressed assets[(1)]	**5,555,211**	4,197,492
Accounts receivable from sales of properties	**372,101**	230,659
Insurance premium and reinsurance refund receivables	**170,843**	384,449
Due from brokerage clients and securities companies	**150,349**	301,311
Commission and fee receivable	**25,024**	35,235
Others	**301,071**	226,697
Subtotal	**6,574,599**	5,375,843
Less: Allowance for impairment loss	**(125,655)**	(118,550)
Total	**6,448,944**	5,257,293

Company

	As at December 31,	
	2013	2012
Accounts receivable relating to distressed assets[(1)]	**5,555,211**	4,197,492
Others	**172,520**	165,677
Subtotal	**5,727,731**	4,363,169
Less: Allowance for impairment loss	**(80,111)**	(80,111)
Total	**5,647,620**	4,283,058

(1) The balance include three material items that account for the majority portion of the balances. The first item is due from China Orient Asset Management Corporation as consideration receivable from disposal of a distressed asset portfolio prior to 2010. In accordance with the repayment agreement, the outstanding balance of the accounts receivable bears interest at 2.25% per annum from December 2009 onwards. The balance will be settled no later than December 31, 2014. The carrying amounts of the outstanding balances as at December 31, 2012 and 2013 were RMB1,752.77 million and RMB1,080.07 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

Another item represents outstanding amount of RMB840.00 million due from China Galaxy Investment Management Co., Ltd. ("Galaxy"). In 2012, the Company entered into a restructuring agreement with Galaxy where the original debt was extinguished and a new repayment plan was agreed. Galaxy repaid RMB200.00 million in 2012 and RMB320.00 million in 2013 with the remaining RMB320.00 million to be settled over the next year payable semi-annually with equal amount and non-interest bearing. The carrying amount of the outstanding balances as at December 31, 2012 and December 31, 2013 were approximately RMB539.78 million and RMB288.60 million respectively.

The third item represents outstanding amount of RMB1,900.00 million due from State-Owned Asset Supervision and Administration Commission of the People's Government of Hebei Province (the "HBSA"). On May 9, 2013, the Company entered into an agreement with the HBSA to dispose of its 26.45% shares of Kai Luan (Group) Co., Ltd. to the HBSA at a consideration of RMB3,800.00 million. The HBSA repaid RMB1,900.00 in 2013 with the remaining RMB1,900.00 to be settled no later than December 31, 2014. The remaining balance bears interest at the PBOC benchmark borrowing interest rate of the same period from July 1, 2013 onwards.

Ageing analysis of:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31,							
	2013				2012			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**2,501,329**	**45**	**–**	**2,501,329**	1,771,068	42	–	1,771,068
1 year to 2 years (inclusive)	**1,546,668**	**28**	**–**	**1,546,668**	–	–	–	–
2 years to 3 years (inclusive)	**–**	**–**	**–**	**–**	–	–	–	–
Over 3 years	**1,507,214**	**27**	**(80,111)**	**1,427,103**	2,426,424	58	(80,111)	2,346,313
Total	**5,555,211**	**100**	**(80,111)**	**5,475,100**	4,197,492	100	(80,111)	4,117,381

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

Accounts receivable from sales of properties

Group

	As at December 31,							
	2013				2012			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**340,658**	**92**	**–**	**340,658**	192,093	83	(36)	192,057
1 year to 2 years (inclusive)	**11,175**	**3**	**(559)**	**10,616**	13,568	6	(77)	13,491
2 years to 3 years (inclusive)	**695**	**–**	**(104)**	**591**	1,361	1	(311)	1,050
Over 3 years	**19,573**	**5**	**(8,002)**	**11,571**	23,637	10	(10,233)	13,404
Total	**372,101**	**100**	**(8,665)**	**363,436**	230,659	100	(10,657)	220,002

No ageing analysis is disclosed on items such as insurance premium and reinsurance refund receivables and due from brokerage clients and securities companies as they are all current. Other items are considered insignificant. In the opinion of the directors of the Company, ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

Movements of allowance for impairment loss during the years are:

Group

	Year ended December 31,	
	2013	2012
At beginning of the year	**118,550**	954,022
Impairment losses recognized	**7,873**	5,433
Impairment losses reversed	**(653)**	(840,784)
Amounts written off as uncollectible	**(115)**	(121)
At end of the year	**125,655**	118,550

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

Accounts receivable from sales of properties (continued)

Company

	Year ended December 31,	
	2013	2012
At beginning of the year	**80,111**	920,130
Impairment losses reversed	**—**	(840,019)
At end of the year	**80,111**	80,111

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover majority portion of the amounts due from subsidiaries within one year from the end of 2013 and 2012.

32. Held-to-maturity investments

Group

	As at December 31,	
	2013	2012
Debt securities		
— Public sector and quasi-government bonds	**4,511,154**	4,460,953
— Financial institution bonds	**2,262,411**	2,341,963
— Corporate bonds	**818,733**	540,358
Total	**7,592,298**	7,343,274

Company

	As at December 31,	
	2013	2012
Debt securities		
— Financial institution bonds	**499,928**	210,000

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

32. Held-to-maturity investments (continued)

All held-to-maturity investments held by the Group and the Company are traded in interbank market in China which are classified as listed outside Hong Kong. The fair values are disclosed in note V.70.1 that are derived from quoted market prices.

33. Properties held for sale

Group

	As at December 31,	
	2013	2012
Completed properties	**2,294,921**	1,717,363
Properties under development	**15,463,704**	12,060,419
Others	**31,229**	37,585
Total	**17,789,854**	13,815,367
Including:		
Pledged for borrowings	**8,486,484**	5,221,046

As at December 31, 2013 and 2012, included in the properties held for sale are amounts of RMB12,102.40 million and RMB12,645.79 million which represent 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 2013 and 2012.

34. Investment properties

Group

	Year ended December 31,	
	2013	2012
Cost		
At beginning of the year	**2,878,445**	2,982,298
Additions during the year	**3,101**	53,482
Transfer-in	**66,364**	188,492
Disposals	**(377,117)**	(334,169)
Disposal of subsidiaries	**—**	(11,658)
At end of the year	**2,570,793**	2,878,445

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

34. Investment properties (continued)

Group (continued)

	Year ended December 31,	
	2013	2012
Accumulated depreciation		
At beginning of the year	**(752,572)**	(618,497)
Charge for the year	**(106,913)**	(150,413)
Transfer-in	**6,158**	4,478
Disposals	**157,781**	10,014
Disposal of subsidiaries	**—**	1,846
At end of the year	**(695,546)**	(752,572)
Allowance for impairment losses		
At beginning of the year	**(26,179)**	(24,381)
Impairment losses recognized	**—**	(1,798)
Disposals	**8,902**	—
At end of the year	**(17,277)**	(26,179)
Net book value		
At beginning of the year	**2,099,694**	2,339,420
At end of the year	**1,857,970**	2,099,694
Net book value of investment properties pledged for borrowings	**1,374,731**	734,043

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

34. 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,	
	2013	2012
Held in Hong Kong:		
— on medium-term lease (10–50 years)	**284**	293
Held outside Hong Kong:		
— on long-term lease (over 50 years)	**737,479**	834,280
— on medium-term lease (10–50 years)	**1,115,825**	1,260,739
— on short-term lease (less than 10 years)	**4,382**	4,382
Subtotal	**1,857,686**	2,099,401
Total	**1,857,970**	2,099,694

As at December 31, 2013 and 2012, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB41.53 million and RMB247.49 million, respectively.

Company

	Year ended December 31,	
	2013	2012
Cost		
At beginning and end of the year	**429,667**	429,667
Accumulated depreciation		
At beginning of the year	**(39,355)**	(23,613)
Charge for the year	**(15,742)**	(15,742)
At end of the year	**(55,097)**	(39,355)
Net book value		
At beginning of the year	**390,312**	406,054
At end of the year	**374,570**	390,312

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

34. 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,	
	2013	2012
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**374,570**	390,312

The directors of the Company are of the opinion that the fair value of the investment properties of the Group and of the Company are not significantly different from their net book value as at the end of each reporting period.

35. Interests in subsidiaries

Company

	As at December 31,	
	2013	2012
At cost	**22,398,334**	20,823,220
Allowance for impairment losses	**—**	—
	22,398,334	20,823,220

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. 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, 2013 (In '000)	Proportion of ownership held by the Group As at December 31, 2013 %	2012 %	Proportion of voting rights held by the Group As at December 31, 2013 %	2012 %	Principal activities
CINDA Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
Well Kent International Investment Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HK$1,400,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Happy Life Insurance Co., Ltd.*[1]	Beijing, PRC	November 5, 2007	RMB3,897,043	**50.99**	53.32	**50.99**	53.32	Life insurance
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Industry investment
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	April 2, 1996	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
First State CINDA Fund Management Co., Ltd.*	Shenzhen, PRC	June 5, 2006	RMB100,000	**54.00**	54.00	**54.00**	54.00	Fund management
China Jingu International Trust Co., Ltd.*[2]	Beijing, PRC	September 15, 2004	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust
CINDA Property and Casualty Insurance Co., Ltd.*	Beijing, PRC	August 31, 2009	RMB3,000,000	**51.00**	51.00	**51.00**	51.00	Property and casualty insurance
CINDA Financial Leasing Co., Ltd.*[3]	Lanzhou, PRC	January 6, 2010	RMB2,001,489	**99.56**	99.36	**99.56**	99.36	Financial leasing
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HK$1,000	**100.00**	100.00	**100.00**	100.00	Investment holding
CINDA Real Estate Co., Ltd.[i]	Beijing, PRC	December 23, 2008	RMB1,524,260	**58.53**	58.53	**58.53**	58.53	Real estate development
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	October 10, 2010	RMB112,500	**100.00**	100.00	**100.00**	100.00	Investment holding
Sanya Horizon Industry Co., Ltd.	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd.[4][i]	Shanghai, PRC	July 27, 1991	RMB139,144	**41.02**	40.68	**41.02**	40.68	Real estate development
Shenzhen Jianxin Investment Development Co., Ltd.	Shenzhen, PRC	April 21, 1993	RMB40,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Hebei CINDA Jinjian Investment Co., Ltd.	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Real estate development
Jilin CINDA Jindu Industries Co., Ltd.	Changchun, PRC	March 18, 2008	RMB60,000	**100.00**	100.00	**100.00**	100.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. 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, 2013 (In '000)	Proportion of ownership held by the Group As at December 31, 2013 %	2012 %	Proportion of voting rights held by the Group As at December 31, 2013 %	2012 %	Principal activities
Yantai Jingdu Property Management Co., Ltd.	Yantai, PRC	April 28, 2004	RMB1,000	**71.71**	71.71	**80.00**	80.00	Property management
CINDA (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HK$10	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HK$0.002	**100.00**	100.00	**100.00**	100.00	Fund management
China CINDA (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HK$0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
Sinoday Limited[III]	The British Virgin Islands	July 3, 2007	USD0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HK$0.002	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP$100	**100.00**	100.00	**100.00**	100.00	Asset management
Beijing Yintai Property Management Co., Ltd.	Beijing, PRC	September 24, 1998	RMB10,000	**100.00**	100.00	**100.00**	100.00	Property management
CINDA Futures Co., Ltd.	Hangzhou, PRC	December 21, 2007	RMB300,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage
CINDA Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Henan Jinboda Investment Co., Ltd.[5]	Zhengzhou, PRC	November 28, 2013	RMB60,000	**100.00**	100.00	**100.00**	100.00	Property leasing
CINDA Capital Management Co., Ltd.	Tianjin, PRC	December 9, 2009	RMB100,000	**82.22**	82.22	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	June 9, 2009	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Dalian CINDA Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB111,110	**55.00**	55.00	**55.00**	55.00	Project investment
CINDA Equity Investment (Tianjin) Co., Ltd.[6]	Tianjin, PRC	December 29, 2011	RMB790,000	**49.15**	36.71	**49.15**	36.71	Private fund
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB200,000	**99.33**	99.33	**100.00**	100.00	Investment management
Guangxi Xintou Real Estate Co., Ltd.	Nanning, PRC	December 10, 2012	RMB30,000	**100.00**	100.00	**100.00**	100.00	Real estate development
CINDA Innovation Investment Co., Ltd.[7]	Beijing, PRC	August 20, 2013	RMB100,000	**99.33**	–	**100.00**	–	Project investment

V. EXPLANATORY NOTES (continued)

35. Interests in subsidiaries (continued)

Company (continued)

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.

* These subsidiaries are directly held by the Company.

(I) The shares of these subsidiaries are listed in mainland China.

(II) A subsidiary of this company named CINDA International Holdings Ltd. is listed in Hong Kong.

(1) The Company made an additional capital injection of RMB338.03 million and RMB884.69 million into Happy Life Insurance Co., Ltd. in December 2012 and April 2013, respectively. The Company's shareholding in this subsidiary remained at 53.32% after the capital injection in 2012, and increased to 61.59% after the capital injection in April 2013. In September 2013, the Company transferred 63,855,525 shares of the subsidiary to third party. Third party shareholders then made an capital injection of RMB850.00 million into Happy Life Insurance Co., Ltd. After the transaction and the capital injection, the Company's shareholding in this subsidiary decreased to 50.99%.

(2) The Company made an additional capital injection of RMB922.9 million into China Jingu International Trust Co., Ltd. in December 2013 and its registered and paid-in capital increased to RMB2,200 million. The Company's shareholding in this subsidiary remained at 92.29% after the capital injection.

(3) The Company made an additional capital injection of RMB1,000 million into CINDA Financial Leasing Co., Ltd. in October 2012. The Company's shareholding in this subsidiary increased to 99.36% after the capital injection. In February 2013, China Great Wall Asset Management Corporation transferred 3,974,249 shares to Zhongrun Economic Development Co., Ltd., another subsidiary of the Company at a consideration of RMB4,080 million. Therefore, the Group's shareholding in this subsidiary increased to 99.56% after the transfer of shares.

(4) The Group increased its investment in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") through purchase of additional shares in open market in 2013, with its shareholding increased from 40.68% to 41.02% accordingly. The shareholding percentage of other shareholders is widely dispersed and no other shareholders hold more than 10% shares of Shanghai Tongda. The Group is entitled to appoint 3 executive directors out of a total of 6 directors in the board of directors of Shanghai Tongda of which 2 are independent directors, so the Group can direct Shanghai Tongda's relevant activities, and it is accounted for as a subsidiary of the Company.

(5) Henan Jinboda Investment Co., Ltd. was formerly known as Henan Jinboda Development and Construction Corporation. On November 28, 2013, Jinboda Development and Construction Corporation was transformed to a limited liability company and its authorized capital increased from RMB8 million to RMB60 million.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. Interests in subsidiaries (continued)

Company (continued)

(6) CINDA Equity Investment (Tianjin) Co., Ltd. was set up in December 2011. Its total authorized capital is RMB790 million. As of December 31, 2013, the paid-in capital of this subsidiary by all shareholders amounted to RMB590 million. The Group increased the proportion of its contribution in 2013, and the Group's shareholding in this subsidiary increased from 36.71% as at December 31, 2012 to 49.15% as at December 31, 2013 accordingly. The Group is entitled to appoint 4 directors out of a total of 7 directors in the board of directors of this company, so the Group can direct this company's relevant activities, and it is accounted for as a subsidiary of the Company.

(7) CINDA Innovation Investment Co., Ltd. was set up in August 2013.

36. Non-controlling interests in the subsidiaries of the Group

The only subsidiary that has significant non-controlling interests to the Group is Cinda Real Estate Co., Ltd. General information about this subsidiary has been set out in note V.35. Summarized financial information about the subsidiary and its subsidiaries, before intra-group eliminations, is as follows:

	As at December 31,	
	2013	2012
Current assets	**22,365,580**	17,396,104
Non-current assets	**2,044,899**	2,167,952
Current liabilities	**9,442,225**	7,704,190
Non-current liabilities	**7,357,744**	4,734,978
Total equity	**7,610,510**	7,124,888
Non-controlling interests of the subsidiary	**3,425,511**	2,736,584

	Year ended December 31,	
	2013	2012
Total revenue	**4,479,506**	4,007,250
Profit before tax	**735,560**	855,506
Total comprehensive income	**715,036**	697,663
Profit attributable to non-controlling interests of the subsidiary during the year	**323,568**	328,590
Dividend distribution to non-controlling interests	**97,251**	37,899

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

36. Non-controlling interests in the subsidiaries of the Group (continued)

	Year ended December 31,	
	2013	2012
Net cash flow used in operating activities	**(3,205,034)**	(2,225,141)
Net cash flow from (used in) investing activities	**680,970**	(126,891)
Net cash flow from financing activities	**2,661,884**	2,671,773
Net cash flow	**137,820**	319,741

37. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans and wealth management products. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts and wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then 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 fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the wealth management products, trusts and 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 the wealth management products and trusts that is of such significance that it indicates that the Group is a principal. The wealth management products, trusts and asset management plans shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

37. 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 Dec 31, 2013 (In RMB '000)	Proportion of interests held by the Group As at December 31, 2013 %	2012 %	Principal activities
Ningbo Chunhong Investment Management Partnership (Limited Partnership)	3,130,000	**10.00**	—	Investment management
Ningbo Qiushi Investment Management Partnership (Limited Partnership)	6,305,100	**6.44**	6.00	Investment management
Shanghai Dongsheng Investment Management Partnership (Limited Partnership)	1,000,000	**100.00**	—	Investment management
Ningbo Datai Investment Partnership (Limited Partnership)	5,130,000	**18.72**	—	Investment management
Jinggu-Xiamen Xiangshan Yacht Beneficial Right Trust Plan	1,197,873	**29.86**	29.86	Trust

The financial impact of each of the private equity funds, trusts and wealth management products on the Group's financial position as at December 31, 2013 and 2012, and results and cash flows for the years ended December 31, 2013 and 2012, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB2,540.90 million and RMB1,553.85 million, at December 31, 2013 and 2012, respectively.

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated income statement and included in other liabilities in the consolidated statement of financial position as set out in note V.56.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

38. Interests in associates

Group

	As at December 31,	
	2013	2012
Carrying amount of unlisted investment	**8,961,606**	7,476,276
Allowance for impairment losses	**—**	—
Net carrying amounts	**8,961,606**	7,476,276

Company

	As at December 31,	
	2013	2012
Carrying amount of unlisted investment	**6,010,243**	4,973,530
Allowance for impairment losses	**—**	—
Net carrying amounts	**6,010,243**	4,973,530

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

38. Interests in associates (continued)

Details of the Group's principal associates are as follows:

			Proportion of equity interests held by the Group As at December 31,		Proportion of voting power held by the Group As at December 31,		
Name of entity	**Place of incorporation/ establishment**	**Authorized/ paid-in capital as at December 31, 2013 (In '000)**	**2013 %**	**2012 %**	**2013 %**	**2012 %**	**Principal activities**
Qinghai Salt Lake Industry Co., Ltd.[(1)]	Ge'ermu, PRC	RMB3,068,000	**7.27**	7.27	**7.27**	7.27	Material products
Bank of Xi'an Co., Ltd.	Xi'an, PRC	RMB3,000,000	**23.52**	23.52	**23.52**	23.52	Banking
Silver Grant International Industries Limited[(2)]	Hong Kong, PRC	HKD800,000	**19.54**	19.54	**19.54**	19.54	Asset management
Shenzhen Jianheheng Investment Co., Ltd.[(3)]	Shenzhen, PRC	RMB944,000	**40.00**	50.00	**40.00**	50.00	Investment holding
Ningbo Qinlun Investment Center (LP)[(4)]	Ningbo, PRC	RMB800,000	**20.75**	55.33	**42.86**	40.00	Industry investment
Ningbo Shanshan Hongfa Real Estate Co., Ltd.	Ningbo, PRC	RMB5,000	**45.00**	45.00	**45.00**	45.00	Real estate development
Hainan Jincui Real Estate Co., Ltd.	Haikou, PRC	RMB169,380	**35.00**	35.00	**35.00**	35.00	Real estate development
Huzhou Xinhua Real Estate Co., Ltd.	Huzhou, PRC	RMB100,000	**30.00**	30.00	**30.00**	30.00	Real estate development
Jiaxing Jingfang Real Estate Co., Ltd.	Jiaxing, PRC	RMB60,000	**49.00**	49.00	**49.00**	49.00	Real estate development
Shaoxing Yincheng Development and Construction Co., Ltd.	Shaoxing, PRC	RMB100,000	**35.00**	35.00	**35.00**	35.00	Real estate development
Beijing Xingya Real Estate Co., Ltd.	Beijing, PRC	RMB200,000	**20.00**	—	**20.00**	—	Real estate development
Shanghai Wangrong Real Estate Co., Ltd.	Shanghai, PRC	RMB300,000	**40.00**	—	**40.00**	—	Real estate development
Shenzhen ZhongLong Xinhe Investment Co., Ltd.	Shenzhen, PRC	RMB50,000	**49.00**	—	**49.00**	—	Real estate development
Longchuan Waitai Oil Camellia Development Co., Ltd.	Longchun, PRC	RMB48,445	**25.69**	—	**25.69**	—	Oil Camellia development

V. EXPLANATORY NOTES (continued)

38. Interests in associates (continued)

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The directors consider the associates results and net assets are insignificant to the Group individually and therefore do not disclose them separately.

(1) According to the company's articles of association, the board of directors is the company's daily financial and operating decision-making body. The Group can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake Industry Co., Ltd. by nominating a director to this company. The Group accounts for this investment by equity method as an associate.

(2) The Group has nominated 2 directors out of a total of 6 directors on the board and can exercise significant influence on the financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

(3) Shenzhen Jianheheng Investment Co., Ltd. was set up on March 22, 2012. As at December 31, 2013, the Group holds 50% shares of this company and can exercise significant influence on the financial and operating policy of this company. The Group accounts for this investment by equity method as an associate.

(4) Ningbo Qinlun Investment Center (LP) was set up in 2012. The Group initially held 55.33% shares and 40% voting power of this partnership and had 2 seats out of a total of 5 seats in the Investment Decision Committee in 2012 according to the partnership agreement. After additional capital contribution by partners in 2013, the Group held 20.75% shares and had 3 seats out of a total of 7 seats in the Investment Decision Committee according to the partnership agreement, therefore holding 42.86% of voting power. The Group can exercise significant influence on the financial and operating policy of this partnership but cannot control it. The Group accounts for this investment by equity method as an associate.

39. Interests in unconsolidated structured entities

Structured entities the Group served as general partner, manager or trustee, therefore had power over them during the year include trust plans, private equity funds, mutual funds,wealth management products and asset management plans. Except for the structured entities the Group has consolidated as detailed in note V.37, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The size of unconsolidated trust plans managed by the Group amounted to RMB1,441.38 million and RMB621.58 million as at December 31, 2013 and 2012, respectively. The size of unconsolidated wealth management products managed by the Group amounted to RMB2,623.30 million and RMB nil as at December 31, 2013 and 2012, respectively. The size of unconsolidated mutual funds managed by the Group amounted to RMB275.70 million as at December 31, 2013 and 2012. The size of unconsolidated asset management plans managed by the Group amounted to RMB30.27 million and RMB nil as at December 31, 2013 and 2012, respectively. The Group classified the investments in these unconsolidated trust plans, wealth management products, mutual funds and asset management plans as available-for-sale financial assets and financial assets at fair value through profit or loss as at December 31, 2013, as appropriate. The Group's interests in and exposure to these trust plans, wealth management products, mutual funds and asset management plans are not significant.

The carrying amount of the Group's investments in unconsolidated private equity funds are classified as interests in associates and available-for-sale financial assets and amounted to RMB1,308.40 million and RMB200.05 million as at December 31, 2013 and 2012, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

40. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Additions	206,239	94,255	55,255	17,957	230,363	604,069
Disposal of subsidiaries	(58,106)	–	(1,086)	(1,574)	–	(60,766)
Disposals	(15,847)	(17,356)	(24,359)	(13,057)	(700)	(71,319)
Transfer	201,268	17,094	17,619	–	(235,981)	–
Transfer-out	(27,444)	–	–	–	(98,732)	(126,176)
As at December 31, 2013	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Accumulated depreciation						
As at January 1, 2013	(693,610)	(72,758)	(340,186)	(144,859)	–	(1,251,413)
Charge for the year	(97,262)	(31,866)	(77,228)	(38,290)	–	(244,646)
Disposal of subsidiaries	5,584	–	826	954	–	7,364
Disposals	4,448	14,289	20,539	7,285	–	46,561
Transfer-out	(1,703)	–	–	–	–	(1,703)
As at December 31, 2013	(782,543)	(90,335)	(396,049)	(174,910)	–	(1,443,837)
Allowance for impairment losses						
As at January 1, 2013	(19,809)	(16)	–	(481)	–	(20,306)
Disposals	–	–	–	17	–	17
As at December 31, 2013	(19,809)	(16)	–	(464)	–	(20,289)
Net book value						
As at January 1, 2013	2,677,458	59,902	203,590	179,747	346,097	3,466,794
As at December 31, 2013	2,894,635	136,318	195,156	153,039	241,047	3,620,195
Including:						
Net book value of assets pledged as at December 31, 2013	152,846	–	–	–	–	152,846

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

40. Property and equipment (continued)

Group (continued)

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	3,675,581	142,007	524,653	329,446	263,079	4,934,766
Acquisition of subsidiaries	8,843	327	183	1,739	–	11,092
Additions	222,459	32,507	55,716	46,030	121,786	478,498
Disposal of subsidiaries	(305,663)	(9,455)	(4,013)	(11,840)	–	(330,971)
Disposals	(20,249)	(33,208)	(32,778)	(40,288)	(22,238)	(148,761)
Transfer	119	498	15	–	(632)	–
Transfer-out	(190,213)	–	–	–	(15,898)	(206,111)
As at December 31, 2012	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Accumulated depreciation						
As at January 1, 2012	(675,159)	(78,001)	(290,843)	(151,176)	–	(1,195,179)
Charge for the year	(85,241)	(27,047)	(81,495)	(36,042)	–	(229,825)
Disposal of subsidiaries	61,667	9,455	1,740	8,438	–	81,300
Disposals	9,098	22,835	30,412	33,921	–	96,266
Transfer-out	(3,975)	–	–	–	–	(3,975)
As at December 31, 2012	(693,610)	(72,758)	(340,186)	(144,859)	–	(1,251,413)
Allowance for impairment losses						
As at January 1, 2012	(6,624)	(16)	–	(578)	–	(7,218)
Provided for the year	(13,185)	–	–	–	–	(13,185)
Disposals	–	–	–	97	–	97
As at December 31, 2012	(19,809)	(16)	–	(481)	–	(20,306)
Net book value						
As at January 1, 2012	2,993,798	63,990	233,810	177,692	263,079	3,732,369
As at December 31, 2012	2,677,458	59,902	203,590	179,747	346,097	3,466,794
Including:						
Net book value of assets pledged as at December 31, 2012	343,375	–	–	–	–	343,375

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

40. Property and equipment (continued)

Group (continued)

As at December 31, 2013 and 2012, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB14.16 million and RMB6.10 million, respectively.

As at December 31, 2013 and 2012, the Group's property and equipment which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB760.61 million and RMB845.57 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,	
	2013	2012
Held in Hong Kong:		
— on long-term lease (over 50 years)	**322**	335
— on medium-term lease (10–50 years)	**1,924**	3,985
Subtotal	**2,246**	4,320
Held outside Hong Kong:		
— on long-term lease (over 50 years)	**12,235**	47,082
— on medium-term lease (10–50 years)	**2,876,186**	2,622,584
— on short-term lease (less than 10 years)	**3,968**	3,472
Subtotal	**2,892,389**	2,673,138
Total	**2,894,635**	2,677,458

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

40. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	213	704	180,352	109,411	35,592	326,272
Additions	202,061	4	27,017	9,671	240,656	479,409
Disposals	–	(269)	(5,819)	(9,636)	(25,477)	(41,201)
As at December 31, 2013	202,274	439	201,550	109,446	250,771	764,480
Accumulated depreciation						
As at January 1, 2013	(53)	(446)	(112,782)	(50,106)	–	(163,387)
Charge for the year	(7)	(65)	(26,941)	(12,215)	–	(39,228)
Disposals	–	261	4,958	6,159	–	11,378
As at December 31, 2013	(60)	(250)	(134,765)	(56,162)	–	(191,237)
Net book value						
As at January 1, 2013	160	258	67,570	59,305	35,592	162,885
As at December 31, 2013	202,214	189	66,785	53,284	250,771	573,243

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

40. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	269	649	179,731	122,014	13,789	316,452
Additions	–	55	22,658	18,409	44,041	85,163
Disposals	(56)	–	(22,037)	(31,012)	(22,238)	(75,343)
As at December 31, 2012	213	704	180,352	109,411	35,592	326,272
Accumulated depreciation						
As at January 1, 2012	(55)	(392)	(108,405)	(65,449)	–	(174,301)
Charge for the year	(54)	(54)	(24,415)	(10,540)	–	(35,063)
Disposals	56	–	20,038	25,883	–	45,977
As at December 31, 2012	(53)	(446)	(112,782)	(50,106)	–	(163,387)
Net book value						
As at January 1, 2012	214	257	71,326	56,565	13,789	142,151
As at December 31, 2012	160	258	67,570	59,305	35,592	162,885

As at December 31, 2013 and 2012, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB2.46 million and RMB1.63 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,	
	2013	2012
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**202,214**	160

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Goodwill

Group

	Note	Year ended December 31, **2013**	2012
Cost			
At beginning of the year		**1,482,390**	1,482,368
Disposal of subsidiaries		**(34,250)**	—
Foreign exchange difference		**(3,620)**	22
At end of the year		**1,444,520**	1,482,390
Impairment			
At beginning/end of the year	(1)	**(1,120,799)**	(1,120,799)
Net book values			
At beginning of the year		**361,591**	361,569
At end of the year		**323,721**	361,591

(1) Related goodwill arose from the acquisition of a company by one of the subsidiaries of the Company before 2010. Full impairment was made on the goodwill based on the estimation of recoverable amount.

Particulars regarding impairment testing on goodwill are disclosed in note V.42.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

42. Impairment testing on goodwill

For the purposes of impairment testing, goodwill with indefinite useful lives set out in note V. 41 have been allocated to relevant individual CGUs. As at December 31, 2013 and 2012, the carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	As at December 31,	
	2013	2012
Investment management		
— Shanghai Tongda Venture Capital Co., Ltd. (Unit A)	**111,619**	111,619
Securities brokerage		
— Cinda International Holdings Limited (Unit B)	**88,365**	91,092
Financial leasing		
— Cinda Financial Leasing Co., Ltd. (Unit C)	**81,218**	81,218
Others	**42,519**	77,662
Total	**323,721**	361,591

During the years ended December 31, 2013 and 2012, management of the Group determined that there were no further impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Unit A

The recoverable amount of this unit has been determined based on fair value less costs to sell calculation. Unit A's fair value was determined by reference to quoted price of the shares of the company which is listed on Shanghai Stock Exchange. There was no impairment recognized as the recoverable amount of Unit A was higher than its carrying amount.

V. EXPLANATORY NOTES (continued)

42. Impairment testing on goodwill (continued)

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and discount rate at 8.32% (2012:10.44%) as at December 31, 2013. Unit B's cash flows beyond the 3-year period are extrapolated using a steady growth rate of 9% and 6% for the 4th to 8th years and 9th to 13th years, respectively. Unit B's cash flows beyond the 13-year period are extrapolated using a steady 3% (2012: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B. There was no impairment recognized as the recoverable amount of Unit B was higher than its carrying amount.

Unit C

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3- to 5-year period, and discount rate is 16% as at December 31, 2013 (2012: 15%). Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted interest income and net interest spread. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit C to exceed the aggregate recoverable amount of Unit C. There was no impairment recognized as the recoverable amount of Unit C was higher than its carrying amount.

Other Units

For other units with which goodwill has been allocated to, their recoverable amounts have been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3- to 5-year period, and discount rate ranging from 6% to 15% as at December 31, 2013. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows. Such estimation is based on each unit's past performance and management's expectations for the market development. There was no impairment recognized as the recoverable amounts of these units were higher than their carrying amounts.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other intangible assets

Group

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2013	23,208	204,625	227,833
Additions	—	64,348	64,348
Written off	—	(1,087)	(1,087)
Exchange difference	(32)	(97)	(129)
As at December 31, 2013	23,176	267,789	290,965
Accumulated amortization			
As at January 1, 2013	—	(90,679)	(90,679)
Charge for the year	—	(41,390)	(41,390)
Written off	—	712	712
As at December 31, 2013	—	(131,357)	(131,357)
Net book value			
As at January 1, 2013	23,208	113,946	137,154
As at December 31, 2013	23,176	136,432	159,608

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other intangible assets (continued)

Group (continued)

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2012	21,848	156,989	178,837
Additions	1,360	65,216	66,576
Written off	—	(17,580)	(17,580)
As at December 31, 2012	23,208	204,625	227,833
Accumulated amortization			
As at January 1, 2012	—	(76,129)	(76,129)
Charge for the year	—	(31,643)	(31,643)
Written off	—	17,093	17,093
As at December 31, 2012	—	(90,679)	(90,679)
Net book value			
As at January 1, 2012	21,848	80,860	102,708
As at December 31, 2012	23,208	113,946	137,154

As at December 31, 2013 and 2012, the gross carrying amount of the fully amortized intangible assets that were still in use amounted to RMB19.46 million and RMB10.08 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other intangible assets (continued)

Company

The Company's other intangible assets mainly include computer software systems and others.

	Year ended December 31,	
	2013	2012
At beginning of the year	**23,317**	25,987
Additions	**13,135**	14,430
Written off	**—**	(17,100)
At end of the year	**36,452**	23,317
Accumulated amortization		
At beginning of the year	**(6,875)**	(19,902)
Charge for the year	**(7,531)**	(3,704)
Written off	**—**	16,731
At end of the year	**(14,406)**	(6,875)
Net book value		
At beginning of the year	**16,442**	6,085
At end of the year	**22,046**	16,442

44. Deferred taxation

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

Group

	As at December 31,	
	2013	2012
Deferred tax assets	**3,937,398**	2,622,975
Deferred tax liabilities	**(450,849)**	(356,745)
	3,486,549	2,266,230

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

44. Deferred taxation (continued)

Group (continued)

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

	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	Assets revaluation	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sales	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
January 1, 2013	**1,573,008**	**153,618**	**7,445**	**100,098**	**(156,388)**	**267,958**	**135,321**	**56,804**	**73,191**	**254,244**	**(149,662)**	**(49,407)**	**2,266,230**
Credit/(charge) to profit or loss	**1,327,167**	**(67,344)**	**12,015**	**(32,633)**	**–**	**111,681**	**35,321**	**(14,912)**	**(4,812)**	**(5,913)**	**–**	**31,148**	**1,391,718**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(141,392)**	**–**	**(141,392)**
Revaluation surplus	**–**	**–**	**–**	**–**	**(18,872)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,872)**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,135)**	**(11,135)**
December 31, 2013	**2,900,175**	**86,274**	**19,460**	**67,465**	**(175,260)**	**379,639**	**170,642**	**41,892**	**68,379**	**248,331**	**(291,054)**	**(29,394)**	**3,486,549**
January 1, 2012	297,047	–	70,445	49,627	(157,642)	218,391	159,623	66,535	51,660	260,390	95,688	(60,106)	1,051,658
Credit/(charge) to profit or loss	1,275,961	153,618	(63,000)	50,471	–	49,567	(24,302)	(9,731)	21,531	(6,148)	–	11,744	1,459,711
Charge to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(245,350)	–	(245,350)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,257)	(1,257)
Revaluation surplus	–	–	–	–	1,254	–	–	–	–	–	–	3	1,257
Exchange difference	–	–	–	–	–	–	–	–	–	2	–	209	211
December 31, 2012	1,573,008	153,618	7,445	100,098	(156,388)	267,958	135,321	56,804	73,191	254,244	(149,662)	(49,407)	2,266,230

Company

	As at December 31,	
	2013	2012
Deferred tax assets	**3,117,264**	2,040,457
Deferred tax liabilities	**–**	–
	3,117,264	2,040,457

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

44. Deferred taxation (continued)

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

	Allowance for impairment losses	**Unrealized financing income**	**Accrued but not paid staff costs**	**Provisions**	**Changes in fair value of financial assets at FVTPL**	**Changes in fair value of available-for-sale financial assets**	**Total**
January 1, 2013	**1,378,624**	**153,618**	**161,564**	**58,339**	**265,105**	**23,207**	**2,040,457**
Credit/(Charge) to profit or loss	**1,147,981**	**(67,344)**	**40,223**	**(1,012)**	**53,833**	**–**	**1,173,681**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(96,874)**	**(96,874)**
December 31, 2013	**2,526,605**	**86,274**	**201,787**	**57,327**	**318,938**	**(73,667)**	**3,117,264**

	Allowance for impairment losses	Unrealized financing income	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2012	195,321	–	147,240	51,660	235,199	294,697	924,117
Credit to profit or loss	1,183,303	153,618	14,324	6,679	29,906	–	1,387,830
Charge to other comprehensive income	–	–	–	–	–	(271,490)	(271,490)
December 31, 2012	1,378,624	153,618	161,564	58,339	265,105	23,207	2,040,457

According to the MOF and the State Administration of Tax's Notice With Respect to Income Tax Issues Concerning Revaluation Surplus Arising From the Restructuring of China Cinda Asset Management Co., Ltd. (Cai Shui [2012] No. 90), no income tax will be levied on the asset revaluation surplus. Depreciation and amortization relating to the revalued assets are deductible for income tax purpose.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

45. Other assets

Group

	Notes	As at December 31, 2013	2012
Other receivables		**2,114,097**	1,861,894
Statutory deposits	(1)	**1,379,409**	663,600
Assets in satisfaction of debts	(2)	**1,366,177**	1,893,591
Interest receivable		**1,351,629**	871,445
Prepayments and guarantee deposits		**605,341**	549,256
Dividend receivable		**542,279**	371,469
Prepaid taxes		**208,730**	211,933
Land use rights	(3)	**182,638**	182,218
Others		**1,177,235**	675,768
Total		**8,927,535**	7,281,174

Company

	Notes	As at December 31, 2013	2012
Other receivables		**313,268**	342,304
Assets in satisfaction of debts	(2)	**1,298,344**	1,832,801
Dividend receivable		**496,008**	353,622
Interest receivable		**255,475**	79,772
Land use rights	(3)	**48,361**	50,033
Prepayments and guarantee deposits		**2,723**	26,901
Others		**450,803**	79,959
Total		**2,864,982**	2,765,392

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

45. Other assets (continued)

(1) 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. The statutory deposits are not allowed to be used unless the subsidiaries go into liquidation and have to pay off their debts.

(2) Assets in satisfaction of debts

Assets in satisfaction of debts include those that were obtained from the Group's debtors to settle their defaulted debts and those that were acquired directly from financial institutions, which came into their possession through similar arrangement.

Group

	As at December 31,	
	2013	2012
Buildings	**1,303,466**	1,857,296
Land use rights	**130,715**	139,656
Others	**63,957**	65,246
Subtotal	**1,498,138**	2,062,198
Less: Allowance for impairment losses	**(131,961)**	(168,607)
Net book value	**1,366,177**	1,893,591

Company

	As at December 31,	
	2013	2012
Buildings	**1,242,682**	1,796,510
Land use rights	**130,715**	139,656
Others	**56,908**	65,242
Subtotal	**1,430,305**	2,001,408
Less: Allowance for impairment losses	**(131,961)**	(168,607)
Net book value	**1,298,344**	1,832,801

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

45. Other assets (continued)

(3) Land use rights

The carrying amounts of land use rights analyzed by the remaining lease terms are as follows:

Group

	As at December 31,	
	2013	2012
Held inside Hong Kong:		
— on medium-term lease (10–50 years)	**—**	—
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**182,638**	182,218

Company

	As at December 31,	
	2013	2012
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**48,361**	50,033

46. Borrowings from central bank

Group and Company

	As at December 31,	
	2013	2012
Borrowings from central bank	**4,912,977**	7,053,442

The borrowings from the People's Bank of China ("PBOC") were used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. The loans were repayable in full no later than December 31, 2014.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

47. Accounts payable to brokerage clients

Group

	As at December 31,	
	2013	2012
Personal customers	**6,157,075**	5,876,761
Corporate customers	**323,722**	752,764
Total	**6,480,797**	6,629,525

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 is interest bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, 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, 2013 and 2012, included in the Group's accounts payable to brokerage clients were approximately RMB149.36 million and RMB54.55 million of cash collateral received from clients for margin financing and securities lending arrangement.

The Company had no accounts payable to brokerage clients at the end of 2013 and 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

48. Financial assets sold under repurchase agreements

Group

	As at December 31,	
	2013	2012
By collateral type:		
Debt securities	**6,641,824**	6,334,946
Finance lease receivables	**2,501,000**	5,658,700
Loans to margin clients	**300,000**	—
Total	**9,442,824**	11,993,646

The Company had no financial assets sold under repurchase agreements at the end of 2013 and 2012.

49. Placements from banks and a financial institution

Group

	As at December 31,	
	2013	2012
Placements from banks	**9,400,000**	—
Placements from a financial institution	**1,077,000**	—
Total	**10,477,000**	—

Company

	As at December 31,	
	2013	2012
Placements from a bank	**8,000,000**	—
Total	**8,000,000**	—

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

50. Borrowings

Group

	As at December 31,	
	2013	2012
Banks and other financial institutions borrowings		
Unsecured loans	**161,394,681**	66,850,064
Loans secured by properties	**6,554,913**	4,543,557
Other secured loans	**5,367,595**	3,962,699
Other borrowings		
Unsecured loans	**517,500**	742,840
Total	**173,834,689**	76,099,160

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB10,014.06 million and RMB6,298.46 million as at December 31, 2013 and 2012.

Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB3,235.02 million and RMB1,936.41 million as at December 31, 2013 and 2012, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

50. Borrowings (continued)

Group (continued)

	As at December 31,	
	2013	2012
Carrying amount repayable*:		
Within one year	**91,078,143**	37,206,208
More than one year, but not exceeding two years	**46,367,191**	27,956,554
More than two years, but not exceeding five years	**35,704,336**	9,628,922
More than five years	**188,990**	745,139
Subtotal	**173,338,660**	75,536,823
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**466,371**	245,379
More than one year, but not exceeding two years	**5,220**	285,821
More than two years, but not exceeding five years	**5,542**	6,446
More than five years	**18,896**	24,691
Subtotal	**496,029**	562,337
Total	**173,834,689**	76,099,160

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

50. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,	
	2013	2012
Fixed-rate borrowings:		
Within one year	**85,127,824**	31,736,539
More than one year, but not exceeding two years	**37,171,026**	22,494,900
More than two years, but not exceeding five years	**6,910,576**	494,200
More than five years	**188,990**	2,450
	129,398,416	54,728,089

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 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,	
	2013	2012
Effective interest rate		
Fixed-rate borrowings	**2.71% to 12.40%**	1.07% to 16.00%
Variable-rate borrowings	**2.70% to 8.61%**	2.40% to 8.61%

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

50. Borrowings (continued)

Company

	As at December 31,	
	2013	2012
Bank borrowings		
Unsecured loans	**139,069,331**	55,831,334
Carrying amount repayable*:		
Within one year	**70,352,331**	23,379,002
More than one year, but not exceeding two years	**39,250,000**	25,452,332
More than two years, but not exceeding five years	**29,467,000**	7,000,000
	139,069,331	55,831,334

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,	
	2013	2012
Fixed-rate borrowings:		
Within one year	**65,700,000**	23,250,902
More than one year, but not exceeding two years	**31,250,000**	20,800,000
More than two years, but not exceeding five years	**4,400,000**	—
	101,350,000	44,050,902

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC or SHIBOR.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

50. Borrowings (continued)

Company (continued)

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,	
	2013	2012
Effective interest rate		
Fixed-rate borrowings	**4.75% to 6.90%**	4.80% to 6.90%
Variable-rate borrowings	**5.10% to 6.25%**	5.35% to 6.15%

51. Accounts payable

Group

	As at December 31,	
	2013	2012
Amount due to the MOF(1)	**21,676,664**	38,112,306
Accounts payable associated with real estate business(2)	**979,637**	1,254,054
Others	**157,837**	173,066
Total	**22,814,138**	39,539,426

Company

	As at December 31,	
	2013	2012
Amount due to the MOF(1)	**21,676,664**	38,112,306
Others	**—**	33,781
Total	**21,676,664**	38,146,087

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

51. Accounts payable (continued)

Group (continued)

(1) Amount due to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration is repayable in five equal installments of RMB9.71 billion over the following five years, representing an effective annual interest rate of 1.69%, with the first repayment date no later than December 31, 2011.

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

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

52. Investment contract liabilities for policyholders

Group

	As at December 31,	
	2013	2012
At beginning of the year	**3,213,126**	3,617,781
Deposits received	**887,738**	518,471
Deposits withdrawn	**(779,880)**	(792,501)
Fees deducted	**(60,116)**	(67,353)
Interest credited	**112,256**	133,658
Others	**(128,757)**	(196,930)
At end of the year	**3,244,367**	3,213,126

The Company had no investment contract liabilities for policyholders at the end of 2013 and 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

53. Tax payable

Group

	As at December 31,	
	2013	2012
Enterprise income tax	**1,868,545**	2,036,323
Land appreciation tax	**182,970**	89,919
Hong Kong profits tax	**9,051**	5,832
Total	**2,060,566**	2,132,074

Company

	As at December 31,	
	2013	2012
Enterprise income tax	**1,367,274**	1,201,457
Land appreciation tax	**6,156**	574
Total	**1,373,430**	1,202,031

54. Insurance contract liabilities

Group

	January 1, 2013	Increase	Decrease	December 31, 2013
Short-term insurance contracts				
— Unearned premium reserves	**1,154,407**	**3,099,508**	**(3,019,574)**	**1,234,341**
— Outstanding claim reserves	**658,765**	**1,837,037**	**(1,445,716)**	**1,050,086**
Long-term life insurance contracts	**15,772,496**	**4,053,815**	**(1,388,286)**	**18,438,025**
Total	**17,585,668**	**8,990,360**	**(5,853,576)**	**20,722,452**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

54. Insurance contract liabilities (continued)

Group (continued)

	January 1, 2012	Increase	Decrease	December 31, 2012
Short-term insurance contracts				
— Unearned premium reserves	621,171	2,488,034	(1,954,798)	1,154,407
— Outstanding claim reserves	340,518	1,233,526	(915,279)	658,765
Long-term life insurance contracts	11,339,177	5,352,584	(919,265)	15,772,496
Total	12,300,866	9,074,144	(3,789,342)	17,585,668

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

	As at December 31, 2013			As at December 31, 2012		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
— Unearned premium reserves	**1,122,882**	**111,459**	**1,234,341**	1,051,107	103,300	1,154,407
— Outstanding claim reserves	**606,151**	**443,935**	**1,050,086**	433,023	225,742	658,765
Long-term life insurance contracts	**4,708**	**18,433,317**	**18,438,025**	4,578	15,767,918	15,772,496
Total	**1,733,741**	**18,988,711**	**20,722,452**	1,488,708	16,096,960	17,585,668

The Company had no insurance contract liabilities at the end of 2013 and 2012.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

55. Bonds issued

Group

	Notes	As at December 31, 2013	2012
10-year 7.2% fixed rate subordinated bonds	(1)	**504,207**	495,000
3-year 4.35% fixed rate financial bonds	(2)	**5,025,631**	5,018,984
5-year 4.65% fixed rate financial bonds	(3)	**5,023,998**	5,020,570
3-year 4% fixed rate RMB bonds	(4)	**1,989,200**	2,000,000
90-day 6% fixed rate commercial papers	(5)	**715,014**	—
5-year 4% fixed rate HKD bonds	(6)	**7,964**	—
5-year 4 % fixed rate HKD bonds	(7)	**7,945**	—
5-year 4% fixed rate HKD bonds	(8)	**3,171**	—
5-year 4% fixed rate HKD bonds	(9)	**7,887**	—
Total		**13,285,017**	12,534,554

Company

	Notes	As at December 31, 2013	2012
3-year 4.35% fixed rate financial bonds	(2)	**5,014,576**	5,002,734
5-year 4.65% fixed rate financial bonds	(3)	**5,010,720**	5,004,320
Total		**10,025,296**	10,007,054

(1) The fixed rate subordinated bonds issued in September 2011 with a principal of RMB495 million by a subsidiary of the Company have a tenure of 10 years, with a fixed coupon rate of 7.2% per annum, payable annually. The subsidiary has an option to redeem all of the bonds at face value on September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.

(2) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 3 years, with a fixed coupon rate of 4.35% per annum, payable annually.

V. EXPLANATORY NOTES (continued)

55. Bonds issued (continued)

(3) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 5 years, with a fixed coupon rate of 4.65% per annum, payable annually.

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

(5) The fixed rate commercial papers issued in November 2013 with a principal of RMB1,000 million by a subsidiary of the Company have a tenure of 90 days, with a fixed coupon rate of 6% per annum, payable at maturity of the commercial papers together with the principal. The Company purchased RMB290.00 million.

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

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

(8) The fixed rate HKD bonds issued in October 2013 in Hong Kong with a principal of HKD4 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum, payable semi-annually.

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

56. Other liabilities

Group

	As at December 31,	
	2013	2012
Payables to interest holders of consolidated structured entities (note V.37)	**16,801,781**	4,949,374
Guarantee deposits received on leasing business	**4,020,657**	2,746,200
Receipts in advance from property sales	**2,852,996**	2,197,843
Other payables	**2,750,516**	2,221,915
Staff costs payable[(1)]	**1,966,984**	1,553,921
Special dividends payble (note V.18)	**1,202,804**	—
Liabilities related to insurance business	**1,213,647**	802,711
Interest payable	**606,004**	259,578
Provisions[(2)]	**324,229**	307,062
Sundry taxes payable	**299,475**	241,743
Receipts in advance associated with disposal of distressed assets	**158,016**	671,339
Reinsurance premium payable	**58,475**	47,491
Others	**993,561**	539,672
Total	**33,249,145**	16,538,849

(1) Staff costs payable

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	**1,395,220**	**3,202,960**	**(2,842,818)**	**1,755,362**
Social insurance	**33,447**	**386,589**	**(373,314)**	**46,722**
Annuity Scheme	**—**	**29,961**	**(29,956)**	**5**
Housing funds	**2,104**	**166,353**	**(163,765)**	**4,692**
Labor union fees and staff education expenses	**98,819**	**104,322**	**(68,455)**	**134,686**
Others	**24,331**	**141,635**	**(140,449)**	**25,517**
Total	**1,553,921**	**4,031,820**	**(3,618,757)**	**1,966,984**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Group (continued)

(1) Staff costs payable (continued)

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,107,341	2,866,948	(2,579,069)	1,395,220
Social insurance	26,596	320,843	(313,992)	33,447
Annuity Scheme	18,880	28,360	(47,240)	—
Housing funds	2,974	148,778	(149,648)	2,104
Labor union fees and staff education expenses	75,178	85,362	(61,721)	98,819
Others	21,348	143,681	(140,698)	24,331
Total	1,252,317	3,593,972	(3,292,368)	1,553,921

(2) Movements of provisions

	Year ended December 31,	
	2013	2012
At beginning of the year	**307,062**	206,639
Provided for the year	**104,279**	182,468
Settled	**(87,112)**	(82,045)
At end of the year	**324,229**	307,062

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Company

	As at December 31,	
	2013	2012
Special dividends payable (note V.18)	**1,202,804**	—
Other payables	**1,010,960**	515,385
Staff costs payable[1]	**807,149**	641,923
Interest payable	**407,662**	132,420
Provisions[2]	**280,022**	233,357
Receipts in advance associated with disposal of distressed assets	**158,016**	671,339
Sundry taxes payable	**99,087**	43,494
Others	**60,286**	59,349
Total	**4,025,986**	2,297,267

(1) Staff costs payable

	2013			
	As at January 1,	**Accrued**	**Paid**	**As at December 31,**
Wages or salaries, bonuses, allowances and subsidies	**610,988**	**772,300**	**(635,053)**	**748,235**
Social insurance	**8,638**	**95,592**	**(91,321)**	**12,909**
Annuity Scheme	**—**	**29,961**	**(29,956)**	**5**
Housing funds	**389**	**54,792**	**(55,076)**	**105**
Labor union fees and staff education expenses	**20,033**	**34,743**	**(15,869)**	**38,907**
Others	**1,875**	**51,912**	**(46,799)**	**6,988**
Total	**641,923**	**1,039,300**	**(874,074)**	**807,149**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Company (continued)

(1) Staff costs payable (continued)

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	547,445	601,541	(537,998)	610,988
Social insurance	5,711	77,830	(74,903)	8,638
Annuity Scheme	18,880	28,360	(47,240)	—
Housing funds	287	50,649	(50,547)	389
Labor union fees and staff education expenses	10,954	26,480	(17,401)	20,033
Others	1,888	30,619	(30,632)	1,875
Total	585,165	815,479	(758,721)	641,923

(2) Movements of provisions

	Year ended December 31,	
	2013	2012
At beginning of the year	**233,357**	206,639
Provided for the year	**50,713**	34,942
Settled	**(4,048)**	(8,224)
At end of the year	**280,022**	233,357

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

57. Share capital

Group and Company

	Notes	Year ended December 31, 2013	2012
Authorized, issued and fully paid:			
At beginning of the year		**30,140,024**	25,155,097
Capital injection	(1)	**—**	4,984,927
Issue of shares	(2)	**5,318,840**	—
At end of the year		**35,458,864**	30,140,024

Notes:

(1) On March 30, 2012, the Company issued a total of 4,985 million shares at par value of RMB1 each to four strategic investors for a total consideration of RMB10,369 million with share premium of RMB5,384 million. The capital contribution was verified by RSM China Certified Public Accountants with verification report Zhong Rui Yue Hua Yan Zi [2012] No. 0052 issued on March 19, 2012.

(2) In December 2013, the Company issued 5,318,840,000 H shares with par value of RMB1 per share at offer price of HKD3.58 per share for a total consideration of RMB15,009 million with share premium of RMB9,306 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with verification report Deshibao (Yan) Zi No.0041 issued on February 18, 2014. The Company exercised over-allotment option and additional 797,826,000 H shares with par value of RMB1 per share were issued in January 2014.

V. EXPLANATORY NOTES (continued)

57. Share capital (continued)

Group and Company (continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	Notes	2013 As at January 1,	Issuance	Conversion/ Transfer	As at December 31,
Promoter's shares					
— MOF		**25,155,097**	**(24,669,736)**	**(485,361)**	**—**
Other shares		**4,984,927**	**(4,984,927)**	**—**	**—**
Domestic shares					
— MOF		**—**	**24,669,736**	**—**	**24,669,736**
H shares	(a)	**—**	**10,303,767**	**485,361**	**10,789,128**
Total	(b)	**30,140,024**	**5,318,840**	**—**	**35,458,864**

	2012 As at January 1,	Issuance	Transfer	As at December 31,
Promoter's shares				
— MOF	25,155,097	—	—	25,155,097
Other shares	—	4,984,927	—	4,984,927
Total	25,155,097	4,984,927	—	30,140,024

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

57. Share capital (continued)

Group and Company (continued)

a) In accordance with relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer the shares and pay the equivalent cash to the National Council for Social Security Fund (the "NCSSF"), in proportion to their respective holdings in the Company, of a total amount equivalent to 10% of the number of shares offered pursuant to the Company's H share offering. Under this arrangement, the MOF transferred 485,360,536 shares to the NCSSF.

b) As at December 31, 2013, 24,669,736,000 domestic shares and 4,938,404,000 H shares were subject to lock-up restriction.

58. Capital reserve

The balance of capital reserve mainly represented the share premium of RMB9,306 million and RMB9,258 million from intial public offering of H share by the Company as detailed in note V.57 for the Group and the Company, respectively, deemed contribution from the MOF relating to the subsidiaries of the Company and the share premium of RMB5,384 million from new shares issuance during 2012 as detailed in note V.57.

59. Investment revaluation reserve

Group

Investment revaluation reserve attributable to equity holders of the Company is set out below:

	Year ended December 31,	
	2013	2012
At beginning of the year	**406,054**	(738,932)
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**(3,106,570)**	(1,624,906)
— amounts reclassified to profit or loss upon disposal	**113,559**	(155,702)
— amounts reclassified to profit or loss upon impairment	**3,431,993**	3,108,684
Income tax effect	**(163,331)**	(243,312)
Share of other comprehensive income of associates	**48,869**	60,222
Subtotal	**324,520**	1,144,986
At end of the year	**730,574**	406,054

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

59. Investment revaluation reserve (continued)

Company

	Year ended December 31,	
	2013	2012
At beginning of the year	**(124,615)**	(1,231,831)
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**(2,445,891)**	(1,676,826)
— amounts reclassified to profit or loss upon disposal	**(585,502)**	(72,153)
— amounts reclassified to profit or loss upon impairment	**3,418,889**	3,063,065
Income tax effect	**(96,874)**	(271,490)
Share of other comprehensive income of associates	**27,128**	64,620
Subtotal	**317,750**	1,107,216
At end of the year	**193,135**	(124,615)

60. 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 respective entity.

61. General reserve

Prior to July 1, 2012, pursuant to the Administrative Measures of the Ministry of Finance for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (Caijin [2005] No. 49) and the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from July 1, 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum threshold can be accumulated over a period of no more than five years.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

61. General reserve (continued)

For the years ended December 31, 2013 and 2012, as approved by the general meetings, the Group and the Company transferred RMB1,229.76 million and RMB410.66 million to general reserve pursuant to the regulatory requirements in the PRC. In addition, for the year ended December 31, 2013, the Group and the Company transferred RMB825.85 million to general reserve based on the balance of risk assets as at November 30, 2013 pursuant to the resolution of second extraordinary general meeting of shareholders for 2013 as detailed in note V.18.

62. Retained earnings

During the years ended December 31, 2013 and 2012, the distributable profits of the Company were as follows:

Company

	Year ended December 31,	
	2013	2012
At beginning of the year	**12,118,383**	9,496,276
Profit for the year	**7,230,732**	5,376,860
Appropriation to surplus reserve	**(723,074)**	(537,686)
Appropriation to general reserve	**(2,055,607)**	(410,657)
Dividends recognized as distribution	**(2,815,863)**	(1,806,410)
At end of the year	**13,754,571**	12,118,383

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

63. Cash and cash equivalents

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

	As at December 31,	
	2013	2012
Cash on hand	**3,358**	3,982
Unrestricted balances with original maturity of less than 3 months		
Bank balances	**47,119,485**	28,939,130
Clearing settlement funds	**149,816**	100,591
Placements with banks and a financial institution	**290,000**	2,000,000
Financial assets held under resale agreements	**629,387**	49,701
Cash and cash equivalents	**48,192,046**	31,093,404

64. Major non-cash transaction

	Year ended December 31,	
	2013	2012
Debt-to-equity swap (Note)		
— transferred into available-for-sale financial assets	**436,367**	18,233
— financial assets at fair value through profit or loss transferred out	**(2,980)**	(14,941)
Equity swap (Note)		
— transferred into available-for-sale financial assets	**439,397**	1,119,310
— available-for-sale financial assets transferred out	**(230,142)**	(273,152)

Note: As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap and equity swap with counterparties in the ordinary course of business during the year.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

65. 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, 2013 and 2012, total claim amount of pending litigations were RMB1,811.53 million and RMB709.05 million for the Group and RMB1,686.03 million and RMB692.35 million for the Company respectively, and provisions of RMB127.97 million and RMB143.41 million for the Group and RMB127.97 million and RMB129.11 million for the Company respectively were made based on court judgments or the advice of legal counsels. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Commitments other than operating lease commitments

Group

	As at December 31,	
	2013	2012
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**107,161**	417,150
— commitments for the acquisition of investments	**828,000**	1,102,971
Total	**935,161**	1,520,121

Company

	As at December 31,	
	2013	2012
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**25,639**	375,522
— commitments for the acquisition of investments	**828,000**	1,025,140
Total	**853,639**	1,400,662

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

65. Contingent liabilities and commitments (continued)

(3) Operating lease commitments

At the end of 2013 and 2012, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31,	
	2013	2012
Within 1 year	**238,507**	200,734
1-2 years	**133,137**	136,317
2-3 years	**69,447**	77,961
3-5 years	**66,502**	60,689
Over 5 years	**34,156**	18,676
Total	**541,749**	494,377

Company

	As at December 31,	
	2013	2012
Within 1 year	**82,585**	118,544
1-2 years	**15,735**	81,044
2-3 years	**11,338**	13,654
3-5 years	**13,836**	9,964
Over 5 years	**1,861**	3,815
Total	**125,355**	227,021

V. EXPLANATORY NOTES (continued)

65. Contingent liabilities and commitments (continued)

(4) Other guarantees provided by the Group

(i) The Company and its subsidiary, Cinda Investment Co., Ltd. respectively provided credit enhancements for the trust plans issued by China Jingu International Trust Co., Ltd. ("Jingu Trust"), also a subsidiary of the Company. As at December 31, 2013 and 2012, the exposure to the credit enhancements amounted to RMB1,719.00 million and RMB1,320.00 million for the Group and RMB Nil and RMB220.00 million for the Company, respectively, plus any shortfall from the guaranteed returns ranging from 5.2% to 20% that might arise. As a result of the credit enhancements provided by the Group, related trust plans issued by Jingu Trust for external beneficial parties are consolidated, because the Group is exposed to a significant variable return on trust plans that it has power upon.

(ii) During 2012, the Company and Cinda Capital Management Co., Ltd., a subsidiary, jointly set up Ningbo Qiushi Investment Management Partnership Limited ("Ningbo Qiushi") together with Kunlun Trust Co, Ltd. ("Kunlun Trust"). Cinda Investment Co., Ltd. provided purchase commitments to Kunlun Trust in respect of its capital contribution and guaranteed a basic return in case the project does not achieve the pre-determined return for a period of 3 years. If Cinda Investment Co., Ltd. failed to meet its obligation, the Company shall undertake the obligation. As at December 31, 2013, the capital subscribed and paid in by Kunlun Trust amounted to RMB9,690.00 million and RMB5,899.15 million (December 31, 2012: RMB4,700.00 million and, RMB1,627.14 million), respectively. The guaranteed basic return ranges from 8% to 10%, depends on the duration period of the investment projects.

(iii) Ningbo Chunhong Investment Management Partnership (Limited Partnership) (the "Chunhong") was set up by the Company together with three subsidiaries of the Company in 2013. Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, which is one of the limited partners of the Chunhong, then set up Bank No.2 Directional Asset Management Plan (the "Plan") with funds raised from the Chunhong. Cinda Securities provided unconditional repurchase commitment to those unit holders of the Plan at an aggregate amount of their contribution plus any shortfall from the guaranteed returns of 8.2% that might rise. The size of the plan is RMB4,500.00 million. As at December 31, 2013, the subscription amount of the plan is RMB2,817.00 million.

V. EXPLANATORY NOTES (continued)

65. Contingent liabilities and commitments (continued)

(4) Other guarantee provided by the Group (continued)

(iv) Shanghai Dongmian Investment Management Partnership (Limited Partnership) was set up by the Company, two subsidiaries of the Company together with Shanghai International Trust Co., Ltd. in 2013. The Company provided unconditional repurchase commitment to Shanghai International Trust Co., Ltd. at an aggregate amount of its investment of RMB9,500.00 million plus any shortfall from the guaranteed returns of 7.3% that might arise. As at December 31, 2013, Shanghai International Trust Co., Ltd. has not made any contribution yet.

(v) Cinda-Taikang Alternative Asset Investment Partnership (Limited Partnership) was set up by the Company, a subsidiary of the Company together with Taikang Asset Management Co., Ltd. in 2013. The Company provided unconditional repurchase commitment to Taikang Asset Management Co., Ltd. at an aggregate amount of its investment of RMB12,000.00 million plus any shortfall from the guaranteed returns ranging from 6.6% to 7.0% that might arise. As at December 31, 2013, Taikang Asset Management Co., Ltd. has made contribution of RMB4,169.92 million.

(vi) As a result of the purchase commitments and guarantee provided by the Group entities, the funds managed by the Group as set out in note (ii) to (v) above are consolidated, because the Group is exposed to significant variable returns on these private funds and the Group has the ability to use its power over the funds to affect their returns.

(vii) During 2012, Hainan Jianxin Investment Management Co., Ltd. ("Hainan Jianxin"), a subsidiary, transferred 35% of its interests in Hainan Jincui Real Estate Co., Ltd. to Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. ("Shoutai Jinxin"). Hainan Jianxin provided guaranteed return to Shoutai Jinxin for a period of 3 years. Cinda Investment Co., Ltd., as the holding company of Hainan Jianxin, provided undertaking for Hainan Jianxin's guarantee. Maximum exposure to the Group resulted from the return guarantee amounted to RMB479.85 million as at December 31, 2013 and 2012.

(viii) During 2012, the Company provided guarantee to China Zheshang Bank Co., Ltd. for a series of collective notes issued by the bank at an aggregate amount of RMB639.48 million at a coupon rate of 6% for a period ranging from one to two years. As at December 31, 2013 and 2012, the remaining amount the Company provided guarantee are RMB547.52 million and RMB639.48 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Transfers of financial assets

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 exists an event of default on the secured lending.

	Carrying amount of pledged assets December 31,		Related liabilities December 31,	
	2013	2012	**2013**	2012
Held-for-trading debt securities	**2,355,332**	1,892,145	**1,943,056**	1,823,548
Available-for-sale debt securities	**3,747,977**	2,027,217	**2,752,921**	1,796,858
Held-to-maturity debt securities	**2,205,151**	2,910,872	**1,945,847**	2,714,540
Finance lease receivables	**2,310,054**	5,713,956	**2,501,000**	5,658,700
Loans to margin clients	**339,042**	—	**300,000**	—
Total	**10,957,556**	12,544,190	**9,442,824**	11,993,646

V. EXPLANATORY NOTES (continued)

67. Segment information

Information relating to business lines are reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company, including the management of assets arising from acquisition of distressed debts and debt-to-equity-swap and the provision of clearing settlement and fiduciary services.

Financial investment and asset management operations

The financial investment and asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the management of financial investments on private funds and companies in certain other industries.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Segment information (continued)

Year ended December 31, 2013	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	10,144,157	–	–	–	10,144,157
Fair value changes on distressed debt assets	4,668,294	–	–	(50,660)	4,617,634
Fair value changes on other financial assets	11,955	78,400	448,649	–	539,004
Investment income	5,247,534	769,834	1,028,900	(2,422)	7,043,846
Net insurance premiums earned	–	–	5,782,164	(10,296)	5,771,868
Interest income	1,261,228	1,494,344	2,379,742	(76,110)	5,059,204
Revenue from sales of inventories	–	4,321,948	–	–	4,321,948
Commission and fee income	146,066	17,787	2,538,449	(182,194)	2,520,108
Net gain on disposal of subsidiaries and associates	–	200,517	–	–	200,517
Other income and other net gains or losses	370,571	2,094,017	(43,984)	(225,698)	2,194,906
Total	21,849,805	8,976,847	12,133,920	(547,380)	42,413,192
Interest expense	(6,214,918)	(445,242)	(1,272,948)	129,352	(7,803,756)
Insurance costs	–	–	(5,018,782)	–	(5,018,782)
Employee benefits	(1,039,300)	(490,284)	(2,274,883)	7,023	(3,797,444)
Purchases and changes in inventories	–	(2,720,323)	–	–	(2,720,323)
Commission and fee expense	–	(30,488)	(848,131)	9,176	(869,443)
Business tax and surcharges	(330,176)	(497,460)	(406,237)	–	(1,233,873)
Depreciation and amortization expenses	(60,679)	(235,784)	(147,492)	166	(443,789)
Other expenses	(789,264)	(905,283)	(1,198,573)	332,864	(2,560,256)
Impairment losses on assets	(5,156,070)	(528,379)	(468,832)	–	(6,153,281)
Total	(13,590,407)	(5,853,243)	(11,635,878)	478,581	(30,600,947)
Change in net assets attributable to other holders of consolidated structured entities	–	(540,461)	–	–	(540,461)
Profit before share of results of associates and tax	8,259,398	2,583,143	498,042	(68,799)	11,271,784
Share of results of associates	54,856	428,549	16,854	–	500,259
Profit before tax	8,314,254	3,011,692	514,896	(68,799)	11,772,043
Income tax expense					(2,671,071)
Profit for the year					9,100,972
Capital expenditure	268,317	65,094	109,565	(18,000)	424,976
As at December 31, 2013					
Segment assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Including: Interests in associates	4,016,959	4,929,660	14,987	–	8,961,606
Total assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Segment liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286
Total liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Segment information (continued)

Year ended December 31, 2012	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	3,518,395	–	–	–	3,518,395
Fair value changes on distressed debt assets	3,982,855	–	–	(104,602)	3,878,253
Fair value changes on other financial assets	16,429	(10,913)	399,179	(5,401)	399,294
Investment income	5,108,058	407,418	1,016,997	(3,632)	6,528,841
Net insurance premiums earned	–	–	5,340,216	(15,294)	5,324,922
Interest income	447,296	297,427	1,841,565	(92,967)	2,493,321
Revenue from sales of inventories	–	3,924,082	–	–	3,924,082
Commission and fee income	87,845	318,875	1,900,847	(81,219)	2,226,348
Net gain on disposal of subsidiaries and associates	983,193	1,602,147	–	–	2,585,340
Other income and other net gains or losses	247,946	1,372,265	53,776	(217,575)	1,456,412
Total	14,392,017	7,911,301	10,552,580	(520,690)	32,335,208
Interest expense	(2,703,531)	(358,736)	(785,758)	150,406	(3,697,619)
Insurance costs	–	–	(4,690,060)	–	(4,690,060)
Employee benefits	(815,480)	(573,415)	(2,028,669)	–	(3,417,564)
Purchases and changes in inventories	–	(2,391,784)	–	–	(2,391,784)
Commission and fee expense	–	(23,126)	(877,694)	82	(900,738)
Business tax and surcharges	(89,352)	(381,772)	(314,540)	–	(785,664)
Depreciation and amortization expenses	(70,348)	(227,029)	(153,334)	1,600	(449,111)
Other expenses	(692,091)	(765,914)	(1,090,251)	281,677	(2,266,579)
Impairment losses on assets	(4,013,787)	(139,147)	(448,017)	–	(4,600,951)
Total	(8,384,589)	(4,860,923)	(10,388,323)	433,765	(23,200,070)
Change in net assets attributable to other holders of consolidated structured entities	–	(151,539)	–	–	(151,539)
Profit before share of results of associates and tax	6,007,428	2,898,839	164,257	(86,925)	8,983,599
Share of results of associates	226,529	385,735	–	–	612,264
Profit before tax	6,233,957	3,284,574	164,257	(86,925)	9,595,863
Income tax expense					(2,378,727)
Profit for the year					7,217,136
Capital expenditure	99,881	373,900	135,897	–	609,678
As at December 31, 2012					
Segment assets	140,327,703	49,026,597	69,352,054	(4,091,996)	254,614,358
Including: Interests in associates	3,317,063	4,159,213	–	–	7,476,276
Total assets	140,327,703	49,026,597	69,352,054	(4,091,996)	254,614,358
Segment liabilities	115,549,944	27,364,894	55,550,164	(4,735,387)	193,729,615
Total liabilities	115,549,944	27,364,894	55,550,164	(4,735,387)	193,729,615

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Related party transactions

(1) The MOF

Group

As at December 31, 2013, the MOF directly owned 69.57% (December 31, 2012: 83.46%) of the share capital of the Company.

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

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31,	
	2013	2012
Accounts receivable	**164,769**	164,769
Available-for-sale financial assets	**73,081**	—
Financial assets classified as receivables	**142,700**	292,700
Interest receivable	**21,506**	23,396
Accounts payable	**21,676,664**	38,112,306
Interest payable	**—**	43,262

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

	Year ended December 31,	
	2013	2012
Interest income	**9,175**	18,284
Interest expense	**591,534**	810,488

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31,	
	2013	2012
Accounts receivable	**164,769**	164,769
Accounts payable	**21,676,664**	38,112,306
Interest payable	**—**	43,262

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

	Year ended December 31,	
	2013	2012
Interest expense	**591,534**	810,488

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,	
	2013	2012
Placements with a financial institution	**350,000**	—
Financial assets at fair value through profit or loss	**1,204,449**	1,159,242
Financial assets classified as receivables	**—**	48,000
Held-to-maturity investments	**289,928**	—
Property and equipment	**18,000**	—
Amounts due from subsidiaries	**1,509,756**	2,735,193
Other payables	**126,541**	29,978

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Related party transactions (continued)

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

	As at December 31,	
	2013	2012
Loans and advances to customers	**230,000**	96,326
Interest receivable	**8,291**	9,012
Other receivables	**266,511**	—
Borrowings	**25,000**	80,000
Bonds issued	**150,000**	150,000
Interest payable	**3,123**	3,035
Other payables	**241**	39,063

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

	Year ended December 31,	
	2013	2012
Interest income	**20,326**	4,037
Commission and fee income	**9,880**	2,519
Dividend income	**229,556**	154,860
Net realized gain on disposal of available-for-sale financial assets	**2,572**	—
Net insurance premiums earned	**2,316**	425
Rental income	**100**	—
Interest expense	**16,210**	20,944

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Related party transactions (continued)

(3) Associates (continued)

Company

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

	Year ended December 31,	
	2013	2012
Dividend income	**100,025**	137,035

(4) Government related entities

Other than disclosed above, the Group also entered into transactions with government related entities. These transactions are entered into under normal commercial terms and conditions.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(5) Annuity Scheme

Group and Company

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

	Year ended December 31,	
	2013	2012
Contribution to Annuity Scheme	**29,961**	28,360

V. EXPLANATORY NOTES (continued)

69. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

69.1 Credit Risk

(i) 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 classified as receivables, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets classified as receivables and other debt assets. Risk management of distressed assets is detailed in note V.69.4.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(i) Credit risk management (continued)

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;
- Obtaining effective collaterals from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest rate. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(ii) Impairment assessment (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  — adverse changes in the payment status of borrowers in the portfolio; and

  — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(iii) 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, maximum exposure to credit risk is as follows:

Group

	As at December 31,	
	2013	2012
Bank balances	**57,055,749**	42,722,306
Clearing settlement funds	**1,707,859**	1,525,844
Deposits with exchanges and a financial institution	**831,073**	907,226
Placements with banks and a financial institution	**290,000**	2,000,000
Financial assets at fair value through profit or loss	**6,386,713**	6,439,908
Financial assets held under resale agreements	**1,053,527**	57,232
Available-for-sale financial assets	**23,429,039**	10,209,418
Financial assets classified as receivables	**116,662,697**	51,195,120
Loans and advance to customers	**48,636,362**	25,041,518
Accounts receivables	**6,448,944**	5,257,293
Held-to-maturity investments	**7,592,298**	7,343,274
Other assets	**3,162,937**	1,615,203
Total	**273,257,198**	154,314,342

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

Company

	As at December 31,	
	2013	2012
Bank balances	**30,659,935**	18,499,654
Placements with banks and a financial institution	**640,000**	2,000,000
Financial assets at fair value through profit or loss	**—**	19,468
Available-for-sale financial assets	**8,601,643**	—
Financial assets classified as receivables	**113,966,668**	48,068,188
Accounts receivable	**5,647,620**	4,283,058
Amounts due from subsidiaries	**1,509,756**	2,735,193
Held-to-maturity investments	**499,928**	210,000
Other assets	**683,725**	156,729
Total	**162,209,275**	75,972,290

Distressed debt assets designated as at fair value through profit or loss contain certain elements of credit risk. The risks such assets exposed to are detailed in note V.69.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB16,391.69 million and RMB7,960.20 million for the Group and RMB16,784.11 million and RMB8,022.20 million for the Company as at December 31, 2013 and 2012, respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

Group

	As at December 31,	
	2013	2012
Distressed debt assets classified as receivables	**100,913,177**	49,550,493
Loans and advances to customers	**49,578,118**	25,479,963
Subtotal	**150,491,295**	75,030,456
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(2,942,608)**	(1,482,305)
Loans and advances to customers	**(941,756)**	(438,445)
Subtotal	**(3,884,364)**	(1,920,750)
Net carrying amounts		
Distressed debt assets classified as receivables	**97,970,569**	48,068,188
Loans and advances to customers	**48,636,362**	25,041,518
Total	**146,606,931**	73,109,706

Company

	As at December 31,	
	2013	2012
Distressed debt assets classified as receivables	**100,913,177**	49,550,493
Allowance for impairment losses	**(2,942,608)**	(1,482,305)
Net carrying amounts	**97,970,569**	48,068,188

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

By geographical area

Group

	As at December 31,			
	2013		2012	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**41,048,567**	**27.3**	18,315,925	24.4
Bohai Rim	**35,130,328**	**23.3**	18,703,350	24.9
Central Region	**24,194,073**	**16.1**	14,691,207	19.6
Yangtze River Delta	**16,494,090**	**11.0**	10,827,566	14.4
Pearl River Delta	**18,844,209**	**12.5**	7,434,836	9.9
Northeastern Region	**12,194,618**	**8.1**	4,751,826	6.3
Overseas	**2,585,410**	**1.7**	305,746	0.5
Total	**150,491,295**	**100.0**	75,030,456	100.0

Company

	As at December 31,			
	2013		2012	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**27,218,829**	**27.0**	12,317,283	24.9
Bohai Rim	**21,592,257**	**21.3**	10,972,928	22.1
Central Region	**17,336,839**	**17.2**	10,659,688	21.5
Yangtze River Delta	**11,698,730**	**11.6**	6,768,638	13.7
Pearl River Delta	**15,623,087**	**15.5**	5,657,888	11.4
Northeastern Region	**7,443,435**	**7.4**	3,174,068	6.4
Total	**100,913,177**	**100.0**	49,550,493	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

By geographical area (continued)

Notes:

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

By industry

Group

	As at December 31,			
	2013		2012	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**75,621,505**	**50.2**	39,666,173	52.9
Manufacturing	**16,671,187**	**11.1**	10,139,408	13.5
Water, environment and public utilities management	**12,465,025**	**8.3**	7,056,887	9.4
Leasing and commercial services	**12,017,224**	**8.0**	3,172,808	4.2
Construction	**6,417,030**	**4.3**	3,982,524	5.3
Transportation, logistics and postal services	**5,710,212**	**3.8**	2,692,640	3.6
Mining	**5,419,715**	**3.6**	2,539,268	3.4
Others	**16,169,397**	**10.7**	5,780,748	7.7
Total	**150,491,295**	**100.0**	75,030,456	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

By industry (continued)

Company

	As at December 31,			
	2013		2012	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**60,844,377**	**60.3**	33,922,964	68.4
Manufacturing	**5,661,599**	**5.6**	1,839,281	3.7
Water, environment and public utilities management	**5,741,497**	**5.7**	3,265,508	6.6
Leasing and commercial services	**10,567,224**	**10.5**	3,172,808	6.4
Construction	**4,977,126**	**4.9**	2,465,866	5.0
Transportation, logistics and postal services	**3,101,035**	**3.1**	1,368,164	2.8
Mining	**1,283,467**	**1.3**	651,576	1.3
Others	**8,736,852**	**8.6**	2,864,326	5.8
Total	**100,913,177**	**100.0**	49,550,493	100.0

By contractual maturity and security type

Group

	Gross amount as at December 31, 2013				Gross amount as at December 31, 2012			
	Less than 1 year (Including 1 year)	**1 to 5 years (Including 5 years)**	**Over 5 years**	**Total**	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	**1,431,729**	**1,135,110**	**–**	**2,566,839**	2,554,320	832,214	–	3,386,534
Guaranteed	**2,703,922**	**41,746,971**	**462,346**	**44,913,239**	1,640,795	20,086,979	577,311	22,305,085
Mortgaged	**5,025,380**	**72,857,219**	**1,323,217**	**79,205,816**	5,505,766	33,907,462	965,059	40,378,287
Pledged	**3,194,166**	**19,595,835**	**1,015,400**	**23,805,401**	1,798,098	7,162,452	–	8,960,550
Total	**12,355,197**	**135,335,135**	**2,800,963**	**150,491,295**	11,498,979	61,989,107	1,542,370	75,030,456

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

By contractual maturity and security type (continued)

Company

	Gross amount as at December 31, 2013				Gross amount as at December 31, 2012			
	Less than 1 year (Including 1 year)	**1 to 5 years (Including 5 years)**	**Over 5 years**	**Total**	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	**293,467**	**397,664**	**–**	**691,131**	11,058	172,419	–	183,477
Guaranteed	**2,703,922**	**28,660,463**	**–**	**31,364,385**	1,640,795	9,601,239	–	11,242,034
Mortgaged	**3,586,768**	**49,709,939**	**–**	**53,296,707**	5,505,766	26,995,469	–	32,501,235
Pledged	**348,316**	**15,212,638**	**–**	**15,560,954**	888,721	4,735,026	–	5,623,747
Total	**6,932,473**	**93,980,704**	**–**	**100,913,177**	8,046,340	41,504,153	–	49,550,493

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

Group

	As at December 31, 2013					As at December 31, 2012				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**108,845**	**1,075,748**	**409,303**	**–**	**1,593,896**	810,075	670,135	–	–	1,480,210
Loans and advances to customers	**423,205**	**195,034**	**214,942**	**–**	**833,181**	27,940	279,914	–	–	307,854
Total	**532,050**	**1,270,782**	**624,245**	**–**	**2,427,077**	838,015	950,049	–	–	1,788,064

Company

	As at December 31, 2013					As at December 31, 2012				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**108,845**	**1,075,748**	**409,303**	**–**	**1,593,896**	810,075	670,135	–	–	1,480,210

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

Group

	As at December 31,	
	2013	2012
Neither past due nor impaired	**147,944,672**	73,192,395
Past due but not impaired[(1)]	**1,009,706**	961,337
Impaired[(2)]	**1,536,917**	876,724
Subtotal	**150,491,295**	75,030,456
Allowance for impairment loss	**(3,884,364)**	(1,920,750)
Net carrying amount	**146,606,931**	73,109,706

Company

	As at December 31,	
	2013	2012
Neither past due nor impaired	**99,319,281**	48,020,286
Past due but not impaired[(1)]	**583,162**	933,397
Impaired[(2)]	**1,010,734**	596,810
Subtotal	**100,913,177**	49,550,493
Allowance for impairment loss	**(2,942,608)**	(1,482,305)
Net carrying amount	**97,970,569**	48,068,188

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

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

Group

	Gross amount as at December 31, 2013					Gross amount as at December 31, 2012				
	Up to 90 days (Including 30 days)	91 to 360 days (Including 360 days)	Over 1 year	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivable	51,013	314,147	218,002	–	583,162	495,256	438,141	–	–	933,397
Loans and advances to customers	423,205	3,339	–	–	426,544	27,940	–	–	–	27,940
Total	474,218	317,486	218,002	–	1,009,706	523,196	438,141	–	–	961,337

Company

	Gross amount as at December 31, 2013					Gross amount as at December 31, 2012				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	51,013	314,147	218,002	–	583,162	495,256	438,141	–	–	933,397

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

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

Group

	As at December 31, 2013			As at December 31, 2012		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables — Individually assessed	**1,010,734**	**(194,228)**	**816,506**	596,810	(179,974)	416,836
Loans and advances to customers — Individually assessed	**526,183**	**(172,402)**	**353,781**	279,914	(83,974)	195,940
Total	**1,536,917**	**(366,630)**	**1,170,287**	876,724	(263,948)	612,776

Company

	As at December 31, 2013			As at December 31, 2012		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables — Individually assessed	**1,010,734**	**(194,228)**	**816,506**	596,810	(179,974)	416,836

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

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

Group

	As at December 31,	
	2013	2012
Distressed debt assets classified as receivables		
Individually assessed and impaired	**1,010,734**	596,810
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	**1.0**	1.2
Fair value of collateral	**816,506**	401,930
Loans and advances to customers		
Individually assessed and impaired	**526,183**	279,914
Individually assessed and impaired as a % of total loans and advances to customers (%)	**1.1**	1.1
Fair value of collateral	**248,095**	248,000

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

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

Group

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

	As at December 31,			
	2013		2012	
Area	**Gross amount**	**%**	Gross amount	%
Distressed debt assets classified as receivables				
Western Region	**42,915**	**4.3**	30,680	5.1
Bohai Rim	**263,047**	**26.0**	73,002	12.2
Central Region	**133,118**	**13.2**	143,130	24.0
Yangtze River Delta	**73,100**	**7.2**	304,786	51.1
Pearl River Delta	**—**	**—**	45,212	7.6
Northeastern Region	**498,554**	**49.3**	—	—
Total	**1,010,734**	**100.0**	596,810	100.0
Loans and advances to customers				
Bohai Rim	**124,923**	**23.7**	189,894	67.8
Central region	**46,971**	**8.9**	—	—
Yangtze River Delta	**354,289**	**67.4**	90,020	32.2
Total	**526,183**	**100.0**	279,914	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

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

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

Company

	As at December 31,	
	2013	2012
Distressed debt assets classified as receivables		
Individually assessed and impaired	**1,010,734**	596,810
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	**1.0**	1.2
Fair value of collateral	**816,506**	401,930

Impaired distressed debt assets classified as receivables by geographical area is analyzed as follows:

	As at December 31,			
	2013		2012	
Area	**Gross amount**	**%**	Gross amount	%
Distressed debt assets classified as receivables				
Western Region	**42,915**	**4.3**	30,680	5.1
Bohai Rim	**263,047**	**26.0**	73,002	12.2
Central Region	**133,118**	**13.2**	143,130	24.0
Yangtze River Delta	**73,100**	**7.2**	304,786	51.1
Pearl River Delta	**—**	**—**	45,212	7.6
Northeastern Region	**498,554**	**49.3**	—	—
Total	**1,010,734**	**100.0**	596,810	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(vii) Credit quality of investment products

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

Group

	As at December 31,	
	2013	2012
Neither past due nor impaired[1]	**55,795,849**	27,077,419
Past due but not impaired[2]	**250,000**	—
Impaired[3]	**60,000**	60,000
Subtotal	**56,105,849**	27,137,419
Allowance for impairment loss		
— individually assessed	**(5,671)**	(17,887)
Net carrying amounts	**56,100,178**	27,119,532

Company

	As at December 31,	
	2013	2012
Neither past due nor impaired[1]	**25,097,670**	229,468
Allowance for impairment loss		
— individually assessed	**—**	—
Net carrying amounts	**25,097,670**	229,468

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(vii) Credit quality of investment products (continued)

(1) Neither past due nor impaired investment products

Group

	As at December 31, 2013					As at December 31, 2012				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Public sector and quasi-government bonds	1,646,201	4,479,842	4,511,154		10,637,197	760,153	3,229,605	4,460,953	–	8,450,711
Government bonds	–	73,081	–		73,081	–	–	–	–	–
Financial institution bonds	947,024	1,647,823	2,262,411		4,857,258	971,810	1,997,819	2,341,963	–	5,311,592
Corporate bonds	2,557,042	4,537,896	818,733		7,913,671	3,441,608	2,770,740	540,358	–	6,752,706
Certificate treasury bonds	–	–	–	142,700	142,700	–	–	–	292,700	292,700
Trust products	–	839,929	–	2,019,000	2,858,929	–	158,004	–	2,577,000	2,735,004
Wealth management products	1,218,363	1,273,424	–	–	2,491,787	1,246,869	980,000	–	–	2,226,869
Rights to trust assets	–	1,073,250			1,073,250	–	1,073,250	–	–	1,073,250
Debt instruments issued by financial institutions and asset management plans	–	9,404,230			9,404,230	–	–	–	–	–
Structured debt arrangements	–	–	–	15,996,099	15,996,099	–	–	–	–	–
Others	18,083	99,564		230,000	347,647	19,468	–	–	215,119	234,587
Total	6,386,713	23,429,039	7,592,298	18,387,799	55,795,849	6,439,908	10,209,418	7,343,274	3,084,819	27,077,419

Company

	As at December 31, 2013					As at December 31, 2012				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	–	–	499,928	–	499,928	–	–	210,000	–	210,000
Debt instruments issued by financial institutions	–	8,502,079	–	–	8,502,079	–	–	–	–	–
Structured debt arrangements	–	–	–	15,996,099	15,996,099	–	–	–	–	–
Others	–	99,564	–	–	99,564	19,468	–	–	–	19,468
Total	–	8,601,643	499,928	15,996,099	25,097,670	19,468	–	210,000	–	229,468

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.1 Credit Risk (continued)

(vii) Credit quality of investment products (continued)

(2) Past due but not impaired financial assets classified as receivables

The past due but not impaired investment products for the Group is a trust product with gross amount of RMB250.00 million.

(3) Impaired investment products

The impaired investment products for the Group is a trust product with gross amount of RMB60.00 million as at December 31, 2013 and December 31, 2012. The Group made an allowance for impairment loss of RMB5.67 million and RMB17.89 million as at December 31, 2013 and December 31, 2012, respectively, as the trust plan payment was past due.

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2013						As at December 31, 2012					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Public sector and quasi-government bonds	1,763,706	–	–	–	8,873,491	10,637,197	793,353	–	–	–	7,657,358	8,450,711
Government bonds	983	–	–	–	72,098	73,081	–	–	–	–	–	–
Financial institution bonds	3,897,342	959,916	–	–	–	4,857,258	4,101,687	1,184,112	–	25,793	–	5,311,592
Corporate bonds	2,943,363	4,504,969	–	–	465,339	7,913,671	1,923,422	4,166,464	581,000	31,820	50,000	6,752,706
Certificate treasury bonds	–	–	–	–	142,700	142,700	–	–	–	–	292,700	292,700
Trust products	–	–	–	–	3,163,258	3,163,258	–	–	–	–	2,777,117	2,777,117
Wealth management products	–	–	–	–	2,491,787	2,491,787	–	–	–	–	2,226,869	2,226,869
Rights to trust assets	–	–	–	–	1,073,250	1,073,250	–	–	–	–	1,073,250	1,073,250
Debt instruments issued by financial institutions and asset management plans	–	–	–	–	9,404,230	9,404,230	–	–	–	–	–	–
Structured debt arrangements	–	–	–	–	15,996,099	15,996,099	–	–	–	–	–	–
Others	–	–	–	–	347,647	347,647	–	–	–	–	234,587	234,587
Total	8,605,394	5,464,885	–	–	42,029,899	56,100,178	6,818,462	5,350,576	581,000	57,613	14,311,881	27,119,532

Company

	As at December 31, 2013						As at December 31, 2012					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	–	499,928	–	–	–	499,928	–	210,000	–	–	–	210,000
Debt instruments issued by financial institutions	–	–	–	–	8,502,079	8,502,079	–	–	–	–	–	–
Structured debt arrangements	–	–	–	–	15,996,099	15,996,099	–	–	–	–	–	–
Others	–	–	–	–	99,564	99,564	–	–	–	–	19,468	19,468
Total	–	499,928	–	–	24,597,742	25,097,670	–	210,000	–	–	19,468	229,468

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates 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)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 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 or maturity dates are as follows:

Group

	As at December 31, 2013						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	50,098,941	828,800	3,318,008	2,810,000	–	3,358	57,059,107
Clearing settlement funds	1,707,859	–	–	–	–	–	1,707,859
Deposits with exchanges and a financial institution	159,578	–	–	–	–	671,495	831,073
Placement with a financial institution	290,000						290,000
Financial assets at fair value through profit or loss	459,692	219,031	145,309	2,976,120	1,770,799	19,607,547	25,178,498
Financial assets held under resale agreements	613,750	15,637	400,695	23,445	–	–	1,053,527
Available-for-sale financial assets	2,823,351	6,569,115	1,938,331	5,039,399	5,737,581	50,639,378	72,747,155
Financial assets classified as receivables	4,005,570	5,767,554	53,544,287	53,345,286	–	–	116,662,697
Loans and advances to customers	662,517	27,114,238	5,554,502	15,305,105	–	–	48,636,362
Accounts receivable	329,184	–	4,254,067	767,468	–	1,098,225	6,448,944
Held-to-maturity investments	–	79,906	210,187	1,927,132	5,375,073	–	7,592,298
Other financial assets	325,950	24,331	412,996	785,809	–	1,783,528	3,332,614
Total financial assets	61,476,392	40,618,612	69,778,382	82,979,764	12,883,453	73,803,531	341,540,134
Borrowings from central bank	–	–	(4,912,977)	–	–	–	(4,912,977)
Accounts payable to brokerage clients	(6,480,797)	–	–	–	–	–	(6,480,797)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(48,465)	(48,465)
Financial assets sold under repurchase agreements	(6,665,924)	(376,900)	(1,900,000)	(500,000)	–	–	(9,442,824)
Placements from banks and a financial institution	(1,400,000)	(8,877,000)	(200,000)	–	–	–	(10,477,000)
Borrowings	(8,672,924)	(45,150,676)	(75,740,497)	(44,081,602)	(188,990)	–	(173,834,689)
Accounts payable	–	–	(2,730,839)	(18,945,825)	–	(1,137,474)	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)						(3,244,367)
Bonds issued	–	(715,014)	(87,612)	(12,482,391)	–	–	(13,285,017)
Other financial liabilities	–	–	–	(2,312,130)	–	(16,430,021)	(18,742,151)
Total financial liabilities	(26,464,012)	(55,119,590)	(85,571,925)	(78,321,948)	(188,990)	(17,615,960)	(263,282,425)
Interest rate gap	35,012,380	(14,500,978)	(15,793,543)	4,657,816	12,694,463	56,187,571	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2012						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	37,150,779	993,527	1,738,000	2,840,000	–	3,982	42,726,288
Clearing settlement funds	1,525,844	–	–	–	–	–	1,525,844
Deposits with exchanges and a financial institution	–	–	–	–	–	907,226	907,226
Placements with banks	2,000,000	–	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	570,000	1,247,232	161,186	2,121,171	2,320,851	10,502,533	16,922,973
Financial assets held under resale agreements	49,701	–	7,531	–	–	–	57,232
Available-for-sale financial assets	319,914	–	1,613,704	2,086,880	6,188,920	54,167,147	64,376,565
Financial assets classified as receivables	2,151,695	2,342,993	19,218,012	27,362,420	120,000	–	51,195,120
Loans and advances to customers	17,756,864	57,655	2,774,534	4,406,212	–	46,253	25,041,518
Accounts receivable	82,478	–	2,445,375	1,619,892	–	1,109,548	5,257,293
Held-to-maturity investments	50,024	–	70,026	1,143,342	6,079,882	–	7,343,274
Other financial assets	5,238	20,480	279,785	493,600	–	951,602	1,750,705
Total financial assets	61,662,537	4,661,887	28,308,153	42,073,517	14,709,653	67,688,291	219,104,038
Borrowings from central bank	–	–	(1,868,909)	(5,184,533)	–	–	(7,053,442)
Accounts payable to brokerage clients	(5,221,911)	–	–	–	–	(1,407,614)	(6,629,525)
Financial liabilities at fair value through profit or loss	–	–	–	(49,845)	–	(3,555)	(53,400)
Financial assets sold under repurchase agreements	(6,371,746)	(112,500)	(4,817,900)	(691,500)	–	–	(11,993,646)
Borrowings	(10,546,484)	(7,306,990)	(35,254,136)	(22,989,100)	(2,450)	–	(76,099,160)
Accounts payable	–	(4,903,597)	(12,641,336)	(20,567,373)	–	(1,427,120)	(39,539,426)
Investment contract liabilities for policyholders	(3,053,034)	–	–	–	–	(160,092)	(3,213,126)
Bonds issued	–	–	–	(12,460,555)	–	(73,999)	(12,534,554)
Other financial liabilities	–	–	–	(2,352,444)	–	(3,785,059)	(6,137,503)
Total financial liabilities	(25,193,175)	(12,323,087)	(54,582,281)	(64,295,350)	(2,450)	(6,857,439)	(163,253,782)
Interest rate gap	36,469,362	(7,661,200)	(26,274,128)	(22,221,833)	14,707,203	60,830,852	55,850,256

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2013						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	29,849,457	210,478	600,000	–	–	689	30,660,624
Placements with a financial institution	440,000	200,000	–	–	–	–	640,000
Financial assets at fair value through profit or loss	–	–	–	–	–	17,419,393	17,419,393
Available-for-sale financial assets	2,601,643	6,000,000	–	–	–	42,448,699	51,050,342
Financial assets classified as receivables	3,641,241	5,677,554	53,069,287	51,578,586	–	–	113,966,668
Accounts receivable	329,184	–	4,254,067	561,271	–	503,098	5,647,620
Amounts due from subsidiaries	–	–	1,262,000	10,617	–	237,139	1,509,756
Held-to-maturity investments	–	289,928	–	–	210,000	–	499,928
Other financial assets	–	–	–	–	–	683,725	683,725
Total financial assets	36,861,525	12,377,960	59,185,354	52,150,474	210,000	61,292,743	222,078,056
Borrowings from central bank	–	–	(4,912,977)	–	–	–	(4,912,977)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(226,786)	(226,786)
Placement from a bank		(8,000,000)					(8,000,000)
Borrowings	(2,672,331)	(41,147,000)	(59,600,000)	(35,650,000)	–	–	(139,069,331)
Accounts payable	–	–	(2,730,839)	(18,945,825)	–	–	(21,676,664)
Bonds issued	–	–	(74,123)	(9,951,173)	–	–	(10,025,296)
Other financial liabilities	–	–	–	–	–	(539,338)	(539,338)
Total financial liabilities	(2,672,331)	(49,147,000)	(67,317,939)	(64,546,998)	–	(766,124)	(184,450,392)
Interest rate gap	34,189,194	(36,769,040)	(8,132,585)	(12,396,524)	210,000	60,526,619	37,627,664

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2012						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	17,595,089	204,565	700,000	–	–	675	18,500,329
Placements with banks	2,000,000	–	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	–	–	–	–	–	8,780,229	8,780,229
Available-for-sale financial assets	–	–	–	–	–	47,909,938	47,909,938
Financial assets classified as receivables	1,759,582	2,312,993	17,825,893	26,169,720	–	–	48,068,188
Accounts receivable	–	–	2,445,376	1,619,892	–	217,790	4,283,058
Amounts due from subsidiaries	1,000,000	–	250,000	–	–	1,485,193	2,735,193
Held-to-maturity investments	–	–	–	–	210,000	–	210,000
Other financial assets	–	–	–	–	–	156,729	156,729
Total financial assets	22,354,671	2,517,558	21,221,269	27,789,612	210,000	58,550,554	132,643,664
Borrowings from central bank	–	–	(1,868,909)	(5,184,533)	–	–	(7,053,442)
Borrowings	(10,000,000)	(3,186,850)	(21,844,484)	(20,800,000)	–	–	(55,831,334)
Accounts payable	–	(4,903,597)	(12,641,336)	(20,567,372)	–	(33,782)	(38,146,087)
Bonds issued	–	–	–	(9,933,055)	–	(73,999)	(10,007,054)
Other financial liabilities	–	–	–	–	–	(191,769)	(191,769)
Total financial liabilities	(10,000,000)	(8,090,447)	(36,354,729)	(56,484,960)	–	(299,550)	(111,229,686)
Interest rate gap	12,354,671	(5,572,889)	(15,133,460)	(28,695,348)	210,000	58,251,004	21,413,978

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 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 all financial instruments' yield rate 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,			
	2013		2012	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	**155,468**	**(534,539)**	187,127	(442,424)
− 100 basis points	**(155,468)**	**578,285**	(187,127)	482,336

Company

	As at December 31,			
	2013		2012	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	**(9,259)**	**–**	15,208	–
− 100 basis points	**9,259**	**–**	(15,208)	–

Foreign exchange risk

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Foreign exchange risk (continued)

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	40,128,590	1,033,437	15,896,733	347	57,059,107
Clearing settlement funds	1,654,597	32,349	20,913	–	1,707,859
Deposits with exchanges and a financial institution	822,781	1,646	6,646	–	831,073
Placements with a financial institution	290,000	–	–	–	290,000
Financial assets at fair value through profit or loss	24,779,617	–	398,881	–	25,178,498
Financial assets held under resale agreements	1,053,527	–	–	–	1,053,527
Available-for-sale financial assets	72,377,205	265,405	104,545	–	72,747,155
Financial assets classified as receivables	116,662,697	–	–	–	116,662,697
Loans and advances to customers	46,889,126	152,407	1,594,829	–	48,636,362
Accounts receivable	6,305,288	6,231	137,397	28	6,448,944
Held-to-maturity investments	7,592,298	–	–	–	7,592,298
Other financial assets	3,299,788	–	32,826	–	3,332,614
Total financial assets	321,855,514	1,491,475	18,192,770	375	341,540,134
Borrowings from central bank	(4,912,977)	–	–	–	(4,912,977)
Accounts payable to brokerage clients	(6,358,722)	(79,765)	(42,310)	–	(6,480,797)
Financial liabilities at fair value through profit or loss	(48,465)	–	–	–	(48,465)
Financial assets sold under repurchase agreements	(9,442,824)	–	–	–	(9,442,824)
Placements from banks and a financial institution	(10,477,000)				(10,477,000)
Borrowings	(170,500,506)	(1,524,068)	(1,810,115)	–	(173,834,689)
Accounts payable	(22,678,157)	–	(135,981)	–	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)	–	–	–	(3,244,367)
Bonds issued	(13,258,050)	–	(26,967)	–	(13,285,017)
Other financial liabilities	(18,721,945)	(7,267)	(12,902)	(37)	(18,742,151)
Total financial liabilities	(259,643,013)	(1,611,100)	(2,028,275)	(37)	(263,282,425)
Net exposure	62,212,501	(119,625)	16,164,495	338	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	40,790,700	1,097,287	837,862	439	42,726,288
Clearing settlement funds	1,479,069	23,454	23,321	–	1,525,844
Deposits with exchanges and a financial institution	904,313	1,697	1,216	–	907,226
Placement with banks	2,000,000	–	–	–	2,000,000
Financial assets at fair value through profit or loss	16,506,192	42,238	374,543	–	16,922,973
Financial assets held under resale agreements	57,232	–	–	–	57,232
Available-for-sale financial assets	64,305,621	–	70,944	–	64,376,565
Financial assets classified as receivables	51,195,120	–	–	–	51,195,120
Loans and advances to customers	22,951,902	162,170	1,927,446	–	25,041,518
Accounts receivable	5,075,049	4,765	177,459	20	5,257,293
Held-to-maturity investments	7,343,274	–	–	–	7,343,274
Other financial assets	1,717,682	–	33,023	–	1,750,705
Total financial assets	214,326,154	1,331,611	3,445,814	459	219,104,038
Borrowings from central bank	(7,053,442)	–	–	–	(7,053,442)
Accounts payable to brokerage clients	(6,544,464)	(53,016)	(32,045)	–	(6,629,525)
Financial liabilities at fair value through profit or loss	(49,845)	–	(3,555)	–	(53,400)
Financial assets sold under repurchase agreements	(11,993,646)	–	–	–	(11,993,646)
Borrowings	(73,461,456)	–	(2,637,704)	–	(76,099,160)
Accounts payable	(39,412,304)	(4)	(127,118)	–	(39,539,426)
Investment contract liabilities for policyholders	(3,213,126)	–	–	–	(3,213,126)
Bonds issued	(12,534,554)	–	–	–	(12,534,554)
Other financial liabilities	(6,115,295)	(3,012)	(19,171)	(25)	(6,137,503)
Total financial liabilities	(160,378,132)	(56,032)	(2,819,593)	(25)	(163,253,782)
Net exposure	53,948,022	1,275,579	626,221	434	55,850,256

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

Foreign exchange rate sensitivity analysis

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,	
	2013	2012
5% appreciation	**(802,260)**	(95,112)
5% depreciation	**802,260**	95,112

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. In December 2013, the Company listed its H Shares on the Hong Kong Stock Exchange and received net proceeds of HKD18,556 million, which was included in cash and bank balances in the table above.

Price risk

Certain financial assets such as held-for-trading financial assets and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.2 Market risk (continued)

Price risk (continued)

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

Group

	As at December 31,			
	2013		2012	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**251,785**	**583,261**	163,758	408,187
-1 percent	**(251,785)**	**(583,261)**	(163,758)	(408,187)

Company

	As at December 31,			
	2013		2012	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**174,194**	**315,457**	87,802	181,642
-1 percent	**(174,194)**	**(315,457)**	(87,802)	(181,642)

69.3 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	30,161,873	19,976,899	919,602	3,440,572	3,307,635	–	57,806,581
Clearing settlement funds	–	1,708,614	–	–	–	–	–	1,708,614
Deposits with exchanges and a financial institution	831,152	–	–	–	–	–	–	831,152
Placement with banks and a financial institution	–	–	290,339	–	–	–	–	290,339
Financial assets at fair value through profit or loss	19,607,547	–	424,773	87,913	276,130	4,183,955	2,136,225	26,716,543
Financial assets held under resale agreements	–	–	617,183	16,982	434,575	27,484	–	1,096,224
Available-for-sale financial assets	57,890,772	371,039	2,767,607	6,140,010	1,640,998	7,570,481	7,830,841	84,211,748
Financial assets classified as receivables	1,903,896	–	2,307,850	5,873,509	60,186,055	66,889,009	105,051	137,265,370
Loans and advances to customers	833,181	194,375	1,078,192	4,387,523	16,832,075	33,091,771	527,752	56,944,869
Accounts receivable	303,385	286,107	335,902	370,786	4,773,767	949,373	–	7,019,320
Held-to-maturity investments	–	–	8,442	155,018	474,340	3,229,144	7,454,865	11,321,809
Other financial assets	–	519,164	259,160	24,661	467,423	884,807	–	2,155,215
Total financial assets	81,369,933	33,241,172	28,066,347	17,976,004	88,525,935	120,133,659	18,054,734	387,367,784
Borrowings from central bank	–	–	–	–	(4,989,343)	–	–	(4,989,343)
Accounts payable to brokerage clients	–	(6,481,309)	–	–	–	–	–	(6,481,309)
Financial liabilities at fair value through profit or loss	–	–	–	–	(24,131)	(24,334)	–	(48,465)
Financial assets sold under repurchase agreements	–	–	(6,678,920)	(118,982)	(2,145,073)	(610,241)	–	(9,553,216)
Placements from banks and a financial institution	–	–	(1,407,988)	(9,013,875)	(207,179)	–	–	(10,629,042)
Borrowings	–	(653,275)	(7,156,197)	(8,358,155)	(85,078,004)	(88,880,970)	(205,185)	(190,331,786)
Accounts payable	(604)	(12,421)	(156,421)	(968,014)	(2,730,844)	(19,432,091)	–	(23,300,395)
Investment contract liabilities for policyholders	(1,661)	(95,110)	(10,023)	(20,144)	(91,385)	(519,559)	(3,925,337)	(4,663,219)
Bonds issued	–	–	–	(718,451)	(485,640)	(13,684,662)	–	(14,888,753)
Other financial liabilities	(199,041)	(1,127,542)	–	(4,551)	(3,232)	(16,801,781)	–	(18,136,147)
Total financial liabilities	(201,306)	(8,369,657)	(15,409,549)	(19,202,172)	(95,754,831)	(139,953,638)	(4,130,522)	(283,021,675)
Net position	81,168,627	24,871,515	12,656,798	(1,226,168)	(7,228,896)	(19,819,979)	13,924,212	104,346,109

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	34,480,221	4,300,887	1,000,235	1,867,457	3,582,280	–	45,231,080
Clearing settlement funds	–	1,526,410	–	–	–	–	–	1,526,410
Deposits with exchanges and a financial institution	907,226	–	–	–	–	–	–	907,226
Placement with banks and a financial institution	–	–	2,003,453	–	–	–	–	2,003,453
Financial assets at fair value through profit or loss	10,502,533	–	571,178	1,246,217	208,618	2,884,149	2,666,598	18,079,293
Financial assets held under resale agreements	–	–	49,716	–	7,761	–	–	57,477
Available-for-sale financial assets	58,048,906	–	291,206	21,709	1,886,916	4,433,453	6,955,114	71,637,304
Financial assets classified as receivables	1,540,210	126,024	859,566	2,459,014	21,552,427	35,063,848	128,466	61,729,555
Loans and advances to customers	81,395	–	615,179	1,430,471	7,374,579	18,468,272	598,272	28,568,168
Accounts receivable	332,063	940,321	5,300	9,859	2,500,616	2,213,027	–	6,001,186
Held-to-maturity investments	–	–	8,442	63,638	386,158	2,439,911	8,371,885	11,270,034
Other financial assets	73,197	77,957	5,238	22,680	224,382	563,306	–	966,760
Total financial assets	71,485,530	37,150,933	8,710,165	6,253,823	36,008,914	69,648,246	18,720,335	247,977,946
Borrowings from central bank	–	–	–	–	(1,900,162)	(5,357,777)	–	(7,257,939)
Accounts payable to brokerage clients	–	(6,630,059)	–	–	–	–	–	(6,630,059)
Financial liabilities at fair value through profit or loss	(3,555)	–	–	–	–	(49,845)	–	(53,400)
Financial assets sold under repurchase agreements	–	–	(2,276,201)	(4,285,920)	(4,970,417)	(731,360)	–	(12,263,898)
Borrowings	–	(562,337)	(566,368)	(4,756,501)	(35,785,016)	(39,850,529)	(865,712)	(82,386,463)
Accounts payable	(797)	(1,426,323)	–	(4,784,728)	(12,284,728)	(21,998,274)	–	(40,494,850)
Investment contract liabilities for policyholders	–	(160,092)	(6,387)	(12,814)	(57,961)	(321,906)	(3,570,257)	(4,129,417)
Bonds issued	–	–	–	–	(490,024)	(13,999,420)	–	(14,489,444)
Other financial liabilities	–	(881,588)	–	–	(340,448)	(4,643,317)	(12,572)	(5,877,925)
Total financial liabilities	(4,352)	(9,660,399)	(2,848,956)	(13,839,963)	(55,828,756)	(86,952,428)	(4,448,541)	(173,583,395)
Net position	71,481,178	27,490,534	5,861,209	(7,586,140)	(19,819,842)	(17,304,182)	14,271,794	74,394,551

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Company

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	14,582,592	15,292,945	211,995	686,050	–	–	30,773,582
Placement with a financial institution	–	–	441,508	202,326	–	–	–	643,834
Financial assets at fair value through profit or loss	17,419,393	–	–	–	–	–	–	17,419,393
Available-for-sale financial assets	49,474,540	–	2,607,547	6,090,750	–	–	–	58,172,837
Financial assets classified as receivables	1,593,896	–	2,301,636	5,846,202	59,446,458	64,568,523	–	133,756,715
Accounts receivable	303,385	43,042	329,184	–	4,762,966	775,860	–	6,214,437
Amounts due from subsidiaries	–	234,017	–	–	1,331,334	12,085	–	1,577,436
Held-to-maturity investments	–	–	–	294,217	11,760	47,040	233,520	586,537
Other financial assets	–	428,250	–	–	–	–	–	428,250
Total financial assets	68,791,214	15,287,901	20,972,820	12,645,490	66,238,568	65,403,508	233,520	249,573,021
Borrowings from central bank	–	–	–	–	(4,989,343)	–	–	(4,989,343)
Financial liabilities at fair value through profit or loss	–	–	–	(4,416)	(27,639)	(194,731)	–	(226,786)
Placement from a bank	–	–	–	(8,121,357)	–	–	–	(8,121,357)
Borrowings	–	–	(2,708,992)	(5,550,049)	(69,344,417)	(74,862,906)	–	(152,466,364)
Accounts payable	–	–	–	–	(2,730,839)	(19,427,092)	–	(22,157,931)
Bonds issued	–	–	–	–	(450,000)	(10,915,000)	–	(11,365,000)
Other financial liabilities	–	(57,553)	–	–	–	–	–	(57,553)
Total financial liabilities	–	(57,553)	(2,708,992)	(13,675,822)	(77,542,238)	(105,399,729)	–	(199,384,334)
Net position	68,791,214	15,230,348	18,263,828	(1,030,332)	(11,303,670)	(39,996,221)	233,520	50,188,687

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	14,621,724	3,050,936	206,039	740,600	–	–	18,619,299
Placement with banks	–	–	2,003,453	–	–	–	–	2,003,453
Financial assets at fair value through profit or loss	8,780,229	–	–	–	–	–	–	8,780,229
Available-for-sale financial assets	51,661,223	–	–	–	–	–	–	51,661,223
Financial assets classified as receivables	1,480,210	–	505,251	2,456,818	20,099,792	33,720,836	–	58,262,907
Accounts receivable	260,073	30,989	5,300	9,859	2,500,616	2,213,027	–	5,019,864
Amounts due from subsidiaries	–	1,485,193	1,000,000	–	250,000	–	–	2,735,193
Held-to-maturity investments	–	–	–	–	11,760	47,040	245,280	304,080
Other financial assets	–	76,957	–	–	–	–	–	76,957
Total financial assets	62,181,735	16,214,863	6,564,940	2,672,716	23,602,768	35,980,903	245,280	147,463,205
Borrowings from central bank	–	–	–	–	(1,900,162)	(5,357,777)	–	(7,257,939)
Borrowings	–	–	–	(2,224,172)	(24,026,213)	(34,149,396)	–	(60,399,781)
Accounts payable	–	(33,781)	–	(4,784,728)	(12,284,728)	(21,998,274)	–	(39,101,511)
Bonds issued	–	–	–	–	(450,000)	(11,365,000)	–	(11,815,000)
Other financial liabilities	–	(59,349)	–	–	–	–	–	(59,349)
Total financial liabilities	–	(93,130)	–	(7,008,900)	(38,661,103)	(72,870,447)	–	(118,633,580)
Net position	62,181,735	16,121,733	6,564,940	(4,336,184)	(15,058,335)	(36,889,544)	245,280	28,829,625

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

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

Group

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1-5 years	Over 5 years	Total
Cash and bank balances	–	30,161,802	19,940,497	828,800	3,318,008	2,810,000	–	57,059,107
Clearing settlement funds	–	1,707,859	–	–	–	–	–	1,707,859
Deposits with exchanges and a financial institution	831,073	–	–	–	–	–	–	831,073
Placement with a financial institution	–	–	290,000	–	–	–	–	290,000
Financial assets at fair value through profit or loss	19,607,547	–	411,021	55,000	59,544	3,240,262	1,805,124	25,178,498
Financial assets held under resale agreements	–	–	613,750	15,637	400,695	23,445	–	1,053,527
Available-for-sale financial assets	50,864,931	371,039	2,705,642	6,000,000	1,080,584	5,742,653	5,982,306	72,747,155
Financial assets classified as receivables	1,685,080	–	2,248,874	5,701,675	53,490,316	53,536,752	–	116,662,697
Loans and advances to customers	678,950	194,375	825,325	3,644,316	14,096,625	28,749,953	446,818	48,636,362
Accounts receivable	223,273	286,107	335,902	333,457	4,501,571	768,634	–	6,448,944
Held-to-maturity investments	–	–	–	79,906	210,187	1,927,132	5,375,073	7,592,298
Other financial assets	52,720	592,070	440,194	537,380	842,729	867,521	–	3,332,614
Total financial assets	73,943,574	33,313,252	27,811,205	17,196,171	78,000,259	97,666,352	13,609,321	341,540,134
Borrowings from central bank	–	–	–	–	(4,912,977)	–	–	(4,912,977)
Accounts payable to brokerage clients	–	(6,480,797)	–	–	–	–	–	(6,480,797)
Financial liabilities at fair value through profit or loss	–	–	–	–	(24,131)	(24,334)	–	(48,465)
Financial assets sold under repurchase agreements	–	–	(6,665,924)	(83,700)	(2,093,700)	(599,500)	–	(9,442,824)
Placements from banks and a financial institution	–	–	(1,400,000)	(8,877,000)	(200,000)	–	–	(10,477,000)
Borrowings	–	(496,029)	(3,794,637)	(6,015,413)	(81,268,093)	(82,071,527)	(188,990)	(173,834,689)
Accounts payable	(605)	(12,421)	(151,430)	(968,014)	(2,730,844)	(18,950,824)	–	(22,814,138)
Investment contract liabilities for policyholders	(1,661)	(95,110)	–	–	–	–	(3,147,596)	(3,244,367)
Bonds issued	–	–	–	(715,014)	(87,612)	(12,482,391)	–	(13,285,017)
Other financial liabilities	(199,151)	(1,092,300)	(133,272)	(469,600)	(46,047)	(16,801,781)	–	(18,742,151)
Total financial liabilities	(201,417)	(8,176,657)	(12,145,263)	(17,128,741)	(91,363,404)	(130,930,357)	(3,336,586)	(263,282,425)
Net position	73,742,157	25,136,595	15,665,942	67,430	(13,363,145)	(33,264,005)	10,272,735	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	32,944,909	4,209,852	993,527	1,738,000	2,840,000	–	42,726,288
Clearing settlement funds	–	1,525,844	–	–	–	–	–	1,525,844
Deposits with exchanges and a financial institution	907,226	–	–	–	–	–	–	907,226
Placement with banks	–	–	2,000,000	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	10,502,533	–	570,000	1,196,682	161,186	2,121,171	2,371,401	16,922,973
Financial assets held under resale agreements	–	–	49,701	–	7,531	–	–	57,232
Available-for-sale financial assets	54,167,147	–	280,000	–	1,439,443	2,096,869	6,393,106	64,376,565
Financial assets classified as receivables	1,325,068	95,119	826,626	2,312,993	18,982,597	27,532,717	120,000	51,195,120
Loans and advances to customers	65,359	–	511,412	1,050,697	6,389,937	16,550,691	473,422	25,041,518
Accounts receivable	251,951	933,235	5,300	–	2,446,915	1,619,892	–	5,257,293
Held-to-maturity investments	–	–	–	–	120,050	1,143,342	6,079,882	7,343,274
Other financial assets	72,765	168,271	60,388	633,204	253,400	562,677	–	1,750,705
Total financial assets	67,292,049	35,667,378	8,513,279	6,187,103	31,539,059	54,467,359	15,437,811	219,104,038
Borrowings from central bank	–	–	–	–	(1,868,909)	(5,184,533)	–	(7,053,442)
Accounts payable to brokerage clients	–	(6,629,525)	–	–	–	–	–	(6,629,525)
Financial liabilities at fair value through profit or loss	(3,555)	–	–	–	–	(49,845)	–	(53,400)
Financial assets sold under repurchase agreements	–	–	(2,265,083)	(4,219,163)	(4,817,900)	(691,500)	–	(11,993,646)
Borrowings	–	(562,337)	(546,483)	(3,746,477)	(32,913,248)	(37,585,476)	(745,139)	(76,099,160)
Accounts payable	(797)	(1,426,323)	–	(4,665,625)	(11,928,120)	(21,518,561)	–	(39,539,426)
Investment contract liabilities for policyholders	–	(160,091)	–	–	–	–	(3,053,035)	(3,213,126)
Bonds issued	–	–	–	–	(73,999)	(12,460,555)	–	(12,534,554)
Other financial liabilities	–	(881,588)	(159)	(116,499)	(483,368)	(4,643,317)	(12,572)	(6,137,503)
Total financial liabilities	(4,352)	(9,659,864)	(2,811,725)	(12,747,764)	(52,085,544)	(82,133,787)	(3,810,746)	(163,253,782)
Net position	67,287,697	26,007,514	5,701,554	(6,560,661)	(20,546,485)	(27,666,428)	11,627,065	55,850,256

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Company

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	14,582,592	15,267,554	210,478	600,000	–	–	30,660,624
Placement with a financial institution	–	–	440,000	200,000	–	–	–	640,000
Financial assets at fair value through profit or loss	17,419,393	–	–	–	–	–	–	17,419,393
Available-for-sale financial assets	42,448,699	–	2,601,643	6,000,000	–	–	–	51,050,342
Financial assets classified as receivables	1,380,751	–	2,248,874	5,701,675	53,015,316	51,620,052	–	113,966,668
Accounts receivable	223,273	43,042	329,184	–	4,490,771	561,350	–	5,647,620
Amounts due from subsidiaries	–	234,017	–	–	1,264,000	11,739	–	1,509,756
Held-to-maturity investments	–	–	–	289,928	–	–	210,000	499,928
Other financial assets	52,070	428,250	30,526	1,806	171,073	–	–	683,725
Total financial assets	61,524,186	15,287,901	20,917,781	12,403,887	59,541,160	52,193,141	210,000	222,078,056
Borrowings from central bank	–	–	–	–	(4,912,977)	–	–	(4,912,977)
Financial liabilities at fair value through profit or loss	–	–	–	(4,416)	(27,639)	(194,731)	–	(226,786)
Placements from a bank	–	–	–	(8,000,000)	–	–	–	(8,000,000)
Borrowings	–	–	(2,672,331)	(3,600,000)	(64,080,000)	(68,717,000)	–	(139,069,331)
Accounts payable	–	–	–	–	(2,730,839)	(18,945,825)	–	(21,676,664)
Bonds issued	–	–	–	–	(74,123)	(9,951,173)	–	(10,025,296)
Other financial liabilities	–	(57,553)	(5,528)	(403,517)	(72,740)	–	–	(539,338)
Total financial liabilities	–	(57,553)	(2,677,859)	(12,007,933)	(71,898,318)	(97,808,729)	–	(184,450,392)
Net position	61,524,186	15,230,348	18,239,922	395,954	(12,357,158)	(45,615,588)	210,000	37,627,664

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	15,621,725	1,974,040	204,564	700,000	–	–	18,500,329
Placement with banks	–	–	2,000,000	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	8,780,229	–	–	–	–	–	–	8,780,229
Available-for-sale financial assets	47,909,938	–	–	–	–	–	–	47,909,938
Financial assets classified as receivables	1,282,955	–	476,626	2,312,993	17,685,597	26,310,017	–	48,068,188
Accounts receivable	179,962	30,989	5,300	–	2,446,915	1,619,892	–	4,283,058
Amounts due from subsidiaries	–	1,485,193	1,000,000	–	250,000	–	–	2,735,193
Held-to-maturity investments	–	–	–	–	–	–	210,000	210,000
Other financial assets	–	76,957	–	79,772	–	–	–	156,729
Total financial assets	58,153,084	17,214,864	5,455,966	2,597,329	21,082,512	27,929,909	210,000	132,643,664
Borrowings from central bank	–	–	–	–	(1,868,909)	(5,184,533)	–	(7,053,442)
Borrowings	–	–	–	(1,514,518)	(21,864,484)	(32,452,332)	–	(55,831,334)
Accounts payable	–	(33,781)	–	(4,665,625)	(11,928,120)	(21,518,561)	–	(38,146,087)
Bonds issued	–	–	–	–	(73,999)	(9,933,055)	–	(10,007,054)
Other financial liabilities	–	(59,349)	–	–	(132,420)	–	–	(191,769)
Total financial liabilities	–	(93,130)	–	(6,180,143)	(35,867,932)	(69,088,481)	–	(111,229,686)
Net position	58,153,084	17,121,734	5,455,966	(3,582,814)	(14,785,420)	(41,158,572)	210,000	21,413,978

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.4 Risk management of distressed assets

1. 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.

The Group's risk of distressed assets arise from distressed debts which the Group initially classifies as financial assets at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

2. 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 initially designated as 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 initially classified as receivables mainly comprise credit risk.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.4 Risk management of distressed assets (continued)

2. Risk management of distressed debt assets (continued)

2.1 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 designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. 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), collaterals provided, repayment sources, etc.;

- 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.

2.2 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 are 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;

- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.4 Risk management of distressed assets (continued)

2. Risk management of distressed debt assets (continued)

2.3 Credit risk

In addition to distressed debt assets classified as receivable, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated 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 a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor;
- 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 classified as receivables.

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;
- Require counterparties to provide collaterals which fully cover the credit exposure.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.4 Risk management of distressed assets (continued)

3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were 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;
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between willing and knowledgeable counterparties or realizable value of the underlying assets.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.4 Risk management of distressed assets (continued)

5. Impairment assessment

The Group performs impairment assessment on distressed debt assets designated as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note V.69.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolong decline in value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or counterparty or macroeconomic conditions that have a negative impact on the business operation of the investee.

69.5 Insurance risk

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

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.5 Insurance risk (continued)

1. Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance event incurred (frequency risk), the difference between the actual and estimated cost of risk event (severity risk) and the change of the amount of obligations to policyholder at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious disease, enormous changes of life style, and natural disaster could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have impact on insurance risk are the continuous improvement of medical treatment level and social welfare which lead to longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disaster and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

1.1 Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures the Group undertakes to minimize the risks include:

- Use conservative incurrence rate and margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;

- Set up plan for strategic asset allocation and set pricing margin based on long-term investment yield associated with the strategic asset allocation;

- Set up plan for business planning and expense budgeting and reinforce rigorous expense management system.

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.5 Insurance risk (continued)

1. Types of insurance risks (continued)

1.2 Insurance reserve risk

Insurance reserve risk is the risk that insurance reserve provided is not sufficient to fulfill the obligation for claims due to inappropriate standard or method was used. Measures the Group takes to minimize the risk include:

- Calculate insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long term life insurance contract liabilities and short term insurance contract liabilities which include unearned premium reserves and claim reserves;

- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

1.3 Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurer with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and price, etc.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.5 Insurance risk (continued)

2. 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.

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

	Year ended December 31,			
	2013		2012	
	Amount	**%**	Amount	%
Life insurance	**4,107,239**	**57.5**	5,707,059	70.4
Motor vehicles insurance contract	**2,543,605**	**35.6**	1,996,249	24.6
General property insurance	**185,580**	**2.6**	130,578	1.6
Others	**311,846**	**4.3**	267,563	3.4
Total	**7,148,270**	**100.0**	8,101,449	100.0

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

	As at December 31,			
	2013		2012	
	Amount	**%**	Amount	%
Life insurance	**18,424,119**	**88.9**	15,764,894	89.6
Motor vehicle commercial insurance	**1,742,741**	**8.4**	1,331,495	7.6
Health insurance contract	**116,025**	**0.6**	112,541	0.6
Others	**439,567**	**2.1**	376,738	2.2
Total	**20,722,452**	**100.0**	17,585,668	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.5 Insurance risk (continued)

3. Key assumptions and sensitivity analysis

3.1 Property and casualty insurance contract and short-term life insurance contract

The primary assumption that has impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly delay in payment. The table below illustrates the potential impact of a reasonable change of insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2013		2012	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(16,368)**	**(16,368)**	(9,985)	(9,985)
-1%	**16,368**	**16,368**	9,985	9,985

3.2 Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include mortality ratio, morbidity ratio, lapse rate, discount rate and cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on 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 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 expected future investment yield of the associated asset portfolios.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.5 Insurance risk (continued)

3. Key assumptions and sensitivity analysis (continued)

3.2 Long-term life and health insurance contract (continued)

The table below illustrates the potential impact of a 10 basis points change of discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2013		2012	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**17,110**	**17,110**	16,993	16,993
-10bps	**(17,463)**	**(17,463)**	(17,365)	(17,365)

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,			
	2013		2012	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(33,121)**	**(33,121)**	(33,912)	(33,912)
-10%	**33,121**	**33,121**	33,912	33,912

V. EXPLANATORY NOTES (continued)

69. Financial risk management (continued)

69.6 Capital management

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

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

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

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2013 and 2012, the Company complied with the regulatory requirements on the minimum CAR.

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments; and

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

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.1. Fair value of financial assets and financial liabilities that are not measured on a recurring basis

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

Group

	As at December 31,			
	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**116,662,697**	**117,032,300**	51,195,120	52,164,951
Loans and advances to customers	**48,636,362**	**48,718,628**	25,041,518	25,208,935
Accounts receivable	**6,448,944**	**6,577,962**	5,257,293	5,572,436
Held-to-maturity investments	**7,592,298**	**6,948,212**	7,343,274	7,245,484
Total	**179,340,301**	**179,277,102**	88,837,205	90,191,806
Financial liabilities				
Borrowings	**(173,834,689)**	**(174,071,284)**	(76,099,160)	(75,900,938)
Bonds issued	**(13,285,017)**	**(12,963,269)**	(12,534,554)	(12,592,348)
Total	**(187,119,706)**	**(187,034,553)**	(88,633,714)	(88,493,286)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.1. Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Group

	As at December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets classified as receivables	–	–	**117,032,300**	**117,032,300**
Loans and advances to customers	–	–	**48,718,628**	**48,718,628**
Accounts receivable	–	–	**6,577,962**	**6,577,962**
Held-to-maturity investments	–	**6,948,212**	–	**6,948,212**
Total	–	**6,948,212**	**172,328,890**	**179,277,102**
Borrowings	–	–	**(174,071,284)**	**(174,071,284)**
Bonds issued	–	**(12,432,094)**	**(531,175)**	**(12,963,269)**
Total	–	**(12,432,094)**	**(174,602,459)**	**(187,034,553)**

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	–	–	52,164,951	52,164,951
Loans and advances to customers	–	–	25,208,935	25,208,935
Accounts receivable	–	–	5,572,436	5,572,436
Held-to-maturity investments	–	7,245,484	–	7,245,484
Total	–	7,245,484	82,946,322	90,191,806
Borrowings	–	–	(75,900,938)	(75,900,938)
Bonds issued	–	(12,097,348)	(495,000)	(12,592,348)
Total	–	(12,097,348)	(76,395,938)	(88,493,286)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.1. Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Company

	As at December 31,			
	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**113,966,668**	**114,336,272**	48,068,188	48,978,330
Accounts receivable	**5,647,620**	**5,776,638**	4,283,058	4,598,201
Held-to-maturity investments	**499,928**	**485,623**	210,000	204,766
Total	**120,114,216**	**120,598,533**	52,561,246	53,781,297
Financial liabilities				
Borrowings	**(139,069,331)**	**(139,305,927)**	(55,831,334)	(55,635,070)
Bonds issued	**(10,025,296)**	**(9,704,688)**	(10,007,054)	(10,015,110)
Total	**(149,094,627)**	**(149,010,615)**	(65,838,388)	(65,650,180)

	As at December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Held-to-maturity investments	**–**	**485,623**	**–**	**485,623**
Accounts receivable	**–**	**–**	**5,776,638**	**5,776,638**
Financial assets classified as receivables	**–**	**–**	**114,336,272**	**114,336,272**
Total	**–**	**485,623**	**120,112,910**	**120,598,533**
Borrowings	**–**	**–**	**(139,305,927)**	**(139,305,927)**
Bonds issued	**–**	**(9,704,688)**	**–**	**(9,704,688)**
Total	**–**	**(9,704,688)**	**(139,305,927)**	**(149,010,615)**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.1. Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Company (continued)

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Held-to-maturity investments	—	204,766	—	204,766
Accounts receivable	—	—	4,598,201	4,598,201
Financial assets classified as receivables	—	—	48,978,330	48,978,330
Total	—	204,766	53,576,531	53,781,297
Borrowings	—	—	(55,635,070)	(55,635,070)
Bonds issued	—	(10,015,110)	—	(10,015,110)
Total	—	(10,015,110)	(55,635,070)	(65,650,180)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

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

Group

Financial assets/ financial liabilities	Fair value as at December 31, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Held-for-trading financial assets	**5,947,927**	6,367,430				
Debt securities	**4,096,566**	4,154,802				
– Public sector and quasi-government bonds traded in inter-bank market	**1,646,201**	760,153	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Financial institution bonds traded in stock exchange	**–**	25,793	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in stock exchange	**1,376,699**	908,548	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**1,073,666**	2,460,308	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments listed or traded on exchanges	**735,989**	813,105	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**439,967**	430,958				
– Finance	**12,454**	15,820				
– Mining	**64,416**	172,165				
– Production and supply of power, heat, gas and water	**–**	86,946				
– Real estate	**37,529**	26,486				
– Information transmission, software and information technology services	**56,515**	50,465				
– others	**125,108**	30,265				
Mutual funds	**1,097,289**	1,380,055	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Listed outside HK	**711,125**	1,252,505				
– Unlisted	**386,164**	127,550				
Derivatives	**18,083**	19,468	Level 3	• Note (1)	Note (1)	Note (1)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
2) Financial assets designated as at fair value through profit or loss	**19,230,571**	10,555,543				
Distressed debt assets	**16,391,690**	7,960,200	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)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**1,053,701**	1,018,769				
– Financial institution convertible bonds traded in stock exchange	**947,024**	946,017	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds traded in stock exchange	**69,567**	72,752	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds not traded in active market	**37,110**	–	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component	• Discount rates that correspond to expected risk level.	• The lower the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects	• Risk-free rates that are specific to the market.	• The higher the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	**1,218,363**	1,246,869	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A
Equity instruments	**566,817**	329,705				
– Equity investments in unlisted companies	**566,817**	191,141	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Discount rates that correspond to expected risk level.	• The lower the discount rates, the higher the fair value.
– Beneficiary rights associated with equity instruments	**–**	138,564	Level 2	• Calculated based on the expected disposal price of listed shares.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Available-for-sale financial asset	**33,147,606**	24,150,756				
Debt securities	**10,738,642**	7,998,164				
– Government bonds	**73,081**	–	Level 1	• Quoted bid prices in an active market	N/A	N/A
– Public sector and quasi-government bonds traded in inter-bank market	**4,479,842**	3,229,605	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Financial institution bonds traded in stock exchange	**–**	19,026	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Financial institution bonds traded in inter-bank market	**1,647,823**	1,978,793	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Corporate bonds traded in stock exchange	**2,568,281**	1,588,706	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**1,969,615**	1,182,034	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity instruments	**7,382,774**	11,312,849	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**4,046,699**	7,256,013				
– Manufacturing	**2,105,853**	2,734,205				
– Other industries	**1,230,222**	1,322,631				
Funds	**2,326,573**	2,620,928	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Listed outside HK	**1,026,776**	1,719,846				
– Unlisted	**1,299,797**	901,082				
Trust products	**839,929**	158,004				
– Trust products investing in listed shares	**144,697**	52,141	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
– Other trust products	**695,232**	105,863	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**1,273,424**	980,000				
– Issued by banks or other financial institutions	**573,424**	280,000	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A
– Issued by banks or other financial institutions	**700,000**	700,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Rights to trust assets	**1,073,250**	1,073,250	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	The lower the discount rate, the higher the fair value

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.2. Fair value 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, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**9,513,014**	7,561				
– Assets management plan	**602,151**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Assets management plan	**300,000**	–	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amount, discounted at a rate that reflects management's best estimation of the expected risk level.	N/A	N/A
– Debt instruments issued by financial institutions	**8,502,079**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Others	**108,784**	7,561	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	**(48,465)**	(53,400)				
Share option of listed companies	**–**	(3,555)	Level 1	• Quoted bid prices in an active market	N/A	N/A
Income guarantee and repurchase commitment	**(48,465)**	(49,845)	Level 3	• Note (1)	Note (1)	Note (1)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

Company

Financial assets/ financial liabilities	Fair value as at December 31, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Held-for-trading financial assets	–	19,468				
Derivatives	–	19,468	Level 3	• Note (1)	• Note (1)	• Note (1)
2) Financial assets designated as at fair value through profit or loss	**17,419,393**	8,760,761				
Distressed debt assets	**16,784,112**	8,022,197	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.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Equity instruments-beneficiary rights associated with equity instruments	–	138,564	Level 2	• Calculated based on the expected disposal price of listed shares.	N/A	N/A
Investment fund	**635,281**	600,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

Company (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2013	2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Available-for-sale financial asset	**14,126,307**	9,152,044				
Equity instruments listed outside HK	**5,524,664**	9,152,044	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**4,028,027**	7,195,654				
– Manufacturing	**756,404**	1,142,788			N/A	N/A
– Other industries	**740,233**	813,602			N/A	N/A
Debt instruments issued by financial institutions	**8,502,079**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Others	**99,564**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	**(226,786)**	–				
Income guarantee and repurchase commitment	**(226,786)**	–	Level 3	• Calculated based on expected loss model	• Expected loss amounts	• The higher the expected loss, the higher the fair value.

Note:

(1) The amount of derivatives and financial liabilities at fair value through profit or loss are insignificant to the Group. These financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

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

Group

	As at December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**4,226,568**	**3,938,230**	**17,013,700**	**25,178,498**
Available-for-sale financial assets	**12,350,709**	**18,028,415**	**2,768,482**	**33,147,606**
Total assets	**16,577,277**	**21,966,645**	**19,782,182**	**58,326,104**
Financial liabilities at fair value through profit or loss	**–**	**–**	**(48,465)**	**(48,465)**
Total liabilities	**–**	**–**	**(48,465)**	**(48,465)**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

Group (continued)

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,146,270	4,605,894	8,170,809	16,922,973
Available-for-sale financial assets	15,541,509	6,730,134	1,879,113	24,150,756
Total assets	19,687,779	11,336,028	10,049,922	41,073,729
Financial liabilities at fair value through profit or loss	(3,555)	—	(49,845)	(53,400)
Total liabilities	(3,555)	—	(49,845)	(53,400)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

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

Company

	As at December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**—**	**—**	**17,419,393**	**17,419,393**
Available-for-sale financial assets	**5,524,664**	**8,601,643**	**—**	**14,126,307**
Total assets	**5,524,664**	**8,601,643**	**17,419,393**	**31,545,700**
Financial liabilities at fair value through profit or loss	**—**	**—**	**(226,786)**	**(226,786)**
Total liabilities	**—**	**—**	**(226,786)**	**(226,786)**

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	138,564	8,641,665	8,780,229
Available-for-sale financial assets	9,152,044	—	—	9,152,044
Total assets	9,152,044	138,564	8,641,665	17,932,273

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

The fair values of the financial assets and financial liabilities included in the level 2 category 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)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.3. Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	**Available-for-sale financial assets**	**Financial liabilities at FVTPL**
As at January 1, 2013	**8,170,809**	**1,879,113**	**(49,845)**
Recognized in profit or loss	**391,325**		
Purchases	**12,782,819**	**889,369**	**(52,538)**
Settlements/disposals	**(4,331,253)**		**53,918**
As at December 31, 2013	**17,013,700**	**2,768,482**	**(48,465)**
Total gain for the year for assets/liabilities held as at December 31, 2013 — included in profit or loss	**391,325**	**—**	**—**

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2012	7,685,650	910,000	—
Recognized in profit or loss	317,018	—	(49,845)
Purchases	3,337,519	1,179,113	—
Settlements/disposals	(3,169,378)	(210,000)	—
As at December 31, 2012	8,170,809	1,879,113	(49,845)
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2012 — included in profit or loss	317,018	—	(49,845)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.3. Reconciliation of Level 3 fair value measurements (continued)

Company

	Financial assets at FVTPL	**Financial liabilities at FVTPL**
As at January 1, 2013	**8,641,665**	**—**
Recognized in profit or loss	**328,252**	**(226,786)**
Purchases	**12,284,578**	**—**
Settlements/disposals	**(3,835,102)**	**—**
As at December 31, 2013	**17,419,393**	**(226,786)**
Total gain for the year for assets/liabilities held as at December 31, 2013 — included in profit or loss	**328,252**	**(226,786)**

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	7,918,457	160,000
Recognized in profit or loss	387,451	—
Purchases	3,541,642	—
Settlements/disposals	(3,205,885)	(160,000)
As at December 31, 2012	8,641,665	—
Total gain for the year for assets/liabilities held as at December 31, 2012 — included in profit or loss	387,451	—

The total net gains of the Group for the year included an unrealized gain of RMB391.33 million and RMB267.17 million relating to financial assets that were measured at fair value for the years ended December 31, 2013 and 2012, respectively. Such unrealized gains or losses are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

70. Fair value of financial instruments (continued)

70.3. Reconciliation of Level 3 fair value measurements (continued)

The total gains of the Company for the year included an unrealized gain of RMB101.47 million and RMB387.45 million relating to financial assets that were measured at fair value for the years ended December 31, 2013 and 2012, respectively. Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

71. Acquisition of subsidiaries

The Group completed a number of acquisitions during the year of 2012. None of these acquisitions were individually significant. They are therefore presented as an aggregate in the following tables:

Identifiable assets acquired and liabilities assumed at those dates of acquisitions are as follows:

	Year ended December 31,	
	2013	2012
Cash and bank balances	–	192,258
Property and equipment	–	11,092
Accounts receivable	–	11,518
Others assets	–	537,012
Accounts payable	–	(273,357)
Other liabilities	–	(129,668)
Net assets	–	348,855

Net cash flows on acquisition of subsidiaries:

	Year ended December 31,	
	2013	2012
Cash consideration paid	–	–
Less: cash and cash equivalent balances acquired	–	192,258
Net cash flows	–	192,258

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

72. Disposal of subsidiaries

During the year, the Group disposed of a number of subsidiaries. These subsidiaries of the Group mainly operate in the real estate and property management industry.

None of these disposals were individually significant. Their aggregated information is set out below:

Consideration received:

	Year ended December 31,	
	2013	2012
Cash received	**426,830**	1,932,070
Deferred cash consideration	**—**	2,801
	426,830	1,934,871

Analysis of assets and liabilities over which control was lost:

	Year ended December 31,	
	2013	2012
Current assets	**185,129**	3,041,190
Non-current assets	**58,223**	264,315
Current liabilities	**(44,624)**	(2,502,262)

Net cash flows arising on disposal:

	Year ended December 31,	
	2013	2012
Cash consideration received	**426,830**	1,932,070
Less: cash and cash equivalent balances disposed of	**(10,645)**	(68,902)
Net cash flows	**416,185**	1,863,168

VI. Events after the reporting period

Pursuant to the meeting of the Board of Directors on March 27, 2014, the proposal of the profit appropriations of the Company for the year ended December 31, 2013 is set out as follows:

(i) An appropriation of RMB723.07 million to the statutory surplus reserve;

(ii) An appropriation of RMB1,231.80 million to the general reserve, which includes the general reserve determined based on the risk assets as at November 30, 2013 of RMB825.85 million; and

(iii) A cash Special Dividend of RMB1,202.80 million in total in respect of the period from July 1, 2013 to November 30, 2013 (note V.18).

As at December 31, 2013, the statutory surplus reserve and the Special Dividend had been recognized as appropriation. Except for the portion of general reserve amounting to RMB825.85 million which had been recognized as appropriation for the year ended December 31, 2013, the general reserve will be recognized on the Company's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)

Report and Consolidated Financial Statements
For the year ended 31 December 2014

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGE(S)

Deloitte
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT
COMPANY LIMITED 華建國際投資有限公司)
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Cinda (HK) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 83, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA CINDA (HK) HOLDINGS COMPANY LIMITED - continued
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 April 2015

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 HK$	2013 HK$
Revenue	7	266,075,681	283,290,912
Interest income from third parties		588,201,817	536,729,471
Cost of sales and services		(36,458,878)	(27,879,890)
		817,818,620	792,140,493
Other income, gains and losses	8	503,612,012	193,916,224
Gain on disposal of an associate	18	-	1,739,556
Impairment loss on interest in an associate and amount due from an associate		-	(28,089,490)
Administrative expenses		(299,076,675)	(232,464,821)
Finance costs	9	(608,309,755)	(230,563,402)
Share of results of associates		99,547,434	94,188,312
Profit before taxation		513,591,636	590,866,872
Taxation	10	(74,757,256)	(73,948,555)
Profit for the year	11	438,834,380	516,918,317
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment		64,000,000	-
Revaluation of property, plant and equipment upon transfer to investment properties		63,183,535	-
Deferred tax arising from revaluation of property, plant and equipment		(24,425,283)	-
		102,758,252	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(40,209,199)	46,827,436
Net gain arising on fair value changes of available-for-sale investments		153,457,702	38,637,325
Reclassification adjustment - transfer to profit or loss on disposal of available-for-sale investments		(55,000,194)	(85,377,096)
Share of other comprehensive (expense) income of associates		(57,629)	33,628,644
Reclassification adjustment - transfer to profit or loss on impairment of available-for-sale investments		-	11,063,276
Income tax relating to items that may be reclassified subsequently		(29,784,770)	21,146,833
		28,405,910	65,926,418

	2014 HK$	2013 HK$
Other comprehensive income for the year, net of tax	131,164,162	65,926,418
Total comprehensive income for the year	569,998,542	582,844,735
Profit attributable to:		
Owners of the Company	418,338,372	473,893,093
Non-controlling interests	20,496,008	43,025,224
	438,834,380	516,918,317
Total comprehensive income attributable to:		
Owners of the Company	518,385,402	527,486,882
Non-controlling interests	51,613,140	55,357,853
	569,998,542	582,844,735

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	2014 HK$	2013 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	12	118,346,034	95,836,235
Investment properties	13	165,960,626	66,514,463
Goodwill	14	147,039,162	147,039,162
Other intangible assets	16	1,319,213	1,319,213
Other assets	17	6,516,946	6,952,537
Interests in associates	18	2,224,919,567	2,206,888,098
Available-for-sale investments	19	3,443,430,711	1,638,539,453
Loan receivables from third parties	24	3,578,368,716	2,924,363,681
Loan receivable from an associate	24	383,333,122	-
Deposits	25	383,692,000	68,427,814
Pledged bank deposits	26	173,514,014	-
		10,626,440,111	7,155,880,656
CURRENT ASSETS			
Properties for sale	20	213,070,721	213,329,599
Accounts receivables, loans to margin clients and clearing settlement funds	21	373,110,810	288,192,096
Prepayments, deposits and other receivables	24	326,795,709	154,183,028
Financial assets at fair value through profit or loss	23	1,789,230,069	851,193,125
Loan receivables from third parties	24	5,435,042,389	685,996,323
Loan receivables from associates	24	21,739,957	158,200,256
Loan receivable from shareholder of an associate	24	240,000,000	-
Amount due from ultimate holding company	24	78,376,138	119,680,716
Amounts due from associates	24	60,920,385	22,017,405
Restricted bank deposit	26	633,817,993	-
Pledged bank deposits	26	787,136,061	191,728,744
Bank balances and cash	26	7,614,549,213	3,389,927,053
		17,573,789,445	6,074,448,345
CURRENT LIABILITIES			
Account payables	27	282,996,416	200,673,437
Other payables and accruals	28	1,095,716,168	136,966,529
Amounts due to associates	28	12,211,139	26,272,711
Financial liabilities at fair value through profit or loss	23	191,845,748	234,891,964
Borrowings	29	3,479,724,755	1,256,129,112
Bond payables	30	2,525,830,632	-
Tax payable		46,604,745	65,318,843
		7,634,929,603	1,920,252,596
NET CURRENT ASSETS		9,938,859,842	4,154,195,749
TOTAL ASSETS LESS CURRENT LIABILITIES		20,565,299,953	11,310,076,405

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED 華建國際投資有限公司)

	NOTES	2014 HK$	2013 HK$
NON-CURRENT LIABILITIES			
Borrowings	29	971,741,444	3,152,482,089
Bond payables	30	13,353,831,526	2,558,902,223
Deferred tax liabilities	22	92,690,764	21,654,416
		14,418,263,734	5,733,038,728
NET ASSETS		6,147,036,219	5,577,037,677
CAPITAL AND RESERVES			
Share capital	31	1,685,986,972	1,400,000,000
Reserves	34	3,957,469,142	3,725,070,712
Equity attributable to owners of the Company		5,643,456,114	5,125,070,712
Non-controlling interests		503,580,105	451,966,965
Total equity		6,147,036,219	5,577,037,677

The consolidated financial statements on pages 3 to 83 were approved and authorised for issue by the Board of Directors on 10 April 2015 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company											
	Share capital HK$	Share premium HK$	Retained profits HK$	Property revaluation reserve HK$	Investment revaluation reserve HK$	Translation reserve HK$	Statutory reserve HK$ (Note)	Merger reserve HK$	Goodwill reserve HK$	Total HK$	Non-controlling interests HK$	Total HK$
At 1 January 2013	1,400,000,000	285,986,972	2,242,630,877	33,144,497	304,684,793	268,990,868	74,634,574	1,000,000	(13,488,751)	4,597,583,830	378,781,740	4,976,365,570
Profit for the year	-	-	473,893,093	-	-	-	-	-	-	473,893,093	43,025,224	516,918,317
Other comprehensive (expense) income for the year	-	-	-	-	(26,525,770)	80,119,559	-	-	-	53,593,789	12,332,629	65,926,418
Total comprehensive income (expense) for the year	-	-	473,893,093	-	(26,525,770)	80,119,559	-	-	-	527,486,882	55,357,853	582,844,735
Transfer	-	-	(5,141,443)	-	-	-	5,141,443	-	-	-	-	-
Partial disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	5,395,089	5,395,089
Incorporation of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	-	12,432,283	12,432,283
At 31 December 2013	1,400,000,000	285,986,972	2,711,382,527	33,144,497	278,159,023	349,110,427	79,776,017	1,000,000	(13,488,751)	5,125,070,712	451,966,965	5,577,037,677
Profit for the year	-	-	418,338,372	-	-	-	-	-	-	418,338,372	20,496,008	438,834,380
Other comprehensive income (expense) for the year	-	-	-	102,758,252	37,467,341	(40,178,563)	-	-	-	100,047,030	31,117,132	131,164,162
Total comprehensive income (expense) for the year	-	-	418,338,372	102,758,252	37,467,341	(40,178,563)	-	-	-	518,385,402	51,613,140	569,998,542
Transfer	-	-	(3,559,040)	-	-	-	3,559,040	-	-	-	-	-
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 31)	285,986,972	(285,986,972)	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	1,685,986,972	-	3,126,161,859	135,902,749	315,626,364	308,931,864	83,335,057	1,000,000	(13,488,751)	5,643,456,114	503,580,105	6,147,036,219

Note:

In accordance with statutory requirements in the People's Republic of China, other than Hong Kong (the "PRC"), subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from accumulated profits to the statutory funds, until the statutory funds is accumulated up to 50% of its registered capital. Under normal circumstances, the statutory funds are not allowed to be distributed to the subsidiary's equity holders as dividends. The statutory funds shall only be used for making good losses, capitalisation into paid-in capital and expansion of its productions and operations.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$	2013 HK$
OPERATING ACTIVITIES		
Profit before tax	513,591,636	590,866,872
Adjustments for:		
Consultancy and agency fee income	-	(19,714,333)
Loss on disposal of property, plant and equipment	36,156	1,361
(Reversal) allowance for bad and doubtful debts	(1,013,000)	504,603
Depreciation	6,281,154	6,635,105
Finance costs	608,309,755	230,563,402
Impairment loss on available-for-sale investments	-	11,063,276
Impairment loss on interest in an associate and amount due from an associate	-	28,089,490
Impairment loss on other receivables	91,832,739	-
Share of results of associates	(99,547,434)	(94,188,312)
Dividend income	(52,783,395)	(13,408,610)
Gain on disposal of associates	-	(1,739,556)
Interest income	(890,374,528)	(614,994,574)
Income derived from distressed assets portfolio	(22,027,469)	(37,424,456)
Gain on disposal of available-for-sale investments	(59,060,361)	(86,793,078)
Gain on disposal of loan receivable	-	(22,500,000)
Decrease (increase) in fair value of investment properties	1,349,464	(3,411,371)
Increase in fair value of financial assets at fair value through profit or loss	(123,623,053)	(16,270,569)
Operating cash flows before movements in working capital	(27,028,336)	(42,720,750)
Increase in trade and other receivables related to broking activities	(83,905,714)	(33,744,789)
Increase in loans to third parties	(5,398,625,019)	(1,072,614,559)
(Increase) decrease in financial assets at fair value through profit or loss	(814,413,861)	303,124,231
Increase (decrease) in financial liabilities at fair value through profit or loss	29,304,982	(4,383,976)
Decrease (increase) in other assets	435,591	(2,326,370)
Increase in trade payables	82,322,979	43,903,315
(Increase) decrease in prepayments, deposits and other receivables	(90,324,702)	28,300,714
Increase in other payables and accruals	94,369,913	12,061,872
Decrease (increase) in amount due from ultimate holding company	60,596,529	(60,800,000)
Cash used in operations	(6,147,267,638)	(829,200,312)
Tax paid	(78,214,872)	(91,187,345)
Interest income from loan receivables from third parties and related to broking services	423,586,792	503,611,327
NET CASH USED IN OPERATING ACTIVITIES	(5,801,895,718)	(416,776,330)

	2014 HK$	2013 HK$
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,995,328)	(2,586,689)
Proceed on disposal of investment properties	-	4,070,056
Purchases of available-for-sale investments	(1,861,708,754)	(979,330,379)
Proceeds on disposal of associates	-	2,194,890
Proceed on disposal of available-for-sale investments	280,623,134	483,302,390
Proceeds on disposal of loan receivable	-	522,500,000
Return of capital of an associate	51,350,324	-
Dividends received from associates	31,121,783	141,672,702
Dividends received from investments	52,783,395	13,408,610
Refundable deposit paid for investment in a fund	(151,000,000)	-
Refundable deposit paid for investment in an associate	(232,692,000)	-
Advances of loans to associates	(405,073,079)	(43,880,289)
Advances of loan to shareholder of an associate	(240,000,000)	-
Repayment of loans from associates	158,200,256	63,063,086
Repayment of amounts due from associates	-	18,163,135
Advance of amounts due from associates	(38,967,222)	(28,548,834)
Advance of amount due from ultimate holding company	(19,955,642)	(21,164,830)
Interest income	292,667,018	67,689,396
Cash receipt from recovery of distressed assets portfolio	22,027,469	37,424,456
Increase in pledged bank deposits	(768,921,331)	(176,688,202)
Increase in restricted bank deposits	(633,817,993)	-
Bank deposit received from a loan borrower as pledged security	633,817,993	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,833,539,977)	101,289,498
FINANCING ACTIVITIES		
Finance costs paid	(513,383,259)	(228,626,959)
Repayment of amount due to a fellow subsidiary	-	(104,797)
Repayment of amount due to an associate	(14,061,572)	(21,902,324)
New borrowings raised	1,355,744,732	1,787,082,561
Repayment of borrowings	(1,307,290,535)	(1,283,307,876)
Bond payables raised	13,302,276,509	34,000,000
Partial disposal of a non-wholly owned subsidiary	-	5,395,089
Earnest money received from a third party (note 28)	152,116,310	-
Return of capital to interest holders of consolidated structured entities	(54,038,513)	-
Dividend paid to interest holders of consolidated structured entities	(18,590,540)	-
Capital injected from non-controlling shareholders of subsidiaries	-	12,432,283
Capital injected from interest holders of consolidated structured entities	-	234,891,964
NET CASH FROM FINANCING ACTIVITIES	12,902,773,132	539,859,941

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
中國信達(香港)控股有限公司
(FORMERLY KNOWN AS WELL KENT INTERNATIONAL INVESTMENT
COMPANY LIMITED 華建國際投資有限公司)

	2014 HK$	2013 HK$
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,267,337,437	224,373,109
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,389,927,053	3,105,721,139
Effect of foreign exchange rate changes	(42,715,277)	59,832,805
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balance and cash	7,614,549,213	3,389,927,053

1. GENERAL

China Cinda (HK) Holdings Company Limited is a limited liability company incorporated in Hong Kong. The Company's immediate and ultimate holding company is China Cinda Asset Management Corporation ("China Cinda"), a company registered in the Peoples' Republic of China (the "PRC") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). Its registered office and principal place of business are located at Floor 12, AIA Central, No. 1 Connaught Road, Central, Hong Kong.

Pursuant to the special resolution of the Company dated 7 July 2014, the name of the Company has been changed from Well Kent International Investment Company Limited to China Cinda (HK) Holdings Company Limited with effect from 6 August 2014.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Group are property and investment holding, provision of consultancy services, provision of financial services and sales of property.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

In current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Application of new and revised HKFRSs - continued

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 Financial instruments - continued

the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 31 December 2014 and anticipate that the application of HKFRS 9 in the future may result in provision of 12 months and lifetime expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 15 Revenue from Contracts with Customers - continued

- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group 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.

Basis of consolidation - continued

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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

Business combinations - continued

assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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, and whenever there is an 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 pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(b) Trading rights

Trading rights held in SEHK and Hong Kong Futures Exchange Limited ("HKFEE") are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses.

Investments in associates

An associate is an entity over which the Group has significant influence. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates - continued

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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 loses significant influence over that associate.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Consultancy and agency fee income are recognised when services are provided.

Rental income under operating leases is recognised on a straight-line basis over the term of the leases.

Brokerage commission income are recognised and accounted for on a trade date basis.

Underwriting commissions, management fee and service fee income are recognised when the relevant work or service has been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition – continued

Revenue from corporate finance and financial advisory services is recognised in accordance with the terms of agreement for the underlying transactions when the relevant work or service has been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Properties for sale

Properties for sale represent properties held for sale. The carrying value of properties for sale comprises the land cost, less impairment losses. Properties for sale is stated at the lower of cost and net realisable value.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses and subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case this increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of property, plant and equipment 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties- continued

their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised 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 asset (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 year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing- continued

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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 exchanges prevailing on 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 on 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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 (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any,

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies- continued

are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Retirement benefits costs

Payments to state-managed retirement benefits schemes and to the Mandatory Provident Fund Scheme which constitute defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 at the end of the reporting period.

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with investments 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on 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 and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised 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 and 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 recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale investments and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL - continued

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, margin loans and clearing settlement fund, deposits and other receivables, loan receivables from third parties, associates and shareholder of an associate, amounts due from ultimate holding company and associates, other assets, restricted bank deposits, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Available-for-sale financial assets - continued

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts and other receivables, which are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, an amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 6.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including account payables, amounts due to associates, other payables and accruals, borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition

The Group derecognises 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.

On derecognition of a financial asset, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its 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 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 of disposal 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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Offsetting financial assets and financial liabilities

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised 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 recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over 建信金圓(廈門)股權投資合伙企業有限公司 ("建信金圓合伙") and 寧波建達興農股權投資合伙企業有限公司 ("寧波建達合伙")

As at 31 December 2014 and 2013, the Group owns 10.67% and 16.67% equity interests in 建信金圓合伙 and 寧波建達合伙 (collectively referred to as the "PRC Entities"), which are unlisted entities in the PRC engaged in asset management business, respectively. The remaining 89.33% equity interest of 建信金圓合伙 and 83.33% equity interest of 寧波建達合伙 are owned by thirty-one and two other shareholders, which are independent third parties of the Group, respectively. The directors assessed whether or not the Group has control over 建信金圓合伙 and 寧波建達合伙 based on whether the Group has the practical ability to direct the relevant activities of them unilaterally. In making their judgement, the directors considered the terms set out in the investment agreements entered into between the Group and the other shareholders, in which they state the Group is a general partner in 建信金圓合伙 and 寧波建達合伙 and has the right to direct the relevant activities at its sole discretion; the rights to variable returns from its involvement with 建信金圓合伙 and 寧波建達合伙; and the ability to use its power to affect the returns from 建信金圓合伙 and 寧波建達合伙. On this basis, the directors concluded that the Group has control over 建信金圓合伙 and 寧波建達合伙. The Group is exposed to variable returns from its involvement with 建信金圓合伙 and 寧波建達合伙 through its equity interest. Besides, the Group provided credit enhancements for 建信金圓合伙 and 寧波建達合伙. As a result of the credit enhancements provided, the Group is exposed to a significant variable return on 建信金圓合伙 and 寧波建達合伙. Accordingly, 建信金圓合伙 and 寧波建達合伙 are classified as subsidiaries of the Group in accordance with HKFRS10.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY- continued

Deferred taxation on investment properties – continued

embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured in accordance with the general principles set out in HKAS 12.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties and property, plant and equipment

Investment properties and certain of the Group's property, plant and equipment are stated at fair value or revalued amount based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the relevant property, plant and equipment and the corresponding adjustments to the amount of gain or loss reported in profit or loss or other comprehensive income, as appropriate. As at 31 December 2014, the carrying amount of investment properties and the relevant property, plant and equipment are HK$165,960,626 (2013: HK$66,514,463) and HK$106,956,214 (2013:HK$83,850,693) respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is HK$147,039,162 (2013: HK$147,039,162). Details of the recoverable amount calculation are disclosed in note 15.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with capital. The Group will balance its overall capital structure through issue of new debt and the redemption of existing debts. There is a subgroup, namely CIHL Group, comprising Cinda International Holdings Limited ("CIHL") and its subsidiaries. CIHL is a company listed on the SEHK and certain of its subsidiaries are licensed by the Hong Kong Securities and Futures Commission ("SFC"). CIHL Group has different capital risk management strategies with the other subsidiaries of the Group in order to satisfy its special needs. CIHL Group's capital risk management strategies are as follows:

Capital management

CIHL Group's primary objectives when managing capital are to safeguard the CIHL Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, certain subsidiaries of CIHL Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

CIHL Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the CIHL Group ensures each of them maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R. A subsidiary of the Company is authorised by the China Securities Regulatory Commission (the "CSRC") to deal in 'B' shares. The CSRC stipulated a minimum amount of net assets of RMB50 million to be maintained. During the year, the subsidiary maintained net assets over such requirement.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 HK$	2013 HK$
Financial assets		
Loans and receivables (including cash and cash equivalents)	20,081,277,363	7,918,420,474
Available-for-sale financial assets	3,443,430,711	1,638,539,453
FVTPL		
- held for trading	1,734,230,069	803,993,125
- designated as at FVTPL	55,000,000	47,200,000
Financial liabilities		
Amortised cost	21,722,052,080	7,331,426,101
Designated as at FVTPL - payables to interest holders of consolidated structured entities	191,845,748	234,891,964

Financial risk management objectives and policies

The Group's major financial instruments are available-for-sale investments, financial assets and liabilities at FVTPL, bank balances and cash, restricted bank deposits, pledged bank deposits, accounts receivables, loans to margin clients and clearing settlement fund, deposits and other receivables, loan receivables from third parties, associates and shareholder of an associate, amounts due from associates and ultimate holding company, account payables, other payables and accruals, amounts due to associates, borrowings and bond payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk from prior year.

Market risk

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, fixed-rate loan receivables, fixed-rate debt securities classified as available-for-sale financial assets, fixed-rate borrowings and fixed-rate bond payables as at 31 December 2014 and 2013.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, restricted bank deposits and bank balances as at 31 December 2014 and 2013.

The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. In addition, the Group has concentration of risk on its variable-rate borrowings which expose the Group significantly towards the changes in Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR").

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Interest rate risk management - continued

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on post-tax profit for the year is as follows:

	2014 HK$	2013 HK$
Increase (decrease) in post-tax profit for the year	19,694,000	(7,389,000)

Foreign currency risk management

The major financial assets and liabilities of the Group that are denominated in currencies other than the functional currency of the respective group entities includes available-for-sales investments, account receivables and other financial assets at FVTPL, loan receivables, pledged bank balances and cash, accounts and other payables, borrowings and bond payables. Other than the items stated above, the directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. The equivalent amounts of HK$ are set out below:

	2014 HK$	2013 HK$
Monetary assets		
HK$	8,175,000	20,054,000
United State dollars ("US$")	10,841,494,000	1,331,783,000
Renminbi ("RMB")	4,076,160,000	2,409,609,000
Others	155,000	259,000

	2014 HK$	2013 HK$
Monetary liabilities		
US$	16,060,803,000	2,753,525,000
RMB	2,597,769,000	3,160,748,000

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase/decrease in the functional currency of respective group entities against the relevant foreign currencies. Since

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk management - continued

HK$ is pegged to US$, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US$ and therefore not included in the sensitivity analysis. The 5% (2013: 5%) change represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding RMB denominated monetary items, and adjusts their translations at the year end for a 5% (2013: 5%) change in RMB rate. A positive (negative) number below indicates an aggregate increase (decrease) in post-tax profit for the year where RMB strengthen 5% (2013: 5%) against the functional currency of respective group entities. For a 5% (2013: 5%) weakening of RMB against the functional currency of respective group entities, there would be an equal and opposite impact on the post-tax profit for the year.

	2014 HK$	2013 HK$
Increase (decrease) in post-tax profit for the year	61,723,000	(31,359,000)

Other price risk management

As at 31 December 2014 and 2013, the Group is exposed to equity price risk through its available-for-sale equity investments and financial assets/ liabilities at FVTPL; and debt securities price risk through its investments in listed debentures. For available-for-sale investments measured at cost less impairment, as the fair value could not be measured reliably, they have not been included in the sensitivity analysis.

The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and debt securities price risks are mainly concentrated on equity instruments quoted in the market. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and debt price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 10% (2013: 10%) higher/lower, assuming all other variables were held constant, the impact would be:

- post-tax profit for the year ended 31 December 2014 would increase/decrease by HK$1,333,816 (2013: increase/decrease by HK$46,575,438) as a result of the changes in fair value of held-for-trading investments and financial liabilities at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$116,141,709 (2013: increase/decrease by HK$31,016,665) as a result of the changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31 December 2014 and 2013 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial positions. The Group has concentration of credit risk toward its loans receivable from third parties, associates and a shareholder of an associate and amount due from ultimate holding company. As at 31 December 2014, 93% (2013: 97%) of loans receivable from third parties, 100% (2013: 100%) of loans receivable from associates 100% (2013: nil) of loan receivable from a shareholder of an associate were due from ten (2013: six) third parties, two (2013: four) associates and one (2013: nil) shareholder of an associate respectively. In order to minimise the credit risk, the directors has set up monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors consider that the Group's credit risk are significantly reduced. The Group has no concentration of credit risk in respect to its accounts receivables and margin loans, with exposure spread over a number of counterparties and customers. Details on how the Group manages its credit risk are set out in notes 21 and 24.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to fulfill the normal liquidity needs and to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Liquidity table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity table - continued

	Weighted average interest rate %	Less than 3 months or on demand HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
2014							
Non-derivative financial liabilities							
Account payables	-	282,996	-	-	-	282,996	282,996
Amount due to associates	-	12,211	-	-	-	12,211	12,211
Other payables and accruals	-	988,164	101,373	6,179	-	1,095,716	1,095,716
Borrowings	3.08	1,172,913	2,365,380	1,047,104	-	4,585,397	4,451,466
Bond payables	5.00	-	2,545,413	12,251,904	1,876,697	16,674,014	15,879,663
		2,456,284	5,012,166	13,305,187	1,876,697	22,650,334	21,722,052
2013							
Non-derivative financial liabilities							
Account payables	-	200,673	-	-	-	200,673	200,673
Amount due to associates	-	26,273	-	-	-	26,273	26,273
Other payables and accruals	-	136,967	-	-	-	136,967	136,967
Borrowings	3.51	839,708	487,350	3,423,384	-	4,750,442	4,408,611
Bond payable	4.00	25,589	76,767	2,665,044	-	2,767,400	2,558,902
		1,229,210	564,117	6,088,428	-	7,881,755	7,331,426

Bank loans with a repayment on demand clause are included in the "less than 3 months or on demand" time band in the above maturity analysis. As at 31 December 2014, the aggregate carrying amounts of these bank and other loans amounted to HK$844,553,306 (2013: HK$830,895,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank and other loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$1,004,544,000 (2013: HK$860,167,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's 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 each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	The Group Fair value as at 31 December 2014 HK$'000	2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Listed equity securities classified as available-for-sale investments	437,958	331,410	Level 1	Quoted bid prices in an active market.
- Finance	123,698	131,965		
- Power	301,616	199,445		
- Other industries	12,644			
2) Listed debt investments classified as available-for-sale investments	652,576	-	Level 1	Quoted bid prices in an active market
3) Listed equity investments classified as held-for-trading financial assets	1,120,292	370,225	Level 1	Quoted bid prices in an active market.
- Manufacturing	125,387	63,985		
- Finance	253,907	15,520		
- Mining	-	182,628		
- Power	472,249	-		
- Other industries	268,749	108,092		
4) Listed debt investments classified as held-for-trading financial assets	82,264	76,220	Level 1	Quoted bid prices in an active market.
- Corporate bonds	82,264	76,220		
5) Listed money market fund classified as held-for-trading financial assets	419,540	264,594	Level 1	Quoted bid prices in an active market.
6) Government bonds traded in inter-bank market classified as held-for-trading financial assets	90,134	-	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
7) Wealth management products issued by banks classified as financial assets designated as at FVTPL	-	69,954	Level 2	Estimated based on the quoted prices of underlying assets include bonds and equity instruments.

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Financial assets/ financial liabilities	The Group Fair value as at 31 December 2014 HK$'000	2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
8) Unlisted funds classified as available-for-sale investments, at fair value	192,195	-	Level 2	Estimated based on the fair value of underlying debt / equity securities
9) Club membership classified as available-for-sale investments	11,177	11,571	Level 2	Transaction prices in secondary market.
10) Unlisted debt securities classified as financial assets designated as at FVTPL	55,000	47,200	Level 3	Note a
11) Unlisted derivative - warrants classified as held-for-trading financial assets	22,000	23,000	Level 3	Note b
12) Payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL	191,846	234,892	Level 3	Note c
13) Unlisted funds classified as available-for-sale investments, at fair value	97,013	-	Level 3	Note d

Notes:

(a) Debt component

The fair value of the debt securities is calculated based on discounted cash flow analysis, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are credit rating of the issuer, cash flows and remaining time to maturity. The significant unobservable input is discount rate adjusted for the specific risks of the issuer. The discount rate of 20% (2013: 16%) was used in the valuation model. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the secured note would decrease/increase by HK$3,051,000/HK$1,853,000 (2013: decrease/increase by HK$2,291,000/HK$2,455,000).

Derivatives component

The fair values of the embedded call and put options of the secured note are derived by Hull-White Trinomial Tree Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, mean reversion rate, and discount rate. The significant unobservable inputs are discount rate. The discount rate of 20% (2013: 16%) was used in the valuation model. The higher the discount rate, the higher the fair value of the put option and the lower fair value of the call option.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the call options would decrease/increase by HK$138,000/HK$447,000 (2013: decrease/increase by HK$477,000/HK$761,000) and the carrying amount of the put options would increase/decrease by HK$2,056,000/HK$638,000 (2013: increase/decrease by HK$1,120,000/HK$1,399,000).

(b) The fair value of the warrants is derived by Trinomial Convertible Bond Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are expected volatility and discount rate adjusted for the specific risks of the issuers. The significant unobservable input is discount rate. The discount rate of 20% (2013: 16%) was used in the valuation model. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would decrease/increase by HK$491,000/HK$544,000 (2013: decrease/increase by HK$933,000/HK$1,081,000).

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Notes: - continued

(c) The fair value of the payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL is derived by based on fair value of underlying investments held by consolidated structured entities, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are expected price/earnings ratio required by the investees for the equity interests of the issuers. The significant unobservable input is price/earnings ratio. The relationship of unobservable input to fair value is the higher the price/earnings ratio, the higher the fair value.

If the price/earnings ratio to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL would increase/decrease by HK$8,495,000/HK$10,132,000 (2013: increase/decrease by HK$5,088,000/HK$4,845,000).

(d) The fair value of the fund is derived by the valuation of the underlying investment property, which is derived by using income capitalisation approach, i.e. the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalisation rate (the "OAR") to derive a value for the subject property.

The key inputs are expected market rent and the OAR adjusted for the specific risks of the subject property. The significant unobservable input is the OAR. The discount rate of 6.50% was used in the valuation model. The relationship of unobservable input to fair value is the higher the OAR the lower the fair value.

If the discount rate to the valuation model were 0.25% higher/lower while all the other variables were held constant, the carrying amount of the fund would decrease/increase by HK$46,906,000/HK$52,818,000.

There were no transfers between level 1 and level 2 in the period.

Fair value hierarchy as at 31 December 2014 and 2013

	2014				2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL								
Listed equity and debt securities	1,202,556	-	-	1,202,556	446,445	-	-	446,445
Listed money market fund	419,540	-	-	419,540	264,594	-	-	264,594
Unlisted government bonds	-	90,134	-	90,134	-	-	-	-
Unlisted derivative	-	-	22,000	22,000	-	-	23,000	23,000
Unlisted debt securities	-	-	55,000	55,000	-	-	47,200	47,200
Wealth management products issued by banks	-	-	-	-	-	69,954	-	69,954
Available-for-sale financial assets								
Listed equity and debt securities	1,090,534	-	-	1,090,534	331,410	-	-	331,410
Unlisted funds, at fair value	-	192,195	97,013	298,208	-	-	-	-
Club memberships	-	11,177	-	11,177	-	11,571	-	11,571
Total	2,712,630	293,506	174,013	3,189,149	1,042,449	81,525	70,200	1,194,174
Financial liabilities at FVTPL								
Payables to interest holders of consolidated structured entities	-	-	(191,846)	(191,846)	-	-	(234,892)	(234,892)
Total	-	-	(191,846)	(191,846)	-	-	(234,892)	(234,892)

6. FINANCIAL INSTRUMENTS - continued

Reconciliation of Level 3 fair value measurements

	Distressd assets portfolios HK$	Debt securities HK$	Warrants HK$	Payables to interest holders of consolidated structured entities HK$	Unlisted funds HK$	Total HK$
At 1 January 2013	611,555,528	-	-	-	-	611,555,528
Purchases	-	47,200,000	23,000,000	-	-	70,200,000
Capital injected from interest holders of Consolidated structured entities	-	-	-	(234,891,964)	-	(234,891,964)
Recovery of distressed assets portfolios (Note a)	(39,702,161)	-	-	-	-	(39,702,161)
Total gains or losses - change in fair value (Note a)	37,424,456	-	-	-	-	37,424,456
Disposal	(609,277,823)	-	-	-	-	(609,277,823)
At 31 December 2013	-	47,200,000	23,000,000	(234,891,964)	-	(164,691,964)
Purchases	-	-	-	-	97,012,500	97,012,500
Recovery of distressed assets portfolios (Note a)	(22,027,469)	-	-	-	-	(22,027,469)
Total gains or losses - change in fair value (Note a)	22,027,469	7,800,000	(1,000,000)	(29,304,982)	-	(477,513)
Return of capital to interest holders of consolidated structures entities	-	-	-	54,038,513	-	54,038,513
Dividend paid to interest holders of consolidated structured entities	-	-	-	18,590,540	-	18,590,540
Exchange realignment	-	-	-	(277,855)	-	(277,855)
At 31 December 2014	-	55,000,000	22,000,000	(191,845,748)	97,012,500	(17,833,248)

Note:

(a) During the year ended 31 December 2014, distressed assets portfolio with no carrying amount was recovered by receiving cash of HK$22,027,469 (2013: HK$39,702,161). The cash received over the carrying amount of the distressed assets portfolios of HK$22,027,469 (2013: HK$39,702,161) was recognised as income derived from distressed assets in profit or loss.

During the year ended 31 December 2013, the Group disposed its distressed assets portfolio and recognised a loss of disposal amounted to HK$2,277,705 in profit or loss.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group may engage third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed above.

6. FINANCIAL INSTRUMENTS - continued

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

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2014 HK$	2013 HK$
Fees and commission for broking services provided	82,543,707	73,258,449
Interest income related to broking services	9,505,693	10,575,707
Underwriting commission	14,924,175	76,882,732
Financial advisory service income	25,088,743	51,447,115
Consultancy and agency fee income	134,013,363	71,126,909
	266,075,681	283,290,912

8. OTHER INCOME, GAINS AND LOSSES

	2014 HK$	2013 HK$
Other income		
Interest income from loans to associates	50,042,101	16,326,113
Interest income from listed available-for-sale investments	22,325,009	3,778,399
Income derived from distressed assets portfolio	22,027,469	37,424,456
Bank interest income	220,299,908	47,584,884
Dividend income	52,783,395	13,408,610
Government grants (Note i)	-	25,116,696
Others	16,710,137	17,008,998
	384,188,019	160,648,156

8. OTHER INCOME, GAINS AND LOSSES - CONTINUED

	2014 HK$	2013 HK$
Other gains and losses		
Reversal of (allowance for) bad and doubtful debts		
- accounts receivables	1,013,000	(504,603)
Gain on disposal of listed available-for-sale investments	55,000,194	85,337,096
Gain on disposal of unlisted available-for-sale investments	4,060,167	1,455,982
(Decrease) increase in fair value of investment properties	(1,349,464)	3,411,371
Impairment loss on listed available-for-sale investments		
(Note ii)	-	(11,063,276)
Loss on disposal of property, plant and equipment	(36,156)	(1,361)
Net change in fair value of:		
Financial assets at FVTPL - held for trading	143,595,538	(78,683,181)
Financial liabilities at FVTPL - held for trading	-	(3,491,243)
Gain on disposal of loan receivable (Note iii)	-	22,500,000
Impairment loss on loan and other receivables (Note iv)	(91,832,739)	-
Net foreign exchange gain	8,973,453	14,307,283
	119,423,993	33,268,068
	503,612,012	193,916,224

Notes:

(i) Amounts represented unconditional government grants provided by PRC government authority. The amounts had been fully recognised in profit or loss during the year ended 31 December 2013.

(ii) Impairment was recognised on the Group's listed equity investment, as in the opinion of the directors, the decrease in fair value of this investment was considered as significant.

(iii) During the year ended 31 December 2013, the Group disposed of loan receivable with a carrying amount of HK$500,000,000 on derecognition date, which is secured, bears interest at 14% per annum and repayable in Year 2015, to a third party for a total consideration of HK$522,500,000. The gain on disposal amounted to HK$22,500,000 was recognised in profit or loss during the year ended 31 December 2013.

(iv) In November 2009, the Group had through a nominee subscribed for exchangeable notes in the amount of HK$40.0 million (the "Notes") issued by Apex Wide Holdings Limited (the "Issuer"), the then sole shareholder of China New Materials (Zhongpu) Holdings Limited (currently known as Chung Yuen High Polymer New Materials Holdings Limited) ("China New Materials"). A written notice (the "Redemption Notice") for full redemption of the Notes at maturity was served by the Group to the Issuer in November 2012. However, the Group has not received any redemption money for such redemption.

After further negotiations, in August 2013, the parties reached a settlement arrangement, pursuant to which the then aggregate outstanding amount (including all accrued interest) of approximately HK$98.5 million receivable upon serving the Redemption Notice was to be settled by, inter alia, (i) the Issuer's payment in the amount of RMB10.0 million (equivalent to approximately HK$12.5 million) as initial and partial repayment to the

8. OTHER INCOME, GAINS AND LOSSES - continued

Company (the "Initial Payment"); and (ii) conditional upon fulfillment of certain conditions precedent, transfer of such number of shares of China New Materials held by the Issuer to the nominee of the Group as agreed between the parties.

At that time, the Initial Payment was made by the Issuer. However, due to non-fulfillment of certain conditions, the share transfer mentioned above was not completed in the end during the year ended 31 December 2014. Repeated requests and demands have been made by the Group to recover the outstanding amount, but the Issuer failed to give any positive response or to indicate any intention to repay the aforesaid debt. On 11 February 2015, the Group filed a claim (the "Litigation") against the Issuer to the High Court of the Hong Kong Special Administrative Region, the PRC. As a result, the directors of the Group consider that it is unlikely that such receivables, which amounted to approximately HK$89 million as at 31 December 2014, are recoverable from the Issuer, and the Group has decided to make a full provision for such outstanding receivables as at 31 December 2014.

The Litigation is still in progress and yet finalised up to the date of this report.

9. FINANCE COSTS

	2014 HK$	2013 HK$
Wholly repayable within five years:		
Interest on bonds payable	461,416,435	109,461,490
Interest on bank loans	142,597,153	102,766,964
Interest on other loans	4,296,167	18,334,948
	608,309,755	230,563,402

10. TAXATION

	2014 HK$	2013 HK$
Current tax:		
Hong Kong Profits Tax	7,389,973	5,538,119
PRC Enterprise Income Tax	49,281,582	68,077,510
	56,671,555	73,615,629
Under(over)provision in prior years:		
Hong Kong Profits Tax	1,183,969	(50,750)
Deferred tax-current year (note 22)	16,901,732	383,676
	74,757,256	73,948,555

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the both years.

For PRC subsidiaries, the Enterprise Income Tax is calculated at 25% for both years.

10. TAXATION - continued

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law of PRC") and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to PRC withholding tax at the applicable tax rate of 5%.

Tax charge for the year ended 31 December 2014 was relieved by approximately HK$31,036,000 (2013: HK$4,279,000) absorbed by tax losses brought forward.

Tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$	2013 HK$
Profit before taxation	513,591,636	590,866,872
Tax at the Hong Kong Profits Tax rate at 16.5% (2013: 16.5%)	84,742,620	97,493,034
Tax effect of expenses not deductible for tax purpose	144,074,183	64,047,191
Tax effect of income not taxable for tax purpose	(137,606,956)	(101,873,807)
Tax effect of tax losses not recognised	8,876,490	5,500,838
Utilisation of tax losses not previously recognised	(31,035,794)	(4,279,000)
Under (over)provision in prior years, net	1,183,969	(50,750)
Tax effect of share of profit of associates	(16,425,327)	(15,541,071)
Effect of withholding tax on undistributed profits of PRC subsidiaries	2,883,441	1,975,990
Effect of different tax rates of subsidiaries operating in other jurisdictions	18,064,630	26,676,130
Tax charge for the year	74,757,256	73,948,555

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$208,743,000 (2013: HK$343,042,000) available for offsetting against future profits and can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

10. TAXATION - continued

The following is an analysis of the tax effect relating to other comprehensive income:

	2014			2013		
	Before-tax amount HK$	Tax benefit HK$	Net-of-tax amount HK$	Before-tax amount HK$	Tax benefit HK$	Net-of-tax amount HK$
Exchange difference arising on translation	(40,209,199)	-	(40,209,199)	46,827,436	-	46,827,436
Net gain (loss) arising on revaluation of available-for-sale investments	153,457,702	(32,545,292)	120,912,410	38,637,325	6,374,387	45,011,712
Reclassification adjustment - transfer to profit or loss on disposal of available-for-sale investments	(55,000,194)	2,760,522	(52,239,672)	(85,377,096)	14,772,446	(70,604,650)
Share of other comprehensive (expense) income of associates	(57,629)	-	(57,629)	33,628,644	-	33,628,644
Revaluation of property, plant and equipment upon transfer to investment properties	127,183,535	(24,425,283)	102,758,252	-	-	-
Reclassification adjustment - transfer to profit or loss on impairment of available-for-sale investments	-	-	-	11,063,276	-	11,063,276
	185,374,215	(54,210,053)	131,164,162	44,779,585	21,146,833	65,926,418

11. PROFIT FOR THE YEAR

	2014 HK$	2013 HK$
Profit for the year is arrived at after charging:		
Auditor's remuneration	3,494,530	3,407,584
Commission expenses	20,272,010	18,888,987
Depreciation	6,281,154	6,635,105
Operating leases payments	36,671,241	16,394,380
Staff costs:		
Salaries and other benefits	100,323,525	93,272,336
Bonus	26,957,476	9,891,417
Retirement benefits schemes contributions	2,487,160	3,960,367
	129,768,161	107,124,120
Directors' emoluments:		
Fees	-	-
Salaries and other benefits	3,201,596	7,945,908
Bonus	1,158,517	439,403
Retirement benefits schemes contributions	453,044	1,058,293
	4,813,157	9,443,604

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Leasehold improvements HK$	Motor vehicles HK$	Office equipment HK$	Total HK$
COST OR VALUATION					
At 1 January 2013	131,482,082	2,893,869	11,432,346	23,135,848	168,944,145
Additions	-	664,480	-	1,922,209	2,586,689
Disposals	-	-	(25,438)	(594,168)	(619,606)
Reclassified to investment properties (Note)	(44,097,983)	-	-	-	(44,097,983)
Exchange realignment	2,610,722	19,067	177,177	76,218	2,883,184
At 31 December 2013	89,994,821	3,577,416	11,584,085	24,540,107	129,696,429
Additions	-	227,080	744,268	3,023,980	3,995,328
Disposals	-	-	(96,904)	(992,468)	(1,089,372)
Revaluation	121,999,263	-	-	-	121,999,263
Reclassified to investment properties (Note)	(104,681,335)	-	-	-	(104,681,335)
Exchange realignment	(356,535)	(2,296)	(15,821)	(22,094)	(396,746)
At 31 December 2014	106,956,214	3,802,200	12,215,628	26,549,525	149,523,567
Comprising:					
At cost	-	3,802,200	12,215,628	26,549,525	42,567,353
At valuation	106,956,214	-	-	-	106,956,214
	106,956,214	3,802,200	12,215,628	26,549,525	149,523,567
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	4,756,042	1,531,399	8,515,900	13,181,765	27,985,106
Provided for the year	1,724,957	345,198	568,110	3,996,840	6,635,105
Eliminated on disposal	-	-	(24,166)	(594,079)	(618,245)
Reclassified to investment properties (Note)	(440,980)	-	-	-	(440,980)
Exchange realignment	104,109	4,594	124,905	65,600	299,208
At 1 January 2013	6,144,128	1,881,191	9,184,749	16,650,126	33,860,194
Provided for the year	1,736,127	165,368	540,459	3,839,200	6,281,154
Eliminated on disposal	-	-	(82,517)	(970,699)	(1,053,216)
Eliminated on revaluation	(5,184,272)	-	-	-	(5,184,272)
Reclassified to investment properties (Note)	(2,681,334)	-	-	-	(2,681,334)
Exchange realignment	(14,649)	(1,542)	(12,819)	(15,983)	(44,993)
At 31 December 2014	-	2,045,017	9,629,872	19,502,644	31,177,533
CARRYING AMOUNTS					
At 31 December 2014	106,956,214	1,757,183	2,585,756	7,046,881	118,346,034
At 31 December 2013	83,850,693	1,696,225	2,399,336	7,889,981	95,836,235

Note: During the year ended 31 December 2014, certain leasehold land and buildings have been rented out to independent third parties. Accordingly, the carrying amount of leasehold land and buildings of HK$102,000,001 (2013: HK$43,657,003) was transferred to investment properties of the Group. In the opinion of the directors, the carrying amount of leasehold land and buildings at the date of transfer was approximate to its fair value.

12. PROPERTY, PLANT AND EQUIPMENT - continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2% - 5% or over the lease terms
Leasehold improvements	Over the lease terms of two to three years
Motor vehicles	10% - 20%
Office equipment	20%

The carrying value of the leasehold land and buildings comprises:

	2014 HK$'000	2013 HK$'000
Properties under long term lease situated in Hong Kong	1,290	40,533
Properties under medium term land use right situated in the PRC	76,726	38,272
Properties under medium term lease situated in Macau	28,940	5,046
	106,956	83,851

Fair value measurement of the Group's leasehold land and buildings

The Group's land and buildings were valued on 31 December 2014 and the date of transfer by the directors with reference to market evidence of transaction prices for similar properties and make reference to reports issued by independent qualified professional valuers, as appropriate. If the leasehold land and buildings had not been revaluated, they would have been included in the consolidated financial statements at cost less accumulated depreciation and accumulated loss.

The fair values of the leasehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the land and buildings under review.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 December 2013, the Group pledged land and buildings having carrying amount of HK$39,214,834 to secure general banking facilities granted to the Group. The pledged land and buildings has been reclassified to investment properties during the year ended 31 December 2014.

13. INVESTMENT PROPERTIES

	HK$
FAIR VALUE	
At 1 January 2013	23,713,460
Increase in fair value	3,411,371
Disposal	(4,070,056)
Transfer from property, plant and equipment	43,657,003
Exchange realignment	(197,315)
At 31 December 2013	66,514,463
Decrease in fair value	(1,349,464)
Transfer from property, plant and equipment	102,000,001
Exchange realignment	(1,204,374)
At 31 December 2014	165,960,626
Unrealised decrease in fair value included in profit or loss (included in other gains and losses)	(1,349,464)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2014 and 2013 has been arrived at on the basis of valuations carried out on the respective dates by the directors by reference to comparable sales transactions available in the relevant market and make reference to reports issued by independent qualified professional valuers, as appropriate. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties measured at fair value subsequently to initial recognition, are grouped to Level 3 based on the degree to which the inputs to the fair value are observable and the significance of these inputs. There were no transfers into or out of level 3 during the year.

Information about fair value measurements using significant unobservable input (Level 3)

The following table shows the valuation techniques used in the determination of fair value for significant investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value at 31 December 2014 HK$	Fair value at 31 December 2013 HK$	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial	2,594,479	2,603,190	Comparison approach	Adjusted transaction price	HK$3,688 - HK$5,088 per square meter	Slight increase in the adjusted price will increase the fair value slightly
Residential	60,794,313	63,338,732	Comparison approach	Adjusted transaction price	HK$11,447 - HK$58,999 per square meter	Slight increase in the adjusted price will increase the fair value slightly
Commercial	102,000,001	-	Comparison approach	Adjusted transaction price	HK$20,079 per square feet	Slight increase in the adjusted price will increase the fair value slightly

13. INVESTMENT PROPERTIES - continued

The carrying amount of investment properties shown above comprises:

	2014 HK$	2013 HK$
Land in Hong Kong, long lease	102,361,001	361,000
Land in the PRC, long lease	63,599,625	66,153,463
	165,960,626	66,514,463

As at 31 December 2014, investment properties of HK$102,000,001 (2013: nil) has pledged to secure general banking facilities granted to the Group.

14. GOODWILL

	THE GROUP	
	2014 HK$	2013 HK$
Carrying amount	147,039,162	147,039,162

Note: Particulars regarding impairment testing on goodwill are disclosed in note 15.

15. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in note 14 has been allocated to the following group of CGUs. The carrying amount of goodwill as at 31 December 2014 and 2013 is allocated as follows:

	2014 HK$	2013 HK$
Broking and financial advisory services (CGU-A)	112,389,239	112,389,239
Investment holdings and provision of capital management and consultancy service (CGU-B)	34,649,923	34,649,923
	147,039,162	147,039,162

The basis of the recoverable amounts of CGU-A and CGU-B and the major underlying assumptions are summarised below:

15. IMPAIRMENT TESTING ON GOODWILL - continued

The recoverable amount of CGU-A has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 2-year period, and discount rate at 8.90% (2013: 8.32%) as at 31 December, 2014. CGU-A's cash flows beyond the 2-year period are extrapolated using a steady growth rate of 9% (2013: 9%) and 6% (2013: 6%) for the 3rd to 7th years and 8th to 12th years, respectively. CGU-A's cash flows beyond the 12-year period are extrapolated using a steady 3% (2013: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU-A to exceed the aggregate recoverable amount of CGU-A. There was no impairment recognised as the recoverable amount of CGU-A was higher than its carrying amount.

The recoverable amount of CGU-B has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period, and discount rate at 8.70% (2013: 8.32%) as at 31 December 2014. CGU-B's cash flows beyond the 1-year period are extrapolated using a steady growth rate of 7% (2013: 12%) CGU-B's cash flows beyond the 6-year period (2013: 5) are extrapolated using a steady 3% (2013: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU-B to exceed the aggregate recoverable amount of CGU-B. There was no impairment recognised as the recoverable amount of CGU-B was higher than its carrying amount.

16. OTHER INTANGIBLE ASSETS

	2014 HK$	2013 HK$
COST		
Trading rights	1,319,213	1,319,213

The above other intangible assets comprise trading rights held in the SEHK and HKFEE.

17. OTHER ASSETS

	2014 HK$	2013 HK$
Stock Exchange stamp duty deposit	250,000	150,000
Stock Exchange Fidelity Fund deposit	100,000	100,000
Stock Exchange Compensation Fund deposit	100,000	100,000
Guarantee Fund deposits and admission fee for additional seat with the Hong Kong Securities Clearing Company Limited	2,257,155	2,920,431
Statutory deposits and deposits with HKFEE	1,698,299	1,860,412
Reserve fund deposit with the SEHK Options Clearing House Limited	2,111,492	1,821,694
	6,516,946	6,952,537

18. INTERESTS IN ASSOCIATES

	2014 HK$	2013 HK$
Cost of investments in associates		
Listed in Hong Kong - Silver Grant International Industries Limited ("Silver Grant")	878,985,470	878,985,470
Unlisted	725,974,575	775,533,300
Share of post-acquisition profits and other comprehensive income, net of dividends received	619,959,522	552,369,328
	2,224,919,567	2,206,888,098
Fair value of listed investments - Silver Grant	495,330,000	468,312,000

During the year ended 31 December 2014, the Group received HK$51,350,324 as reduction of share capital of an associate in accordance with a shareholder agreement.

During the year ended 31 December 2013, the Group acquired additional equity interest in an associate for HK$197,674,850, acquired an associate for HK$30,429,620 and disposed of equity interest in an associate of HK$455,334. Gain on disposal of the associate of HK$1,739,556 was recognised.

18. INTERESTS IN ASSOCIATES - continued

As at 31 December 2014 and 2013, the Group has interests in the following associates:

Name of entity	Place/country of incorporation and principal place of operation	Proportion of issued/registered capital held by the Group 2014 %	2013 %	Principal activities
Silver Grant (Note a)	Hong Kong	19.54	19.54	Property investment, other investments and distressed asset
West King (Hong Kong) Investment Limited (Note c)	Hong Kong (principal place of operation: the PRC)	20	20	Manufacture and sale of wines
Cinda Plunkett International Holdings Limited ("Cinda Plunkett")	Hong Kong	40	40	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund") (Note b)	Hong Kong	63.38	63.38	Fund management
信達資本管理有限公司	The PRC	40	40	Investment holding and provision of capital and fund management and consultancy services
信達建潤地產有限公司	The PRC	30	30	Property development
湖州新華置業有限公司	The PRC	30	30	Property development
杭州華建置業有限公司	The PRC	45	45	Property development
紹興銀城建設開發有限公司	The PRC	35	35	Property development
常青(海南)基礎建設有限公司	The PRC	20	20	Property development
海南金萃房地產開發有限公司	The PRC	20	20	Property development
杭州德沃投資有限公司	The PRC	30	30	Asset management
龍川萬泰油茶發展有限公司 ("龍川萬泰") (Note 35(i))	The PRC	25.69	25.69	Trading of tea
Cindat Capital Management Limited	The Cayman Islands	37	37	Fund management

18. INTERESTS IN ASSOCIATES - continued

Notes:

(a) Three out of twelve directors of Silver Grant are appointed by the Group and owns 25% of the voting power in general meeting.

(b) CPIAAR Fund is controlled by, Cinda Plunkett, which acted as an investment manager of CPIAAR Fund.

(c) During the year ended 31 December 2013, the Group entered into a non-legal binding framework agreement with a controlling shareholder of the Group's associate, pursuant to this framework agreement, the controlling shareholder of this associate intended to repurchase the entire equity interest in this associate owned by the Group and an advance provided by the Group to this associate at an aggregated consideration of approximately HK$107,475,000. The difference between the fair value of the consideration amount with the carrying amount of the associate and loan receivable due from this associate were recognised as impairment loss and charged to profit or loss during the year ended 31 December 2013.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associate are accounted for using the equity method in these consolidated financial statements.

	Silver Grant		CPIAAR Fund	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	3,494,710	2,867,484	810,729	1,585,675
Non-current assets	8,436,337	8,236,933	-	-
Current liabilities	(2,455,649)	(1,794,818)	(300,585)	(1,126,919)
Non-current liabilities	(1,657,676)	(1,461,216)	-	-
Capital contribution by new investors	-	-	592	-

18. INTERESTS IN ASSOCIATES - continued

	Silver Grant		CPIAAR Fund	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	407,732	388,487	53,734	29,868
Profit for the year	126,481	93,290	50,490	24,112
Other comprehensive (expense) income for the year	(35,300)	205,349	-	-
Total comprehensive income for the year	91,181	298,639	50,490	24,112
Dividends received from the associate during the year	22,500	22,493	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Silver Grant		CPIAAR Fund	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Net assets of the associate	7,817,722	7,848,383	510,144	458,756
Proportion of the Group's ownership interest in the associate	19.54%	19.54%	63.38%	63.38%
Carrying amount of the Group's interest in the associate	1,527,583	1,533,574	323,329	290,760

Aggregate information of associates that are not individually material

	2014	2013
	HK$'000	HK$'000
The Group's share of profit	42,832	60,677
The Group's share of other comprehensive income (expense)	6,839	(6,496)
The Group's share of total comprehensive income	49,671	54,181
Aggregate carrying amount of the Group's interests in these associates	374,008	382,554

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2014 HK$	2013 HK$
Listed investments (Note a):		
- Equity securities listed in the PRC, at fair value	210,980,376	199,445,200
- Equity securities listed in Hong Kong, at fair value	226,977,720	170,121,943
- Debentures listed in Hong Kong with interest at 10.25% - 12.63% per annum and mature in 2019	338,142,710	-
- Debentures listed in Singapore with interest at 6.88% - 12.75% per annum and mature in 2019	67,363,246	-
- Debentures listed in overseas with fixed interest (Note b)	247,070,543	-
Unlisted securities, at cost (Note c)	2,052,512,039	1,257,401,448
Unlisted securities, a fair value (Note d)	289,207,503	-
Club memberships, at fair value	11,176,574	11,570,862
	3,443,430,711	1,638,539,453

Notes:

(a) Listed securities are measured at fair value based on the quoted market price.

(b) These listed debt securities are pledged to a financial institution for a loan of HK$105,218,000.

(c) These unlisted equity securities issued by private entities and funds are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2014, the Group disposed of certain unlisted securities with aggregate carrying amount of HK$10,706,758 at a consideration of HK$14,766,925. Gain on disposal of HK$4,060,167 (2013: nil) was recognised to profit or loss.

(d) As at 31 December 2014, the Group invested in a fund, which invested in a convertible note which is mandatory convertible to 21% equity interests in a listed company. As at 31 December 2014, the fair value of this investment was HK$131,957,570 which is determined by reference to the fair value of the quoted market price of this listed company.

As at 31 December 2014, the Group invested in a fund, which invested in a commercial building located in United States for rental income. As at 31 December 2014, the fair value of this investment was HK$97,012,500 which is determined by reference to the valuation of the commercial building.

As at 31 December 2014, the Group invested in a fund, which invested in a unlisted debt securities. As at 31 December 2014, the fair value of this investment was HK$60,237,433 was determined by fair value of this debt securities.

19. AVAILABLE-FOR-SALE INVESTMENTS - continued

As at 31 December 2014, the available-for-sale investments of approximately HK$1,449,911,000 (2013: HK$337,567,000) are denominated in currencies other than the functional currency of the respective group entities.

20. PROPERTIES FOR SALE

During the year ended 31 December 2012, the Group provided consultancy and agency services to an independent third party, for which the consideration for such services of HK$206,848,462 were settled by properties owned by that entity with fair value approximately equal to the consideration.

The properties received are ready for sale and in the opinion of the directors, the Group intends to dispose the properties for short-term trading profit and hence the properties are classified as current assets as properties for sale as at 31 December 2014 and 2013.

21. ACCOUNTS RECEIVABLES, LOANS TO MARGIN CLIENTS AND CLEARING SETTLEMENT FUNDS

	2014 HK$	2013 HK$
Due from brokerage clients	90,409,449	72,796,293
Due from brokers and financial institutions	42,440,548	69,959,108
	132,849,997	142,755,401
Less: Allowance for doubtful debts	(582,030)	(1,595,030)
Total accounts receivables	132,267,967	141,160,371
Loans to margin clients	125,650,370	115,312,854
Clearing settlement fund	115,192,473	31,718,871
	373,110,810	288,192,096

The Group executes client trades on overseas securities, commodities and futures contracts with local or overseas brokers as appropriate.

The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group after making reference in industry practices. As at 31 December 2014, the fair value of shares accepted as collateral amounted to HK$448,631,708 (2013: HK$401,746,975) and the fair value of the majority of client's listed securities is higher than the carrying amount of those individual loans to margin client. Special approvals from the Group were granted to those clients whose fair values of collaterals were less than the carrying amount of their individual loans by considering their historical repayment records, credit quality of those margin clients and other factors affecting the market prices of collaterals. Credit risks from those margin clients were therefore considered

21. ACCOUNTS RECEIVABLES, LOANS TO MARGIN CLIENTS AND CLEARING SETTLEMENT FUNDS - continued

minimal. The Group is able to use client's securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure bank facilities of the Group (2013: nil) as at 31 December 2014.

As at 31 December 2014, the accounts receivable of approximately HK$36,778,000 (2013: HK$63,418,000) are denominated in currencies other than the functional currency of the respective group entities.

Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are normally required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level.

The Group maintains designated accounts with the SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31 December 2014, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$4,888,425 and HK$8,268,070 (2013: HK$2,029,526 and HK$10,792,547) respectively.

The Group has no concentration of credit risk with respect to amounts due from brokerage clients and margin loans, as the Group has a large number of customers, widely dispersed. In addition, amounts due from brokers and financial institutions which are high-credit-quality financial institutions.

The effective interest rate charged on accounts receivables and loans to margin clients as at the end of the reporting period ranged from 8% to 13% (2013: 8% to 13%) per annum. The effective interest rate for margins and other trade related deposits is 0.01% (2013: 0.01%) per annum.

Movement in the allowance for doubtful debts:

	2014 HK$	2013 HK$
1 January	1,595,030	1,090,427
(Reversal) recognition of impairment loss	(1,013,000)	504,603
31 December	582,030	1,595,030

21 ACCOUNTS RECEIVABLES, LOANS TO MARGIN CLIENTS AND CLEARING SETTLEMENT FUNDS - continued

Included in the allowance for doubtful debts are individually impaired accounts receivables with an aggregate balance of HK$582,030 (2013: HK$1,595,030), which are in financial difficulties.

Included in the Group's accounts receivables are debtors (excluding margin clients), with a carrying amount of HK$5,667,486 (2013: HK$9,070,678) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the underlying debtors. The Group believes that the amounts are still recoverable given the substantial settlement after the reporting date.

22. DEFERRED TAXATION

The following are the Group's major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Deferred taxation

	Deferred tax assets	Deferred tax liabilities				
	Other temporary differences HK$	Fair value change in financial assets HK$	Undistributed profits of a PRC subsidiary HK$	Other temporary differences HK$	Total HK$	Total HK$
At 1 January 2013	(1,202,442)	23,782,355	14,806,977	3,743,274	42,332,606	41,130,164
Charged to profit or loss (note 10)	301,145	(213,509)	1,975,990	(1,679,950)	82,531	383,676
Credit to other comprehensive income	-	(21,146,833)	-	-	(21,146,833)	(21,146,833)
Exchange realignment	(37,653)	744,179	463,666	117,217	1,325,062	1,287,409
At 31 December 2013	(938,950)	3,166,192	17,246,633	2,180,541	22,593,366	21,654,416
Charged to profit or loss (note 10)	51,632	14,522,983	2,883,441	(556,324)	16,850,100	16,901,732
Credit to other comprehensive income	-	29,784,770	-	24,425,283	54,210,053	54,210,053
Exchange realignment	173	(10,596)	(57,717)	(7,297)	(75,610)	(75,437)
At 31 December 2014	(887,145)	47,463,349	20,072,357	26,042,203	93,577,909	92,690,764

Starting from 1 January 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for certain PRC subsidiaries of the Group in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1 January 2008 amounting to approximately HK$1,637,661,000 (2013: HK$1,471,246,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$	2013 HK$
Financial assets at FVTPL		
Listed equity investments, at fair value:		
Hong Kong	1,117,421,154	358,751,995
PRC	2,691,272	11,473,311
United States	179,648	-
	1,120,292,074	370,225,306
Listed debt investments, at fair value:		
Hong Kong	82,264,401	76,219,854
Listed money market fund, at fair value	419,539,579	264,593,880
Wealth management products issued by banks, at fair value	-	69,954,085
Government bonds, at fair value	90,134,015	-
Unlisted debt securities, at fair value (Note a)	55,000,000	47,200,000
Unlisted derivative - warrants, at fair value (Note a)	22,000,000	23,000,000
	1,789,230,069	851,193,125
Financial liabilities at FVTPL		
Payables to interest holders of consolidated structured entities (Note b)	191,845,748	234,891,964

Notes:

(a) During the year ended 31 December 2013, the Group acquired a secured note and warrants with principal amount of HK$70,200,000, which is issued by an independent unlisted company and bears fixed interest rate of 10% per annum, payable semi-annually and will mature in 2016, subject to early redemption at the option of the Group (from 1 June 2015 to 31 May 2016) or the issuer (from 1 June 2014 to 31 May 2016) with a redemption price equivalent to the sum of (1) the outstanding principal amount of the secured note and (2) an unpaid interest at a rate of 10% per annum on the outstanding principal amount of the secured note calculated from 31 May 2013 to the date of redemption. The secured note is freely transferable. The note was secured by a pledge over listed securities and convertible bonds held by the issuer. It is designated at initial recognition as at fair value through profit or loss since this investment contains embedded derivatives (including the early redemption options held by the Group and the issuer, which are not closely related to the host debt instrument). The fair value of the secured note (together with the embedded derivatives) amounted to HK$47,200,000 on initial recognition and HK$55,000,000 (2013: HK$47,200,000) as at 31 December 2014 which was estimated by an independent firm of professional valuer. The Group expects that the secured note may be redeemed by the issuer or transferred to third parties by the Group within the next twelve months and has accordingly classified the secured note as a current asset.

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

The fair value of the warrants mentioned above amounted to HK$23,000,000 at initial recognition. The Group may, but is not obliged to, in lieu of making payment in cash for exercising the warrant, use part of the principal amount of the secured note as payment on exercising the warrant by relinquishing its right to the principal amount of the secured note so applied. The warrants are exercisable from 31 May 2013 to 31 May 2016. The warrants give the Group the right to purchase from the issuer a fixed number of securities of a listed company at various prices with reference to the terms and conditions of the warrants. The warrants are freely transferable. If part or all of the warrants are not exercised at the date of maturity (i.e. 31 May 2016), the Group will receive 15% of the principal amount of the secured note multiplied by the portion of unexercised warrant. The fair value of the warrants as at 31 December 2014 was HK$22,000,000 (2013: HK$23,000,000) which was estimated by an independent firm of professional valuer.

(b) Amounts represent interests held by other interest holders of 建信金圓合伙 and 寧波建達合伙 at the end of the reporting period (as detailed in note 38).

As at 31 December 2014, the financial assets at FVTPL of approximately HK$412,971,000 (2013:HK$76,220,000) are denominated in currencies other than the functional currency of the respective group entities.

24. OTHER FINANCIAL ASSETS

	2014 HK$	2013 HK$
Non-current financial assets		
Loan receivables from third parties:		
Secured, bears fixed interest ranged from 12% to 15% per annum and repayable in 2017 (Note b)	1,246,868,546	-
Secured, bears fixed interest at 14% per annum and repayable in 2015 (Note b)	-	1,570,000,000
Secured, bears fixed interest at 10.4% per annum for the first 18 months after drawdown date and 14% per annum for the next 12 months and repayable in 2015 (Note b)	-	206,402,707
Secured, bear fixed interest at 11.5% per annum and repayable in 2015 (Note b)	-	1,116,418,478
Secured, bear fixed interest at 13.5% per annum and repayable in 2018 (Note b)	1,267,635,986	-
Unsecured, bears fixed interest ranged from 11.7% to 15% per annum and repayable in 2017	285,218,097	-
Unsecured, bear fixed interest at 12% per annum and repayable in 2018	31,568,450	31,542,496
Unsecured, bear fixed interest at 12% per annum and repayable in 2019	518,903,160	-
Unsecured, bear fixed interest at 13% and repayable in 2016	228,174,477	-
	3,578,368,716	2,924,363,681
Current financial assets		
Loan receivables from third parties:		
Secured, bears fixed interest ranged from 10% to 16% per annum and repayable in 2014 (Note b)	-	388,845,000
Secured, bears fixed interest at 13.2% per annum and repayable on demand (Note a)	189,760,504	249,151,323
Secured, bears fixed interest at 10.4% per annum for the first 18 months after drawdown date and 14% per annum for the next 12 months and repayable in 2015 (Note b)	205,711,968	-
Secured, bear fixed interest ranged from 11.5% to 14% per annum and repayable in 2015 (Note b)	3,317,002,295	-
Unsecured, non-interest bearing and repayable on demand	48,000,000	48,000,000
Unsecured, bear fixed interest at 10% per annum for the first three months after drawdown date and 12% per annum afterward and repayable in 2015	620,512,000	-
Unsecured, bear fixed interest at 12% per annum and repayable in 2015	1,054,055,622	-
	5,435,042,389	685,996,323

24. OTHER FINANCIAL ASSETS - continued

	2014 HK$	2013 HK$
Loan receivables from associates:		
Non-current:		
Unsecured, bear fixed interest at 8% per annum and repayable in 2018	383,333,122	-
Current:		
Unsecured, bear fixed interest ranged from 6.1% to 10% repayable on demand	-	158,200,256
Unsecured, bear fixed interest at 10% per annum and repayable in 2015	21,739,957	-
	21,739,957	158,200,256
Loan receivables from a shareholder of an associate:		
Current:		
Unsecured, bear fixed interest at 3% per annum and repayable in 2015	240,000,000	-

Notes:

(a) As at 31 December 2014, the amount of HK$189,760,504 (2013: HK$249,151,323), is past due over 360 days, on which the Group has not provided for impairment loss. The loan receivable is secured by shares of an unlisted company and guaranteed by a group of companies related to the borrower. The Group assessed the financial position of the borrower, in the opinion of the directors, the risk of non-recoverability of the amount is minimal, and no impairment is required as at 31 December 2014.

(b) The secured loan receivables are secured by properties, equity investments held by the borrowers or the equity interest of the borrowers.

The Group has policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on directors' judgement, including the current creditworthiness and the past collection history of each debtor.

In determining the recoverability of the loans receivable, the Group considered any changes in the credit quality of the loans receivable from the date credit was initially granted up to the end of the reporting period. At 31 December 2014 and 2013, there were no loans receivable and other receivables which were past due but not impaired, except for those disclosed in note (a) at above.

Amounts due from ultimate holding company and associates are unsecured, interest-free and repayable on demand.

As at 31 December 2014, the loan receivables of approximately HK$4,746,625,000 (2013: HK$1,129,490,000) are denominated in currencies other than the functional currency of the respective group entities.

24. OTHER FINANCIAL ASSETS - continued

As at 31 December 2014, the other receivables of approximately HK$215,643,000 (2013: nil) are denominated in currencies other than the functional currency of the respective group entities.

25. DEPOSITS

	2014 HK$	2013 HK$
Refundable deposit for investment in a fund (Note i)	151,000,000	-
Deposit paid for acquisition of equity investment (Note iii)	-	68,427,814
Deposit for interest in an associate (Note ii)	232,692,000	-
	383,692,000	68,427,814

Notes:

(i) During the year ended 31 December 2014, the Group paid a refundable deposit of HK$151,000,000 to an independent third party for a potential investment in a fund which will be principally invested in natural resources industry. The amount is unsecured and non-interest bearing. The amount is yet utilised up to date of report.

(ii) During the year ended 31 December 2014, the Group paid a US$30,000,000 (equivalent to HK$232,692,000) deposit to an associate CPIAAR Fund (as defined in note 18) for additional contribution. The amount is utilised after the reporting period.

(iii) During the year ended 31 December 2012, the Group entered into a loan restructuring agreement ("Loan Restructuring Agreement") with one of the debtors included in the Group's distressed asset portfolios (the "Debtor") and a guarantee provider (the "Guarantor"). The Guarantor is a state-owned enterprise, which would obtain the equity interests of the Debtor upon completion of the Loan Restructuring Agreement. Pursuant to the Loan Restructuring Agreement, a new entity would be established by the Guarantor (the "Target Company"), and through several restructuring, the business of the Debtor would be injected into the Target Company and target to list the shares of the Target Company within 5 years from the date of the Loan Restructuring Agreement ("IPO of Target Company").

Pursuant to the Loan Restructuring Agreement, the Debtor paid the Group RMB53,800,000 by cash to settle all the outstanding liabilities owed to the distressed assets owner and the Group deposited the same amount to a bank account designated by the Debtor as the initial capital of the Target Company. The Group has the right to invest in equity interest in the Target Company in prior year.

If the IPO of Target Company is not successful after 5 years from the date of the Loan Restructuring Agreement, the Debtor, the Guarantor or any designated parties should repurchase the equity interests of the Target Company owned by the Group at a consideration of RMB60,000,000 plus interest equivalent to bank lending interest rate, less dividend received during the five years period, if any.

25. DEPOSITS - continued

During the year ended 31 December 2014, the Target Company has been established and the Group converted this deposit into 17.02% equity interest of the Target Company and classified as available-for-sale investment measured at cost.

As at 31 December 2014, the deposits of approximately HK$232,692,000 (2013: nil) are denominated in currencies other than the functional currency of the respective group entities.

26. RESTRICTED BANK DEPOSIT, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2014, RMB500,000,000 (equivalent to HK$633,818,000) was deposited in the Group's bank account as security for a loan receivable due from a borrower. Subsequent to the end of the reporting period, the borrower secures its loan receivable by land use rights and this bank deposit has been refunded to the borrower.

As at 31 December 2014, bank deposits amounting to HK$960,650,075 (2013: HK$191,728,744) have been pledged to banks as security for the provision of approximately HK$1,247 million (2013: HK$388 million) securities broking and other financing facilities.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31 December 2014, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK$363,676,006 (2013: HK$223,647,403).

The Group's bank balances and cash comprise cash and short-term bank deposits carrying prevailing market interest rate with an original maturity of three months or less. An aggregate amount of HK$1,791,715,888 (2013: HK$4,735,795) of the Group's bank balances and cash at 31 December 2014 was denominated in RMB and not freely convertible into other currencies.

As at 31 December 2014, the bank balances and cash of approximately HK$7,831,364,000 (HK$2,155,010,000) are denominated in currencies other than the functional currency of the respective group entities.

27. ACCOUNTS PAYABLES

	2014 HK$	2013 HK$
Accounts payables to brokerage clients	262,670,416	161,129,369
Margin and other deposits payables to client	17,976,000	38,787,000
Accounts payables to brokers and clearing houses	2,350,000	757,068
	282,996,416	200,673,437

The carrying amounts of accounts payables approximate their fair value. All accounts payables are expected to be settled within one year. The account payables are aged within 30 days.

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of broking in securities range from two to three days after the trade date of those transactions. Margin deposits received from clients for their trading of leveraged foreign exchange, commodities and futures contracts were payable within one month.

The effective interest rate paid on trade payables as at the end of the reporting period is 0.01% per annum (2013: 0.01% per annum).

As at 31 December 2014, the trade payables of approximately HK$172,188,000 (2013: HK$2,652,000) are denominated in currencies other than the functional currency of the respective group entities.

28. OTHER CURRENT FINANCIAL LIABILITIES

Other payables principally comprise amounts outstanding for ongoing costs and are repayable within one year. As at 31 December 2014, included in other payables and accruals of nil (2013: HK$10,880,256) represents receipt in advance in relation to consultancy services and HK$107,552,464 (2013: HK$22,961,326) represents accrued interest payables for borrowings.

As at 31 December 2014, included in other payables and accruals, RMB500,000,000 (equivalent to HK$633,818,000) (2013:nil) represents an amount deposited in the Group's bank balance by a borrower as security of a loan receivable due from this borrower (as detailed in note 26).

As at 31 December 2014, included in other payables and accruals, RMB120,000,000 (equivalent to HK$152,116,000) (2013:nil), represents unsecured, non-interest bearing and repayable on demand earnest money received from an independent third party, 西藏力恒投资有限公司 ("Tibet Lihang") who may co-invest in certain potential projects with the Group. The amount is unutilised up to the reporting period.

Amounts due to associates are unsecured, interest-free and repayable on demand.

As at 31 December 2014, the other payables of approximately HK$86,179,000 (2013: HK$11,893,000) are denominated in currencies other than the functional currency of the respective group entities.

29. BORROWINGS

	2014 HK$	2013 HK$
Bank loans - secured	284,123,667	208,785,130
Bank loans - unsecured	3,301,542,575	4,199,826,071
Other loans - secured	865,799,957	-
	4,451,466,199	4,408,611,201
Carrying amount without a repayment on demand clause repayable:		
Within one year	2,635,171,449	425,233,785
More than one year, but not exceeding two years	971,741,444	1,550,760,000
More than two years, but not more than five years	-	1,601,722,089
	3,606,912,893	3,577,715,874
Add: Carrying amount of loans containing a repayment on demand clause (shown under current liabilities) with scheduled repayment set out in the loan agreements due:		
- within one year	806,210,569	793,173,344
- more than one year, but not exceeding two years	3,257,605	2,569,827
- more than two years, but not more than five years	9,772,816	7,949,563
- more than five years	25,312,316	27,202,593
	844,553,306	830,895,327
	4,451,466,199	4,408,611,201
Less: Amounts due within one year shown under current liabilities	(3,479,724,755)	(1,256,129,112)
Amounts shown under non-current liabilities	971,741,444	3,152,482,089

The Group's secured bank and other loans are secured by investment properties of HK$102,000,001 (2013: property, plant and equipment of HK$39,214,834), pledged bank deposits of HK$960,650,075 (2013: HK$191,728,744) and listed debt investments of HK$247,071,000 (2013: nil) set out in note 19 (b).

29. BORROWINGS - continued

Bank loans of the Group of approximately HK$2,363,300,000 (2013: HK$2,746,511,000) are denominated in US$, which is not the functional currency of the relevant group entities. The bank loans carry floating rates at LIBOR plus margin of 3% to 3.55% (2013: LIBOR plus margin of 3% to 3.55%) per annum or effective interest rate of 3.23% to 3.89% (2013: 3.34% to 3.89%) per annum. The loans of approximately HK$228,243,000 (2013: nil) are denominated in US$, which is not the functional currency of the relevant group entities. The loans carry floating rates at cost of fund of respective financial institutions (the "COF") or effective interest rate of 1.0% - 1.15% per annum. Bank loans of the Group of approximately HK$834,402,000 (2013: HK$1,494,210,000) are denominated in HK$, functional currency of the relevant group entities, and carry floating rates at HIBOR plus margin of 2.15% to 3.45% per annum or effective interest rate of 3% to 3.82% (2013: 2.71% to 3.55%) per annum. Bank and other loans of the Group of approximately HK$920,303,000 (2013: HK$167,890,000) are denominated in RMB, functional currency of the relevant group entities and carry fixed interest rate of 4.31% to 4.73% (2013: 4.00% to 4.40%) per annum. As at 31 December 2013, bank loans of the Group of approximately HK$628,315,000 are denominated in RMB, not functional currency of the relevant group entities and carry fixed interest rate of 4.10% per annum. The remaining loan of approximately HK$105,218,000 (2013: nil) is denominated in HK$, which is the functional currency of the respective group entity. The loan carries floating rate at the COF or effective interest rate of 1.17% per annum.

As at 31 December 2014, the borrowings of approximately HK$2,591,543,000 (2013: HK$3,374,826,000) are denominated in currencies other than the functional currency of the respective group entities.

30. BOND PAYABLES

	2014 HK$	2013 HK$
Denominated in RMB, carries 4% semi-annual coupon, repayable in 2015 (Note a)	2,525,830,632	2,524,902,223
Denominated in HKD, carries 4% semi-annual coupon, repayable in 2018 (Note b)	34,000,000	34,000,000
Denominated in HKD, carries 4% semi-annual coupon, repayable in 2019 (Note b)	42,000,000	-
Denominated in USD, 4% semi-annual coupon, repayable in 2019 (Note c)	7,666,356,972	-
Denominated in USD, 5.63% semi-annual coupon, repayable in 2024 (Note c)	3,839,251,493	-
Denominated in USD, 5.20% semi-annual coupon, repayable in 2029 (Note c)	1,772,223,061	-
	15,879,662,158	2,558,902,223
Less: Amount due within one year shown under current liabilities	(2,525,830,632)	-
Amounts shown under non-current liabilities	13,353,831,526	2,558,902,223

30. BOND PAYABLES - continued

Notes:

(a) On 12 December 2012, the Group's wholly owned subsidiary, Bitronic Limited issued a RMB denominated bond with principal amount of RMB2,000,000,000, equivalent to HK$2,535,271,971 (2013: HK$2,543,784,898) (the "RMB Bonds") to independent third parties, for which, the Company's ultimate holding company provides a keepwell deed. The RMB Bonds bear interest at 4% per annum and will be matured on 12 December 2015. Interest is payable semi-annually in arrear.

Direct costs related to the issuance of the RMB Bonds of HK$28,324,012 were deducted to the carrying amount of the Bonds and included in the estimation of effective interest, 4.37% per annum.

(b) During the year ended 31 December 2014, the Group's non-wholly owned subsidiary, CIHL, issued fixed rate 5-year coupon bonds at a rate of 4% per annum, interest is payable semi-annually, and with an aggregated principal amount of HK$42,000,000, which will be matured in Year 2019.

During the year ended 31 December 2013, the Group's non-wholly owned subsidiary, CIHL, issued fixed rate 5-year coupon bonds at a rate of 4% per annum, interest is payable semi-annually, and with an aggregated principal amount of HK$34,000,000, which will be matured in Year 2018.

The bonds are non-secured, non-guaranteed and issued to independent third parties without any early redemption options.

(c) On 14 May 2014, the Group's wholly owned subsidiary, China Cinda Finance (2014) Limited issued 5-year and 10-year fixed rate USD Guarantee Senior Notes ("USD Notes") with principal of USD1,000 million (equivalent to HK$7,756.4 million) and USD500 million (equivalent to HK$3,878.2 million), have tenures of 5 years and 10 years and with fixed coupon rate of 4.00% per annum and 5.625% per annum, payable semi-annually, respectively.

At any time prior to the date of maturity of the USD Notes, the Issuer or the Group may redeem the USD Notes, in whole or in part, at a redemption price equal to the greater of i) 100% of the principal amount of the USD Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the USD Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year USD Notes and 50 basis points in the case of the 10-year USD Notes, plus any accrued and unpaid interest.

Direct costs related to the issuance of the USD Notes of HK$67,579,029 were deducted to the carrying amount of the USD Notes and included in the estimation of effective interest, 4.27% and 5.76% per annum respectively.

On 4 December 2014, a 15-year fixed rate USD Guarantee Senior Notes ("Second USD Notes") with a principal of USD 230 million were issued by the same subsidiary, which have tenure of 15 years and with fixed coupon rate of 5.20% per annum, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

30. BOND PAYABLES - continued

Direct costs related to the issuance of the Second USD Notes of HK$2,859,680 were deducted to the carrying amount of the Second USD Notes and included in the estimation of effective interest, 5.28% per annum.

As at 31 December 2014, the bond payables of approximately HK$15,808,662,000 (2013: HK$2,524,902,000) are denominated in currencies other than the functional currency of the respective group entities.

31. SHARE CAPITAL

	Number of shares In thousand	Nominal value HK$'000
Authorised		
At 1 January 2013 and 31 December 2013		
- Ordinary shares of HK$1 each	1,400,000,000	1,400,000,000
At 31 December 2014 (Note)	-	-
Issued and fully paid		
At 1 January 2013 and 31 December 2013		
- Ordinary shares of HK$1 each	1,400,000,000	1,400,000,000
Transfer from share premium upon abolition of par value	-	285,986,972
At 31 December 2014		
- Ordinary shares with no par value	1,400,000,000	1,685,986,972

Note:

Abolition of par value under the new Hong Kong Companies Ordinance

The new Hong Kong Companies Ordinance came into effect on 3 March 2014, which abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. As such, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, the existing share premium as of 3 March 2014 became part of the Company's share capital. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. Comparative figures in the financial statements are not required to be restated.

32. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group leases certain of its offices under operating lease arrangements with leases negotiated for terms ranging from one to two years (2013: two to three years).

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
Within one year	37,152,717	17,523,395
In the second to fifth years, inclusive	35,582,087	21,070,690
	72,734,804	38,594,085

The Group as lessor

Property rental income earned during the year was HK$1,557,725 (2013: HK$798,113). All of the leased properties held have committed tenants for the next 3 to 5 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2014	2013
	HK$	HK$
Within one year	2,784,000	992,076
In the second to fifth years, inclusive	4,872,000	2,666,735
	7,656,000	3,658,811

(b) Capital commitments

Capital commitments in respect of property and equipment contracted for but not provided for in the consolidated financial statements are as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Contracted but not provided for	181	461

33. CONTINGENT LIABILITIES

The following litigation cases are outstanding up to the date of this report. Under the sales and purchase agreement (the "Agreement") entered with Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) in relation to the acquisition of CIHL in 2008, HHIL and the then chairman of CIHL have undertaken to indemnify and keep indemnified CIHL on a fully indemnity basis of any loss or liability suffered by CIHL Group as a result of or in connection with the outstanding litigation cases set out below. Therefore, no provision has been made.

(a) A company named Hantec Investment Limited which is unrelated to the CIHL Group filed a writ to CIHL on 28 July 2000 seeking for injunction to restrain CIHL from using the plaintiff's alleged trade name and damages. The plaintiff has not taken further action after the CIHL filed a defence.

(b) An indirect wholly owned subsidiary of CIHL received a writ of summons dated 25 March 2006 from two clients jointly as plaintiffs claiming for damages against it and two of its licensed representatives for an amount of HK$20,600,000 together with costs relating to a number of leverage exchange trading transactions. Defence action has been commenced and no further development has been made up to the date of this report.

34. RESERVES

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Property revaluation reserve			
At 1 January 2013 and 31 December 2013	33,144,497	-	33,144,497
Revaluation of property, plant and Equipment	64,000,000	-	64,000,000
Revaluation of property, plant and equipment upon transfer to investment properties	63,183,535	-	63,183,535
Deferred tax arising from revaluation of property, plant and equipment	(24,425,283)	-	(24,425,283)
At 31 December 2014	135,902,749	-	135,902,749

The property revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to those properties would be transferred directly to retained profits.

34. RESERVES - continued

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Investment revaluation reserve			
At 1 January 2013	304,684,793	54,587,501	359,272,294
Change in fair value arising on revaluation of available-for-sale investments	26,749,238	11,888,087	38,637,325
Deferred tax arising on revaluation of available-for-sale investments	6,266,366	108,021	6,374,387
Reclassification adjustments for the reversal of deferred tax relating to sale of available-for-sale investments	14,772,446	-	14,772,446
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(85,377,096)	-	(85,377,096)
Reclassification adjustment - transfer to profit or loss on impairment of available-for-sale investments	11,063,276	-	11,063,276
At 31 December 2013	278,159,023	66,583,609	344,742,632
Change in fair value arising on revaluation of available-for-sale investments	122,309,934	31,147,768	153,457,702
Deferred tax arising on revaluation of available-for-sale investments	(29,784,770)	-	(29,784,770)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(55,000,194)	-	(55,000,194)
Share of revaluation reserve of associate	(57,629)	-	(57,629)
At 31 December 2014	315,626,364	97,731,377	413,357,741

The investments revaluation reserve represents accumulated gains and losses arising on the fair value changes of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of or are determined to be impaired.

34. RESERVES - continued

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Translation reserve			
At 1 January 2013	268,990,868	8,817,832	277,808,700
Exchange difference arising on translation	46,490,915	336,521	46,827,436
Share of other comprehensive income of associates	33,628,644	-	33,628,644
At 31 December 2013	349,110,427	9,154,353	358,264,780
Exchange difference arising on translation	(40,178,563)	(30,636)	(40,209,199)
At 31 December 2014	308,931,864	9,123,717	318,055,581

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Statutory reserve			
At 1 January 2013	74,634,574	-	74,634,574
Transferred from retained earnings	5,141,443	-	5,141,443
At 31 December 2013	79,776,017	-	79,776,017
Transferred from retained earnings	3,559,040	-	3,559,040
At 31 December 2014	83,335,057	-	83,335,057
Merger reserve			
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000	-	1,000,000
Distribution reserve			
At 1 January 2013, 31 December 2013 and 31 December 2014	(13,488,751)	-	(13,488,751)

35. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2013, the Group entered into an agreement with a borrower, 龍川萬泰 to acquire 25.69% of its total equity interest and settled by the loan receivable and accrued interest amounted to HK$30,429,620 brought forward from prior year. 龍川萬泰 has become an associate of the Group thereafter.

(ii) During the year ended 31 December 2013, deposits of HK$197,323,796 was utilised as considerations to acquire additional interests in CPIAAR Fund, an associate of the Group.

36. RELATED PARTY TRANSACTIONS

(i) During the year, the Group had the following transactions with related parties:

	2014 HK$	2013 HK$
Associates		
Interest income	50,042,101	16,326,113
Advisory and consultancy fee income	16,616,728	83,987,203
Rental income	-	76,314
Service fee income	1,315,761	1,320,102
Fellow subsidiary		
Gain on disposal of an associate	-	1,739,556

In addition to the above, during the year, the Group entered into the following transactions with related companies:

(i) As at 31 December 2014, the Group holds certain other investments on behalf of associates with a market value and aggregate value of HK$36,546,024 (2013: HK$135,021,823). The Group did not charge the associates for services provided for both years.

(ii) As at 31 December 2014, the ultimate holding company of the Group holds certain listed and unlisted equity securities on behalf of the Group with aggregate value of HK$89,748,628 (2013: HK$90,049,985). The ultimate holding company did not charge the Group any fee for the services provided for both years.

(iii) As at 31 December 2014, fellow subsidiaries of the Group hold certain unlisted equity securities on behalf of the Group with aggregate cost of HK$12,169,305 (2013: HK$12,210,168). No fee was charged by the fellow subsidiaries for the services provided.

36. RELATED PARTY TRANSACTIONS - continued

(iv) As at 31 December 2014, the RMB Bonds, USD Notes and Second USD Notes (2013: RMB Bonds) issued by the Group were under a keepwell deed provided by its ultimate holding company.

(v) As at 31 December 2014, the Group holds certain listed equity securities on behalf of its fellow subsidiary with aggregate value of nil (2013: HK$65,932,315). No service fee was charged by the Group for both years.

(vi) During the year ended 31 December 2013, the Group disposed of its distressed assets portfolios (previously included in financial assets at FVTPL) to its fellow subsidiary at HK$17,806,494.

(vii) Balances with related parties are set out in the consolidated statement of financial position on page 5 and 6 and details are set out in notes 24 and 28 respectively.

(viii) The Group is controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 31 December 2014 and 2013. For the current and prior years, the Group undertakes transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

37. EVENT AFTER THE REPORTING PERIOD

The Group has the following significant subsequent event:

In February 2015, the Group invested US$1,000,000,000 (equivalent to HK$7,756,230,000) for 1.7222% equity interest of Sinopec Marketing Co., Ltd., which principally engaged in sales of gasoline, kerosene, diesel, LPG, natural gas, lubricant oil and fuel oil and other investments. The investment is classified as available-for-sale investment measured at cost.

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

The following table lists the subsidiaries and consolidated structured entities of the Company which, in the opinion of the directors, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of entity	Place/country of incorporation	Paid up/ registered share capital	Proportion ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2014 %	2013 %	2014 %	2013 %	
Subsidiaries							
Cinda (China) Investments Company Limited	Hong Kong	HK$10,000 ordinary shares	100	100	-	-	Investment holding
China Cinda (HK) Asset Management Co., Limited	Hong Kong	HK$2 ordinary shares	100	100	-	-	Investment in securities and investment holding
Regent Star International Limited	British Virgin Islands	US$1 ordinary share	100	100	-	-	Investment in securities
Sinoday Limited	British Virgin Islands	US$1 ordinary share	100	100	-	-	Investment holding
Well Kent International Holdings Company Limited	Hong Kong	HK$1,000,000 ordinary shares	100	100	-	-	Investment holding
Parloy Investment Limited	British Virgin Island	US$1 ordinary share	-	-	100	100	Investment holding and provision of consultancy service
Rayco Investment Limited	British Virgin Island	US$1 ordinary share	-	-	100	100	Investment holding
Boyu Investment Limited	British Virgin Island	US$1 ordinary share	-	-	100	100	Investment holding
CIHL	Hong Kong	HK$53,433,800 ordinary shares	-	-	63	63	Investment holding
Tinmaxa Limited	British Virgin Islands	US$1 ordinary share	-	-	100	100	Investment in securities
Sino-Rock Investment Management Company Limited ("Sino-Rock")	Hong Kong	HK$45,000,000 ordinary shares	-	-	70	70	Investment holding, provision of capital management and consultancy
華建深圳	The PRC	HK$234,000,000 registered capital	-	-	100	100	Provision of consultancy services of securities and properties investment
浙江信達資產管理有限公司	The PRC	80,000,000 registered capital	-	-	100	100	Asset management
寧波信達華建投資有限公司	The PRC	10,000,000 registered capital	-	-	100	100	Investment holding provision of consultancy service of investment and sales of properties
寧波信達西溪股權投資合伙企業有限公司 (Note ii)	The PRC	Nil (2013: 20,000,000) registered capital	-	-	-	100	Asset management
深圳市前海華建股權投資有限公司	The PRC	10,000,000 registered capital	-	-	100	100	Asset management
建信金圓(廈門)股權投資管理有限公司 ("JXJY")	The PRC	50,000,000 registered capital	-	-	75	75	Investment holding

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES - continued

Name of subsidiary	Place/country of incorporation	Paid up/ registered share capital	Proportion ownership interest held by the Company Direct 2014 %	Direct 2013 %	Indirect 2014 %	Indirect 2013 %	Principal activities
Consolidated structured entities							
建信金圓合伙 (Note i)	The PRC	311,500,000 registered capital	-	-	10.67	16.67	Asset management
寧波建達合伙 (Note i)	The PRC	30,000,000 registered capital	-	-	16.67	16.67	Asset management

Notes:

i. According to investment agreements entered into between the Group and the other shareholders, the Group is a general partner in 建信金圓合伙 and 寧波建達合伙 and has the right to direct the relevant activities at its sole discretion. In addition to the Group's holdings in these entities, the Group provided credit enhancements (i.e. the Group is required to provide financial support to 建信金圓合伙 and 寧波建達合伙 if they have net liabilities). On this basis, the directors concluded that the Group has control over 建信金圓合伙 and 寧波建達合伙. Accordingly, 建信金圓合伙 and 寧波建達合伙 are classified as subsidiaries of the Group.

ii. During the year ended 31 December 2013, the other investors of this company withdraw their investments in this company. Hence, it had become a subsidiary of the Group since then.

During the year ended 31 December 2014, the Group also withdraw its investments on this company.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2014	2013	Profit (loss) allocated to non-controlling interests 2014 HK$	2013 HK$	Accumulated non-controlling interests 2014 HK$	2013 HK$
CIHL	Hong Kong	37%	37%	5,069,329	32,689,835	245,036,599	245,195,207
JXJY	The PRC	25%	25%	(140,529)	(7,290,550)	18,086,158	18,226,687
Sino-Rock	Hong Kong	44.8%	44.8%	15,567,208	17,625,939	240,457,348	188,545,071
						503,580,105	451,966,965

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES - continued

CIHL and its subsidiaries

	2014 HK$'000	2013 HK$'000
Current assets	939,876	578,444
Non-current assets	386,744	404,423
Current liabilities	(506,018)	(267,211)
Non-current liabilities	(77,122)	(34,000)
Total equity	743,480	681,656

	2014 HK$'000	2013 HK$'000
Revenue	124,492	165,691
Other income, other gains and losses	54,137	41,486
Expenses	(142,392)	(136,301)
Profit for the year	36,237	70,876
Other comprehensive income for the year	29,705	6,874
Total comprehensive income for the year	65,942	77,750
Net cash inflow from operating activities	89,994	46,365
Net cash outflow used in investing activities	(240,127)	(88,725)
Net cash inflow from financing activities	190,999	54,303
Net cash inflow	40,866	11,943

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES - continued

JXJY and its subsidiaries

	2014 HK$'000	2013 HK$'000
Current assets	97,777	103,374
Non-current assets	159,242	212,080
Current liabilities	(216,351)	(240,539)
Total equity	40,668	75,095

	2014 HK$'000	2013 HK$'000
Revenue	26,871	4,796
Expenses	(15,436)	(12,752)
Profit (loss) for the year	11,435	(7,956)
Other comprehensive (expense) income for the year	(7,460)	24,653
Total comprehensive income for the year	3,975	16,697
Net cash inflow from (outflow used in) operating activities	5,904	(67,814)
Net cash inflow from (outflow used in) from investing activities	64,435	(181,181)
Net cash (outflow used in) inflow from financing activities	(72,629)	240,505
Net cash outflow	(2,290)	(8,490)

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES - continued

Sino-Rock and its subsidiaries

	2014 HK$'000	2013 HK$'000
Current assets	373,206	213,059
Non-current assets	436,333	264,196
Current liabilities	(185,073)	(46,566)
Non-current liabilities	(97,063)	(20,413)
Total equity	527,403	410,276

	2014 HK$'000	2013 HK$'000
Revenue	43,023	3,834
Other income, gains and losses	50,019	93,360
Expenses	(58,294)	(54,940)
Profit for the year	34,748	42,254
Other comprehensive income (expense) for the year	82,379	15,007
Total comprehensive income for the year	117,127	57,261
Net cash (outflow used in) inflow from operating activities	(107,226)	30,841
Net cash (outflow used in) inflow from investing activities	(86,224)	685,481
Net cash outflow used in financing activities	-	(614,893)
Net cash (outflow) inflow	(193,450)	101,429

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following accounts receivables and accounts payables as the Group currently has a legally enforceable right to set off the balance, and intends either to settle on net basis, or to realise the balance simultaneously.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014						
Accounts receivables	703,170	(330,060)	373,110	(132,268)	(119,984)	120,858
As at 31 December 2013						
Accounts receivables	549,081	(260,889)	288,192	(141,160)	(114,232)	32,800

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014						
Accounts payables	613,056	(330,060)	282,996	(229,838)	-	53,158
As at 31 December 2013						
Accounts payables	461,562	(260,889)	200,673	(163,398)	-	37,275

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	31 December 2014 HK$'000	31 December 2013 HK$'000
Accounts receivables		
Net amount of accounts receivables as stated above	240,842	147,032
Amount not in scope of offsetting disclosures	132,268	141,160
Amount of total accounts receivables as stated in note 21	373,110	288,192
Accounts payables		
Net amount of accounts payables as stated above	53,158	37,275
Amount not in scope of offsetting disclosures	229,838	163,398
Amount of total accounts payables as stated in note 27	282,996	200,673

Deloitte.
德勤

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF
WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Well Kent International Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 82, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF
WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED - continued
華建國際投資有限公司
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 April 2014

WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 HK$	2012 HK$
Revenue	7	283,290,912	410,439,130
Cost of sales and services		(27,879,890)	(22,936,257)
		255,411,022	387,502,873
Other income, gains and losses	8	730,645,695	351,596,476
Gain on disposal of an associate	18	1,739,556	-
Impairment loss on interest in an associate and amount due from an associate		(28,089,490)	-
Loss on partial disposal of an associate	18	-	(256,936)
Administrative expenses		(232,464,821)	(231,857,907)
Finance costs	9	(230,563,402)	(100,023,836)
Share of results of associates		94,188,312	104,653,562
Profit before taxation		590,866,872	511,614,232
Taxation	10	(73,948,555)	(96,458,458)
Profit for the year	11	516,918,317	415,155,774
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Share of gain on property revaluation of associates		-	8,055,450
		-	8,055,450
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		46,827,436	1,493,002
Net gain (loss) arising on fair value changes of available-for-sale investments		38,637,325	(30,856,455)
Reclassification adjustment - transfer to profit or loss on disposal of available-for-sale investments		(85,377,096)	(24,255,489)
Share of other comprehensive income (expense) of associates		33,628,644	(12,945,088)
Reclassification adjustment - transfer to profit or loss on partial disposal of associates		-	(134,623)
Reclassification adjustment - transfer to profit or loss on impairment of available-for-sale investments		11,063,276	49,500,000
Income tax relating to items that may be reclassified subsequently		21,146,833	7,262,174
		65,926,418	(9,936,479)
Other comprehensive income (expense) for the year, net of tax		65,926,418	(1,881,029)
Total comprehensive income for the year		582,844,735	413,274,745
Profit attributable to:			
Owners of the Company		473,893,093	393,689,416
Non-controlling interests		43,025,224	21,466,358
		516,918,317	415,155,774
Total comprehensive income attributable to:			
Owners of the Company		527,486,882	406,180,407
Non-controlling interests		55,357,853	7,094,338
		582,844,735	413,274,745

WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	2013 HK$	2012 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	12	95,836,235	140,959,039
Investment properties	13	66,514,463	23,713,460
Goodwill	14	147,039,162	147,039,162
Intangible assets	16	1,319,213	1,319,213
Other assets	17	6,952,537	4,626,167
Interests in associates	18	2,206,888,098	1,988,207,837
Available-for-sale investments	19	1,638,539,453	957,750,766
Loan receivables from third parties	24	2,924,363,681	2,940,420,804
Deposit	25	68,427,814	66,350,126
		7,155,880,656	6,270,386,574
CURRENT ASSETS			
Properties for sale	20	213,329,599	206,848,462
Accounts receivables, loans to margin clients and clearing settlement funds	21	288,192,096	254,447,307
Prepayments, deposits and other receivables	24	154,183,028	454,462,611
Financial assets at fair value through profit or loss	23	851,193,125	1,138,046,787
Loan receivables from third parties	24	685,996,323	103,582,501
Loan receivables from associates	24	158,200,256	184,344,207
Amount due from ultimate holding company	24	119,680,716	37,715,886
Amounts due from associates	24	22,017,405	11,353,878
Pledged bank deposits	26	191,728,744	15,040,542
Bank balances and cash	26	3,389,927,053	3,105,721,139
		6,074,448,345	5,511,563,320
CURRENT LIABILITIES			
Accounts payables	27	200,673,437	156,770,122
Other payables and accruals	28	136,966,529	152,460,405
Amount due to a fellow subsidiary	28	-	104,797
Amounts due to associates	28	26,272,711	48,175,035
Financial liabilities at fair value through profit or loss	23	234,891,964	4,383,976
Borrowings	29	1,256,129,112	1,932,786,541
Tax payable		65,318,843	83,871,993
		1,920,252,596	2,378,552,869
NET CURRENT ASSETS		4,154,195,749	3,133,010,451
TOTAL ASSETS LESS CURRENT LIABILITIES		11,310,076,405	9,403,397,025

WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司

	NOTES	2013 HK$	2012 HK$
NON-CURRENT LIABILITIES			
Borrowings	29	3,152,482,089	1,947,677,853
Bond payables	30	2,558,902,223	2,438,223,438
Deferred tax liabilities	22	21,654,416	41,130,164
		5,733,038,728	4,427,031,455
NET ASSETS		5,577,037,677	4,976,365,570
CAPITAL AND RESERVES			
Share capital	31	1,400,000,000	1,400,000,000
Reserves	34	3,725,070,712	3,197,583,830
Equity attributable to owners of the Company		5,125,070,712	4,597,583,830
Non-controlling interests		451,966,965	378,781,740
Total equity		5,577,037,677	4,976,365,570

The consolidated financial statements on pages 3 to 82 were approved and authorised for issue by the Board of Directors on 25 April 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company											
	Share capital HK$	Share premium HK$	Retained profits HK$	Property revaluation reserve HK$	Investment revaluation reserve HK$	Translation reserve HK$	Statutory reserve HK$ (Note a)	Merger reserve HK$	Distribution reserve HK$	Total HK$	Non-controlling interests HK$	Total HK$
At 1 January 2012	1,400,000,000	285,986,972	1,860,041,461	25,089,047	310,673,393	258,566,727	63,534,574	1,000,000	(13,488,751)	4,191,403,423	361,133,750	4,552,537,173
Profit for the year	-	-	393,689,416	-	-	-	-	-	-	393,689,416	21,466,358	415,155,774
Other comprehensive income (expense) for the year	-	-	-	8,055,450	(5,988,600)	10,424,141	-	-	-	12,490,991	(14,372,020)	(1,881,029)
Total comprehensive income (expense) for the year	-	-	393,689,416	8,055,450	(5,988,600)	10,424,141	-	-	-	406,180,407	7,094,338	413,274,745
Transfer	-	-	(11,100,000)	-	-	-	11,100,000	-	-	-	-	-
Acquisition of additional interest in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	(4,862,270)	(4,862,270)
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	15,415,922	15,415,922
At 31 December 2012	1,400,000,000	285,986,972	2,242,630,877	33,144,497	304,684,793	268,990,868	74,634,574	1,000,000	(13,488,751)	4,597,583,830	378,781,740	4,976,365,570
Profit for the year	-	-	473,893,093	-	-	-	-	-	-	473,893,093	43,025,224	516,918,317
Other comprehensive (expense) income for the year	-	-	-	-	(26,525,770)	80,119,559	-	-	-	53,593,789	12,332,629	65,926,418
Total comprehensive income (expense) for the year	-	-	473,893,093	-	(26,525,770)	80,119,559	-	-	-	527,486,882	55,357,853	582,844,735
Transfer	-	-	(5,141,443)	-	-	-	5,141,443	-	-	-	-	-
Partial disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	5,395,089	5,395,089
Incorporation of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	-	12,432,283	12,432,283
At 31 December 2013	1,400,000,000	285,986,972	2,711,382,527	33,144,497	278,159,023	349,110,427	79,776,017	1,000,000	(13,488,751)	5,125,070,712	451,966,965	5,577,037,677

Note:

(a) In accordance with statutory requirements in the People's Republic of China, other than Hong Kong (the "PRC"), subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from accumulated profits to the statutory funds, until the statutory funds is accumulated up to 50% of its registered capital. Under normal circumstances, the statutory funds are not allowed to be distributed to the subsidiary's shareholders as dividends. The statutory funds shall only be used for making good losses, capitalisation into paid-in capital and expansion of its productions and operations.

WELL KENT INTERNATIONAL INVESTMENT COMPANY LIMITED
華建國際投資有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$	2012 HK$
OPERATING ACTIVITIES		
Profit before tax	590,866,872	511,614,232
Adjustments for:		
Consultancy and agency fee income	(19,714,333)	(187,521,667)
Loss (gain) on disposal of property, plant and equipment	1,361	(18,179,528)
Allowance for bad and doubtful debts	504,603	1,679,108
Depreciation	6,635,105	6,874,618
Finance costs	230,563,402	100,023,836
Impairment loss on available-for-sale investments	11,063,276	49,500,000
Impairment loss on interest in an associate and amount due from an associate	28,089,490	-
Share of results of associates	(94,188,312)	(104,653,562)
Dividend income	(13,408,610)	(19,453,054)
(Gain) loss on disposal/partial disposal of associates	(1,739,556)	256,936
Interest income	(604,418,867)	(202,544,042)
Income derived from distressed assets portfolio	(37,424,456)	(127,929,670)
Gain on disposal of available-for-sale investments	(86,793,078)	(103,696,084)
Gain on disposal of loan receivable	(22,500,000)	-
Increase in fair value of investment properties	(3,411,371)	-
Operating cash flows before movements in working capital	(15,874,474)	(94,028,877)
Increase in trade and other receivables related to broking activities	(33,744,789)	(198,872,278)
Decrease (increase) in financial assets at fair value through profit or loss	286,853,662	(467,204,329)
(Decrease) increase in financial liabilities at fair value through profit or loss	(4,383,976)	4,383,976
(Increase) decrease in other assets	(2,326,370)	2,853,414
Increase in accounts payables	43,903,315	127,101,352
Decrease (increase) in prepayments, deposits and other receivables	28,300,714	(193,924,588)
Increase in other payables and accruals	12,061,872	41,720,471
Increase in amount due from ultimate holding company	(60,800,000)	-
Cash generated from (used in) operations	253,989,954	(777,970,859)
Tax paid	(91,187,345)	(109,970,366)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	162,802,609	(887,941,225)

	2013 HK$	2012 HK$
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(2,586,689)	(235,337,701)
Proceed on disposal of investment properties	4,070,056	-
Purchases of available-for-sale investments	(979,330,379)	(85,145,385)
Deposit paid for equity investment	-	(66,350,126)
Proceeds on disposal/partial disposal of associates	2,194,890	969,525
Proceed on disposal of available-for-sale investments	483,302,390	156,377,939
Proceed on disposal of property, plant and equipment	-	240,366,214
Proceeds on disposal of loan receivable	522,500,000	-
Dividends received from associates	141,672,702	41,596,669
Dividends received from investments	13,408,610	19,453,054
Acquisition of interests in, capital injections into and establishment of associates	-	(18,853,878)
Advances of loans to associates	(43,880,289)	(30,000,000)
Advances of loans to third parties	(1,232,776,107)	(2,783,471,464)
Repayment of loans from associates	63,063,086	20,992,785
Repayment of loan from third parties	160,161,548	80,670,000
Repayment of amounts due from associates	18,163,135	15,191,438
Advance of amounts due from associates	(28,548,834)	(9,385,138)
Advance of amount due from ultimate holding company	(21,164,830)	(37,432,246)
Interest income	560,725,016	202,544,042
Cash receipt from recovery of distressed assets portfolio	37,424,456	176,461,296
Decrease in pledged bank deposits	-	228,164,991
Increase in pledged bank deposits	(176,688,202)	-
Other investing activities	-	10,553,652
NET CASH USED IN INVESTING ACTIVITIES	(478,289,441)	(2,072,634,333)
FINANCING ACTIVITIES		
Finance costs	(228,626,959)	(69,557,616)
Repayment of finance lease	-	(35,750)
Repayment of amount due to ultimate holding company	-	(248,587,962)
Repayment of amount due to a fellow subsidiary	(104,797)	(544,938)
Repayment of amount due to an associate	(21,902,324)	(5,100,000)
Advance from an associate	-	48,175,035
New borrowings raised	1,787,082,561	3,710,794,270
Repayment of borrowings	(1,283,307,876)	(702,466,371)
Bond payables raised	34,000,000	2,464,875,524
Issue costs paid in respect to bond payables	-	(28,324,012)
Partial disposal of a non-wholly owned subsidiary	5,395,089	-
Capital injected from non-controlling shareholders of subsidiaries	12,432,283	-
Capital injected from interest holders of consolidated structured entities	234,891,964	-
NET CASH FROM FINANCING ACTIVITIES	539,859,941	5,169,228,180
NET INCREASE IN CASH AND CASH EQUIVALENTS	224,373,109	2,208,652,622
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,105,721,139	897,455,577
Effect of foreign exchange rate changes	59,832,805	(387,060)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balance and cash	3,389,927,053	3,105,721,139

1. GENERAL

Well Kent International Investment Company Limited is a limited liability company incorporated in Hong Kong. The Company's ultimate holding company is China Cinda Asset Management Corporation ("China Cinda"), a company registered in the Peoples' Republic of China (the "PRC") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). Its registered office and principal place of business are located at Floor 12, AIA Central, No. 1 Connaught Road, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Group are property and investment holding, provision of consultancy services, provision of financial services and sales of property.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 7 Disclosures - Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 “Financial instruments: Presentation”; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group’s consolidated financial statements but has resulted in more disclosures relating to the Group’s offsetting arrangements. Detailed disclosures are set out in note 39.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 18 and 38 for details).

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6, 12 and 13 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The Group has early adopted the amendments, which will be effective for accounting periods beginning on 1 January 2014, for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The disclosure in relation to recoverable amounts of non-financial assets has been prepared in accordance with these amendments to HKAS 36 in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective except for early adoption of the amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets” in advance of its effective date, 1 January 2014 as disclosed above.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) - INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets, for example, certain of the Group's available-for-sale investments currently measured at cost less impairment may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets - continued

(a) *Goodwill* - continued

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an 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 pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(b) *Trading rights*

Trading rights held in SEHK and Hong Kong Futures Exchange Limited ("HKFEE") are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses.

Investments in associates

An associate is an entity over which the Group has significant influence. 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.

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates - continued

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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 loses significant influence over that associate.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Consultancy, agency and property management fee income are recognised when services are provided.

Rental income under operating leases is recognised on a straight-line basis over the term of the leases.

Brokerage commission income are recognised and accounted for on a trade date basis.

Underwriting commissions are recognised when the relevant work or service has been rendered.

Revenue from corporate finance and financial advisory services is recognised in accordance with the terms of agreement for the underlying transactions when the relevant work or service has been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Properties for sale

Properties for sale represent properties held for sale. The carrying value of properties for sale comprises the land cost, less impairment losses. Properties for sale is stated at the lower of cost and net realisable value.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses and subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case this increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of property, plant and equipment 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

An item of property, plant and equipment is derecognised 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised 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 asset (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 year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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 exchanges prevailing on 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 on 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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 (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Retirement benefits costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefits schemes and to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 at the end of the reporting period.

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with investments 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - 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 is realised, based on 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 and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised 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 and 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 recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale investments and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, margin loans and clearing settlement fund, deposits and other receivables, loan receivables from third parties and associates, amounts due from ultimate holding company and associates, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts and other receivables, which are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, an amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets – continued

Impairment of financial assets - continued

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL - continued

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 6.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, amounts due to a fellow subsidiary and associates, other payables and accruals, borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises 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.

On derecognition of a financial asset, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its 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 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 of disposal 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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments not recognised in the consolidated statement of financial position

Financial instruments arising from the leveraged foreign exchange trading and option transactions are marked to market and the gain or loss thereof is recognised in the profit or loss as foreign exchange trading revenue or net premium income from foreign currency option.

Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised 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 recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over 建信金圓(廈門)股權投資合伙企業有限公司 ("建信金圓合伙") and 寧波建達興農股權投資合伙企業有限公司("寧波建達合伙")

At the end of the reporting period, the Group owns 10.67% and 16.67% equity interests in 建信金圓合伙 and 寧波建達合伙 (collectively referred to as the "PRC Entities"), which are unlisted entities in the PRC engaged in asset management business, respectively. The remaining 89.33% equity interest of 建信金圓合伙 and 83.33% equity interest of 寧波建達合伙 are owned by twenty-eight and two other shareholders, which are independent third parties of the Group, respectively. The directors assessed whether or not the Group has control over 建信金圓合伙 and 寧波建達合伙 based on whether the Group has the practical ability to direct the relevant activities of them unilaterally. In making their judgement, the directors considered the terms set out in the investment agreements entered into between the Group and the other shareholders, in which they state the Group is a general partner in 建信金圓合伙 and 寧波建達合伙 and has the right to direct the relevant activities at its sole discretion; the rights to variable returns from its involvement with 建信金圓合伙 and 寧波建達合伙; and the ability to use its power to affect the returns from 建信金圓合伙 and 寧波建達合伙. On this basis, the directors concluded that the Group has control over 建信金圓合伙 and 寧波建達合伙. The Group is exposed to variable returns from its involvement with 建信金圓合伙 and 寧波建達合伙 through its equity interest. Besides, the Group provided credit enhancements for 建信金圓合伙 and 寧波建達合伙. As a result of the credit enhancements provided, the Group is exposed to a significant variable return on 建信金圓合伙 and 寧波建達合伙. Accordingly, 建信金圓合伙 and 寧波建達合伙 are classified as subsidiaries of the Group in accordance with HKFRS10.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is HK$147,039,162 (2012: HK$147,039,162). Details of the recoverable amount calculation are disclosed in note 15.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with capital. The Group will balance its overall capital structure through the advance from and/or payment to its ultimate holding company. There is a subgroup, namely CIHL Group, comprising Cinda International Holdings Limited ("CIHL") and its subsidiaries. CIHL is a company listed on the SEHK and certain of its subsidiaries licensed by the Hong Kong Securities and Futures Commission ("SFC"). CIHL Group has different capital risk management strategies with the other subsidiaries of the Group in order to satisfy its special needs. CIHL Group's capital risk management strategies are as follows:

Capital management

CIHL Group's primary objectives when managing capital are to safeguard the CIHL Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, certain subsidiaries of CIHL Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

CIHL Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the CIHL Group ensures each of them maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R. A subsidiary of the Company is authorised by the China Securities Regulatory Commission (the "CSRC") to deal in 'B' shares. The CSRC stipulated a minimum amount of net assets to be maintained. During the year, the subsidiary maintained net assets over such requirement.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 HK$	2012 HK$
Financial assets		
Loans and receivables (including cash and cash equivalents)	7,918,420,474	7,099,520,716
Available-for-sale financial assets	1,638,539,453	957,750,766
FVTPL		
- held for trading	803,993,125	1,138,046,787
- designated as at FVTPL	47,200,000	-
Financial liabilities		
Amortised cost	7,331,426,101	6,676,198,191
FVTPL - held for trading	-	4,383,976
FVTPL – payables to interest holders of consolidated structured entities	234,891,964	-

Financial risk management objectives and policies

The Group's major financial instruments are available-for-sale investments, financial assets and liabilities at fair value through profit or loss, bank balances and cash, pledged bank deposits, accounts receivables, margin loans and clearing settlement fund, deposits and other receivables, loan receivables from third parties and associates, amounts due from associates and ultimate holding company, trade payables, other payables and accruals, amounts due to a fellow subsidiary, associates, borrowings and bond payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk from prior year.

Market risk

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, fixed-rate loan receivables, fixed-rate borrowings and fixed-rate bond payables as at 31 December 2013 and 2012.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, variable-rate margin loans (included in accounts receivables, margin loans and clearing settlement fund) and variable-rate loans receivables and bank balances as at 31 December 2013 and 2012.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. In addition, the Group has concentration of risk on its variable-rate borrowings which expose the Group significantly towards the changes in Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") and People's Bank of China best lending rate.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2012: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on post-tax profit for the year is as follows:

	2013 HK$	2012 HK$
Decrease in post-tax profit for the year	(7,389,000)	(12,868,000)

Foreign currency risk management

The major financial assets and liabilities of the Group that are denominated in currencies other than the functional currency of the respective group entities includes financial assets at FVTPL, loan receivables, pledged bank balances and cash, accounts and other payables, borrowings and bond payables. Other than the items stated above, the directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. The equivalent amounts of HK$ are set out below:

	2013 HK$	2012 HK$
Monetary assets		
HK$	20,054,000	1,370,000
United State dollars ("US$")	1,331,783,000	599,874,000
Renminbi ("RMB")	2,409,609,000	2,404,569,000
Others	259,000	-

	2013 HK$	2012 HK$
Monetary liabilities		
US$	2,753,525,000	2,012,026,000
RMB	3,160,748,000	2,469,128,000

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase/decrease in the functional currency of respective group entities against the relevant foreign currencies. Since HK$ is pegged to US$, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US$ and therefore not included in the sensitivity analysis. The 5% (2012: 5%) change represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding RMB denominated monetary items, and adjusts their translations at the year end for a 5% (2012: 5%) change in RMB rate. A positive number below indicates an aggregate increase in post-tax profit for the year where RMB strengthen 5% (2012: 5%) against the functional currency of respective group entities. For a 5% (2012: 5%) weakening of RMB against the functional currency of respective group entities, there would be an equal and opposite impact on the post-tax profit for the year and the balances below would be negative.

	2013	2012
	HK$	HK$
Decrease in post-tax profit for the year	(31,359,000)	(2,695,000)

Other price risk management

As at 31 December 2013 and 2012, the Group is exposed to equity price risk through its available-for-sale equity investments and financial assets/ liabilities at FVTPL; and debt securities price risk through its investments in listed debentures. For available-for-sale investments measured at cost less impairment, as the fair value could not be measured reliably, they have not been included in the sensitivity analysis.

The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and debt securities price risks are mainly concentrated on equity instruments quoted in the market. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and debt price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 10% (2012: 10%) higher/lower, assuming all other variables were held constant, the impact would be:

- post-tax profit for the year ended 31 December 2013 would increase/decrease by HK$46,575,438 (2012: increase/decrease by HK$43,840,645) as a result of the changes in fair value of held-for-trading investments and financial liabilities at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$31,016,665 (2012: increase/decrease by HK$25,070,796) as a result of the changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31 December 2013 and 2012 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial positions. The Group has concentration of credit risk toward its loans receivable from third parties and associates and amount due from ultimate holding company. As at 31 December 2013, 97% (2012: 95%) of loans receivable from third parties and 100% (2012: 100%) of loans receivable from associates were due from six (2012:four) third parties and four (2012:four) associates respectively. In order to minimise the credit risk, the directors has set up monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors consider that the Group's credit risk are significantly reduced. The Group has no concentration of credit risk in respect to its accounts receivables and margin loans, with exposure spread over a number of counterparties and customers. Details on how the Group manages its credit risk are set out in notes 21 and 24.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to fulfill the normal liquidity needs and to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Liquidity table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity table - continued

	Weighted average interest rate %	Less than 3 months or on demand HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
2013							
Non-derivative financial liabilities							
Trade payables	-	200,673	-	-	-	200,673	200,673
Amount due to associates	-	26,273	-	-	-	26,273	26,273
Other payables and accruals	-	136,967	-	-	-	136,967	136,967
Borrowings	3.51	839,708	487,350	3,423,384	-	4,750,442	4,408,611
Bond payable	4.00	25,589	76,767	2,665,044	-	2,767,400	2,558,902
		1,229,210	564,117	6,088,428	-	7,881,755	7,331,426
2012							
Non-derivative financial liabilities							
Trade payables	-	156,770	-	-	-	156,770	156,770
Amount due to a fellow subsidiary	-	105	-	-	-	105	105
Amounts due to associates	-	48,175	-	-	-	48,175	48,175
Other payables and accruals	-	152,460	-	-	-	152,460	152,460
Borrowings	4.06	784,127	1,307,029	2,066,731	7,809	4,165,696	3,880,465
Bond payable	4.00	-	48,765	2,633,281	-	2,682,046	2,438,223
		1,141,637	1,355,794	4,700,012	7,809	7,205,252	6,676,198
Derivative – net settlement							
Listed options	-	4,384	-	-	-	4,384	4,384
		1,146,021	1,355,794	4,700,012	7,809	7,209,636	6,680,582

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$830,895,000 (2012: HK$693,515,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$860,167,000 (2012: HK$748,320,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's 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 each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	The Group fair value as at 31.12.2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Listed equity securities classified as available-for-sale investments	331,410	Level 1	Quoted bid prices in an active market.
- Finance	131,965		
- Other industries	199,445		
2) Club membership classified as available-for-sale investments	11,571	Level 2	Transaction prices in secondary market.
3) Listed equity investments classified as held-for-trading financial assets	370,225	Level 1	Quoted bid prices in an active market.
- Manufacturing	63,985		
- Finance	15,520		
- Mining	182,628		
- Other industries	108,092		
4) Listed debt investments classified as held-for-trading financial assets	76,220	Level 1	Quoted bid prices in an active market.
- Corporate bonds	76,220		
5) Listed money market fund classified as held-for-trading financial assets	264,594	Level 1	Quoted bid prices in an active market.
6) Wealth management products issued by banks classified as financial assets designated as at FVTPL	69,954	Level 2	Estimated based on the quoted prices of underlying assets include bonds and equity instruments.
7) Unlisted debt securities classified as financial assets designated as at FVTPL	47,200	Level 3	Note a
8) Unlisted derivative - warrants classified as held-for-trading financial assets	23,000	Level 3	Note b
9) Payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL	234,892	Level 3	Note c

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Notes:

(a) *Debt component*

The fair value of the debt securities is calculated based on discounted cash flow analysis, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are credit rating of the issuer, cash flows and remaining time to maturity. The significant unobservable input is discount rate adjusted for the specific risks of the issuer. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the secured note would decrease/increase by HK$2,291,000/HK$2,455,000.
Derivatives component

The fair values of the embedded call and put options of the secured note are derived by Hull-White Trinomial Tree Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, mean reversion rate, and discount rate. The significant unobservable inputs are discount rate. The higher the discount rate, the higher the fair value of the put option and the lower fair value of the call option.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the call options would decrease/increase by HK$477,000/HK$761,000 and the carrying amount of the put options would increase/decrease by HK$1,120,000/HK$1,399,000.

(b) The fair value of the warrants is derived by Trinomial Convertible Bond Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are expected volatility and discount rate adjusted for the specific risks of the issuers. The significant unobservable input is discount rate. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would decrease/increase by HK$933,000/HK$1,081,000.

(c) The fair value of the payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL is derived by reference to the fair value of underlying investments held by consolidated structured entities, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are estimated earnings and expected price/earnings ratio required by the investees for the equity interests of the issuers. The significant unobservable input is price/earnings ratio. The relationship of unobservable input to fair value is the higher the price/earnings ratio, the higher the fair value.

If the estimated earnings or price/earnings ratio to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the payables to interest holders of consolidated structured entities classified as financial liabilities designated as at FVTPL would increase/decrease by HK$5,088,000/HK$4,845,000.

There were no transfers between level 1 and level 2 in the period.

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

Fair value hierarchy as at 31 December 2013 and 2012

	2013				2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL								
Listed equity and debt securities	446,445	-	-	446,445	526,491	-	-	526,491
Listed money market fund	264,594	-	-	264,594	-	-	-	-
Unlisted derivative	-	-	23,000	23,000	-	-	-	-
Distressed assets portfolio	-	-	-	-	-	-	611,556	611,556
Unlisted debt securities	-	-	47,200	47,200	-	-	-	-
Wealth management products issued by banks	-	69,954	-	69,954	-	-	-	-
Available-for-sale financial assets								
Listed equity and debt securities	331,410	-	-	331,410	307,628	-	-	307,628
Club memberships	-	11,571	-	11,571	-	9,601	-	9,601
Total	1,042,449	81,525	70,200	1,194,174	834,119	9,601	611,556	1,455,276
Financial liabilities at FVTPL								
Derivative financial instruments	-	-	-	-	(4,384)	-	-	(4,384)
Payables to interest holders of consolidated structured entities	-	-	(234,892)	(234,892)	-	-	-	-
Total	-	-	(234,892)	(234,892)	(4,384)	-	-	(4,384)

6. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

Reconciliation of Level 3 fair value measurements

	Distressed assets portfolios HK$
At 1 January 2012	25,788,701
Additions (Note a)	634,298,453
Recovery of distressed assets portfolios (Note b)	(176,461,296)
Total gains or losses - change in fair value (Note b)	127,929,670
At 31 December 2012	611,555,528
Recovery of distressed assets portfolios (Note c)	(39,702,161)
Total gains or losses - change in fair value (Note c)	37,424,456
Disposal (Note 23(b))	(609,277,823)
At 31 December 2013	-

Notes:

(a) During the year ended 31 December 2012, the Group purchased a distressed assets portfolio, namely 包商銀行資產包 at a consideration of HK$634,298,453.

(b) During the year ended 31 December 2012, distressed assets portfolio with carrying amount of HK$48,531,626 was recovered by receiving cash of HK$176,461,296. The cash received over the carrying amount of the distressed assets portfolios of HK$127,929,670 was recognised as income derived from distressed assets in profit or loss.

(c) During the year ended 31 December 2013, distressed assets portfolio with no carrying amount was recovered by receiving cash of HK$39,702,161. The cash received over the carrying amount of the distressed assets portfolios of HK$39,702,161 was recognised as income derived from distressed assets in profit or loss.

During the year ended 31 December 2013, the Group disposed its distressed assets portfolio and recognised a loss of disposal amounted to HK$ 2,277,705 in profit or loss.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group may engage third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed above.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2013 HK$	2012 HK$
Fees and commission for broking services provided	73,258,449	30,509,395
Interest income related to broking services	10,575,707	7,522,345
Underwriting commission	76,882,732	9,693,831
Financial advisory service income	51,447,115	64,133,538
Consultancy and agency fee income (Note)	71,126,909	298,580,021
	283,290,912	410,439,130

Note: During the year ended 31 December 2012, the Group received properties with fair value of HK$206,848,462 as consideration for provision of consultancy and agency fee services. Consultancy and agency fee income of HK$187,521,667 was recognised when services provided during the year ended 31 December 2012 and the deferred income of HK$19,326,795 was included in other payables and accruals as at 31 December 2012. The deferred income was fully recognised during the year ended 31 December 2013 when services were provided. As at 31 December 2013 and 2012, those properties were included in consolidated statement of financial position as "properties for sale".

8. OTHER INCOME, GAINS AND LOSSES

	2013 HK$	2012 HK$
Other income		
Interest income from loans to third parties	536,729,471	161,064,473
Interest income from loans to associates	16,326,113	16,500,528
Interest income from available-for-sale investments	3,778,399	7,739,804
Income derived from distressed assets portfolio	37,424,456	127,929,670
Bank interest income	47,584,884	17,239,237
Dividend income	13,408,610	19,453,054
Government grants (Note i)	25,116,696	-
Others	16,504,395	15,191,782
	696,873,024	365,118,548

8. OTHER INCOME, GAINS AND LOSSES - continued

	2013 HK$	2012 HK$
Other gains and losses		
Gain on disposal of listed available-for-sale investments	85,337,096	24,255,489
Gain on disposal of unlisted available-for-sale investments	1,455,982	79,440,595
Increase in fair value of investment properties	3,411,371	-
Impairment loss on listed available-for-sale investments (Note ii)	(11,063,276)	(49,500,000)
(Loss) gain on disposal of property, plant and equipment	(1,361)	18,179,528
Net change in fair value of:		
Financial assets at FVTPL - held for trading	(78,683,181)	(74,471,175)
Financial liabilities at FVTPL - held for trading	(3,491,243)	(15,784,028)
Gain on disposal of loan receivable (Note iii)	22,500,000	-
Net foreign exchange gain	14,307,283	4,357,519
	33,772,671	(13,522,072)
	730,645,695	351,596,476

Notes:

(i) Amounts represent unconditional government grants provided by PRC government authority. The amounts have been fully recognised in profit or loss during the year ended 31 December 2013.

(ii) Impairment was recognised on the Group's listed equity investment, as in the opinion of the directors, the decrease in fair value of this investment was considered as significant.

(iii) During the year ended 31 December 2013, the Group disposed of loan receivable with a carrying amount of HK$500,000,000 on derecognition date, which is secured, bears interest at 14% per annum and repayable in Year 2015, to a third party for a total consideration of HK$522,500,000. The gain on disposal amounted to HK$22,500,000 was recognised in profit or loss.

9. FINANCE COSTS

	2013 HK$	2012 HK$
Wholly repayable within five years:		
Interest on bonds payable	109,461,490	5,406,131
Interest on bank loans	102,766,964	75,265,087
Interest on amount due to ultimate holding company	-	5,999,405
Interest on other loans	18,334,948	13,353,213
	230,563,402	100,023,836

10. TAXATION

	2013 HK$	2012 HK$
Current tax:		
Hong Kong Profits Tax	5,538,119	50,038
PRC Enterprise Income Tax	68,077,510	89,881,399
	73,615,629	89,931,437
Overprovision in prior years:		
Hong Kong Profits Tax	(50,750)	-
PRC Enterprise Income Tax	-	(160,341)
	(50,750)	(160,341)
Deferred tax-current year (note 22)	383,676	6,687,362
	73,948,555	96,458,458

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the both years.

For PRC subsidiaries, the Enterprise Income Tax is calculated at 25% for both years.

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law of PRC") and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to PRC withholding tax at the applicable tax rate of 5%.

Tax charge for the year ended 31 December 2013 was relieved by approximately HK$4,279,000 (2012: HK$1,239,000) absorbed by tax losses brought forward.

10. TAXATION - continued

Tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$	2012 HK$
Profit before taxation	590,866,872	511,614,232
Tax at the Hong Kong Profits Tax rate at 16.5% (2012: 16.5%)	97,493,034	84,416,348
Tax effect of expenses not deductible for tax purpose	64,047,191	30,519,846
Tax effect of income not taxable for tax purpose	(117,414,878)	(83,932,986)
Tax effect of tax losses not recognised	5,500,838	23,361,064
Utilisation of tax losses not previously recognised	(4,279,000)	(1,238,771)
Overprovision in prior years, net	(50,750)	(160,341)
Effect of withholding tax on undistributed profits of PRC subsidiaries	1,975,990	2,357,166
Effect of different tax rates of subsidiaries operating in other jurisdictions	26,676,130	41,136,132
Tax charge for the year	73,948,555	96,458,458

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$343,042,000 (2012: HK$335,637,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The following is an analysis of the tax effect relating to other comprehensive income:

	2013			2012		
	Before-tax amount HK$	Tax income HK$	Net-of-tax amount HK$	Before-tax amount HK$	Tax (expense) income HK$	Net-of-tax amount HK$
Exchange difference arising on translation	46,827,436	-	46,827,436	1,493,002	-	1,493,002
Net gain (loss) arising on revaluation of available-for-sale investments	38,637,325	6,374,387	45,011,712	(30,856,455)	(589,865)	(31,446,320)
Reclassification adjustment - transfer to profit or loss on disposal of available-for-sale investments	(85,377,096)	14,772,446	(70,604,650)	(24,255,489)	7,852,039	(16,403,450)
Share of other comprehensive income of associates	33,628,644	-	33,628,644	(4,889,638)	-	(4,889,638)
Reclassification adjustments - transfer to profit or loss on partial disposal of associates	-	-	-	(134,623)	-	(134,623)
Reclassification adjustment - transfer to profit or loss on impairment of available-for-sale investments	11,063,276	-	11,063,276	49,500,000	-	49,500,000
	44,779,585	21,146,833	65,926,418	(9,143,203)	7,262,174	(1,881,029)

11. PROFIT FOR THE YEAR

	2013 HK$	2012 HK$
Profit for the year is arrived at after charging:		
Allowance for bad and doubtful debts - accounts receivables	504,603	681,019
Allowance for bad and doubtful debts - other receivable	-	998,089
Auditor's remuneration	3,407,584	4,036,473
Commission expenses	18,888,987	13,440,878
Depreciation	6,635,105	6,874,618
Operating leases payments	16,394,380	5,412,497
Staff costs:		
Salaries and other benefits	93,272,336	87,365,067
Bonus	9,891,417	32,637,112
Retirement benefits schemes contributions	3,960,367	8,856,126
	107,124,120	128,858,305
Directors' emoluments:		
Fees	-	-
Salaries and other benefits	7,945,908	8,262,238
Bonus	439,403	10,502
Retirement benefits schemes contributions	1,058,293	1,088,010
	9,443,604	9,360,750

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Office equipment	Total
	HK$	HK$	HK$	HK$	HK$
COST OR VALUATION					
At 1 January 2012	88,594,267	2,894,212	10,060,412	21,625,275	123,174,166
Additions	264,952,158	-	1,372,672	1,701,621	268,026,451
Disposals	(222,179,472)	-	-	(190,621)	(222,370,093)
Exchange realignment	115,129	(343)	(738)	(427)	113,621
At 31 December 2012	131,482,082	2,893,869	11,432,346	23,135,848	168,944,145
Additions	-	664,480	-	1,922,209	2,586,689
Disposals	-	-	(25,438)	(594,168)	(619,606)
Reclassified to investment properties (Note)	(44,097,983)	-	-	-	(44,097,983)
Exchange realignment	2,610,722	19,067	177,177	76,218	2,883,184
At 31 December 2013	89,994,821	3,577,416	11,584,085	24,540,107	129,696,429
Comprising:					
At cost	-	3,577,416	11,584,085	24,540,107	39,701,608
At valuation	89,994,821	-	-	-	89,994,821
	89,994,821	3,577,416	11,584,085	24,540,107	129,696,429
DEPRECIATION AND IMPAIRMENT					
At 1 January 2012	3,221,561	1,186,245	8,008,407	8,879,032	21,295,245
Provided for the year	1,534,832	345,198	508,125	4,486,463	6,874,618
Eliminated on disposal	-	-	-	(183,407)	(183,407)
Exchange realignment	(351)	(44)	(632)	(323)	(1,350)
At 1 January 2012	4,756,042	1,531,399	8,515,900	13,181,765	27,985,106
Provided for the year	1,724,957	345,198	568,110	3,996,840	6,635,105
Eliminated on disposal	-	-	(24,166)	(594,079)	(618,245)
Reclassified to investment properties (Note)	(440,980)	-	-	-	(440,980)
Exchange realignment	104,109	4,594	124,905	65,600	299,208
At 31 December 2013	6,144,128	1,881,191	9,184,749	16,650,126	33,860,194
CARRYING AMOUNTS					
At 31 December 2013	83,850,693	1,696,225	2,399,336	7,889,981	95,836,235
At 31 December 2012	126,726,040	1,362,470	2,916,446	9,954,083	140,959,039

Note: During the year ended 31 December 2013, certain leasehold land and buildings have been rented out to independent third parties. Accordingly, the carrying amount of leasehold land and buildings of HK$43,657,003 was transferred to investment properties of the Group. In the opinion of the directors, the carrying amount of leasehold land and buildings at the date of transfer was approximate to its fair value.

12. PROPERTY, PLANT AND EQUIPMENT - continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2% - 5% or over the lease terms
Leasehold improvements	Over the lease terms
Motor vehicles	10% - 20%
Office equipment	20%

The carrying value of the leasehold land and buildings comprises:

	2013 HK$'000	2012 HK$'000
Properties under long term lease situated in Hong Kong	40,533	40,960
Properties under medium term land use right situated in the PRC	38,272	80,614
Properties under medium term lease situated in Macau	5,046	5,152
	83,851	126,726

Fair value measurement of the Group's leasehold land and buildings

The Group's land and buildings were valued on 31 December 2013 by the directors with reference to market evidence of transaction prices for similar properties. If the leasehold land and buildings had not been revaluated, they would have been included in the consolidated financial statements at cost less accumulated depreciation and accumulated loss.

The fair values of the leasehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the land and buildings under review.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group pledged land and buildings having carrying amount of HK$39,214,834 (2012: HK$72,996,050) to secure general banking facilities granted to the Group.

13. INVESTMENT PROPERTIES

	HK$
FAIR VALUE	
At 1 January 2012	24,187,914
Exchange realignment	(474,454)
At 31 December 2012	23,713,460
Increase in fair value	3,411,371
Disposal	(4,070,056)
Transfer from property, plant and equipment	43,657,003
Exchange realignment	(197,315)
At 31 December 2013	66,514,463
Unrealised increase in fair value included in profit or loss (included in other gains and losses)	-

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2013 and 2012 has been arrived at on the basis of valuations carried out on the respective dates by the directors by reference to comparable sales transactions available in the relevant market and make reference to reports issued by independent qualified professional valuers, if any. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties measured at fair value subsequently to initial recognition, are grouped to Level 3 based on the degree to which the inputs to the fair value are observable and the significance of these inputs. There were no transfers into or out of level 3 during the year.

Information about fair value measurements using significant unobservable input (Level 3)

The following table shows the valuation techniques used in the determination of fair value for significant investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value at 31 December 2013 HK$	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial	2,603,190	Comparison approach	Adjusted transaction price	HK$3,688 – HK$5,088 per square meter	Slight increase in the adjusted price will increase the fair value slightly
Residential	63,338,732	Comparison approach	Adjusted transaction price	HK$11,447 – HK$58,999 per square meter	Slight increase in the adjusted price will increase the fair value slightly

13. INVESTMENT PROPERTIES - continued

The carrying amount of investment properties shown above comprises:

	2013 HK$	2012 HK$
Land in Hong Kong, long lease	361,000	361,000
Land in the PRC, long lease	66,153,463	23,352,460
	66,514,463	23,713,460

14. GOODWILL

	THE GROUP	
	2013 HK$	2012 HK$
Carrying amount	147,039,162	147,039,162

Note: Particulars regarding impairment testing on goodwill are disclosed in note 15.

15. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in note 14 has been allocated to the following CGUs. The carrying amount of goodwill as at 31 December 2013 and 2012 is allocated as follows:

	2013 HK$	2012 HK$
Broking and financial advisory services (CGU-A)	112,389,239	112,389,239
Investment holdings and provision of capital management and consultancy service (CGU-B)	34,649,923	34,649,923
	147,039,162	147,039,162

The basis of the recoverable amounts of CGU-A and CGU-B and the major underlying assumptions are summarised below:

15. IMPAIRMENT TESTING ON GOODWILL - continued

The recoverable amount of CGU-A has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and discount rate at 8.32% (2012:10.44%) as at December 31, 2013. CGU-A's cash flows beyond the 3-year period are extrapolated using a steady growth rate of 9% (2012: 9%) and 6% (2012: 6%) for the 4th to 8th years and 9th to 13th years, respectively. CGU-A's cash flows beyond the 13-year period are extrapolated using a steady 3% (2012: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU-A to exceed the aggregate recoverable amount of CGU-A. There was no impairment recognised as the recoverable amount of CGU-A was higher than its carrying amount.

The recoverable amount of CGU-B has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 2-year period, and discount rate at 8.32% (2012:10.44%) as at 31 December 2013. CGU-B's cash flows beyond the 3-year period are extrapolated using a steady growth rate of 12% (2012: 12%) CGU-B's cash flows beyond the 5-year period are extrapolated using a steady 3% (2012: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU-B to exceed the aggregate recoverable amount of CGU-B. There was no impairment recognised as the recoverable amount of CGU-B was higher than its carrying amount.

16. INTANGIBLE ASSETS

	2013 HK$	2012 HK$
COST		
Trading rights	1,319,213	1,319,213

The above intangible assets comprise trading rights held in the SEHK and HKFEE.

17. OTHER ASSETS

	2013 HK$	2012 HK$
Stock Exchange stamp duty deposit	150,000	150,000
Stock Exchange Fidelity Fund deposit	100,000	100,000
Stock Exchange Compensation Fund deposit	100,000	100,000
Guarantee Fund deposits and admission fee for additional seat with the Hong Kong Securities Clearing Company Limited	2,920,431	200,000
Statutory deposits and deposits with HKFEE	1,860,412	1,977,836
Reserve fund deposit with the SEHK Options Clearing House Limited	1,821,694	1,750,122
Others	-	348,209
	6,952,537	4,626,167

18. INTERESTS IN ASSOCIATES

	2013 HK$	2012 HK$
Cost of investments in associates		
Listed in Hong Kong – Silver Grant International Industries Limited ("Silver Grant")	878,985,470	878,985,470
Unlisted	775,533,300	566,093,323
Share of post-acquisition profits and other comprehensive income, net of dividends received	552,369,328	543,129,044
	2,206,888,098	1,988,207,837
Fair value of listed investments – Silver Grant	468,312,000	720,480,000

During the year ended 31 December 2013, the Group acquired additional equity interest in an associate for HK$197,674,850, acquired an associate for HK$30,429,620 and disposed of equity interest in an associate of HK$455,334. Gain on disposal of the associate of HK$1,739,556 was recognised.

During the year ended 31 December 2012, the Group acquired additional equity interest in an associate for HK$15,154,057, partial disposal of equity interest in an associate of HK$1,361,084 and incorporated one associate with initial capital injection of HK$3,699,821. Loss on partial disposal of an associate of HK$256,936 was recognised.

18. INTERESTS IN ASSOCIATES - continued

As at 31 December 2013 and 2012, the Group has interests in the following associates:

Name of entity	Place/country of incorporation and principal place of operation	Proportion of issued/registered capital held by the Group 2013 %	2012 %	Principal activities
Silver Grant (Note a)	Hong Kong	19.54	19.54	Property investment, other investments and distressed asset
West King (Hong Kong) Investment Limited (Note c)	Hong Kong (principal place of operation: the PRC)	20	20	Manufacture and sale of wines
Cinda Plunkett International Holdings Limited ("Cinda Plunkett")	Hong Kong	40	40	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund") (Note b)	Hong Kong	63.38	33	Fund management
信達資本管理有限公司	The PRC	40	40	Investment holding and provision of capital and fund management and consultancy services
信達建潤地產有限公司	The PRC	30	30	Property development
湖州新華置業有限公司	The PRC	30	30	Property development
杭州華建置業有限公司	The PRC	45	45	Property development
紹興銀城建設開發有限公司	The PRC	35	35	Property development
常青(海南)基礎建設有限公司	The PRC	20	20	Property development
海南金萃房地產開發有限公司	The PRC	20	20	Property development
浙江建龍物業管理有限公司	The PRC	-	40	Property management
杭州德沃投資有限公司	The PRC	30	30	Asset management
龍川萬泰油茶發展有限公司 ("龍川萬泰") (Note 35(i))	The PRC	25.69	-	Tea industry

18. INTERESTS IN ASSOCIATES - continued

Notes:

(a) Three out of twelve directors of Silver Grant are appointed by the Group and owns 25% of the voting power in Board of Directors' meeting.

(b) CPIAAR Fund is controlled by, Cinda Plunkett, which acted as a general partner of CPIAAR Fund.

(c) During the year ended 31 December 2013, the Group entered into a non-legal binding framework agreement with a controlling shareholder of the Group's associate, pursuant to this framework agreement, the controlling shareholder of this associate intended to repurchase the entire equity interest in this associate owned by the Group and an advance provided by the Group to this associate at an aggregated consideration of approximately HK$107,475,000. The difference between the fair value of the consideration amount with the carrying amount of the associate and loan receivable due from this associate were recognised as impairment loss and charged to profit or loss.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associate are accounted for using the equity method in these consolidated financial statements.

	Silver Grant		CPIAAR Fund	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current assets	2,867,484	2,024,013	1,585,675	1,281,646
Non-current assets	8,236,933	8,084,358	-	-
Current liabilities	(1,794,818)	(1,139,057)	(1,126,919)	(1,047,946)
Non-current liabilities	(1,461,216)	(1,304,328)	-	-

	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	388,487	538,797	29,868	8,878
Profit for the year	93,290	181,317	24,112	3,517
Other comprehensive income (expense) for the year	205,349	(97,243)	-	-
Total comprehensive income for the year	298,639	84,074	24,112	3,517
Dividends received from the associate during the year	22,493	21,988	-	-

18. INTERESTS IN ASSOCIATES - continued

Summarised financial information of material associates - continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Silver Grant		CPIAAR Fund	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Net assets of the associate	7,848,383	7,664,986	458,756	233,700
Proportion of the Group's ownership interest in the associate	19.54%	19.54%	63.38%	33%
Carrying amount of the Group's interest in the associate	1,533,574	1,497,738	290,760	77,121

Aggregate information of associates that are not individually material

	2013	2012
	HK$'000	HK$'000
The Group's share of profit	60,677	68,064
The Group's share of other comprehensive (expense) income	(6,496)	6,056
The Group's share of total comprehensive income	54,181	74,120
Aggregate carrying amount of the Group's interests in these associates	382,554	413,349

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013	2012
	HK$	HK$
Listed investments:		
- Equity securities listed in the PRC, at fair value (Note a)	199,445,200	227,679,088
- Equity securities listed in Hong Kong, at fair value (Note a)	170,121,943	56,484,000
- Debentures listed in Hong Kong with interest at LIBOR + 14% per annum and mature in February 2016	-	23,464,641
Unlisted securities		
- Equity securities, at cost (Note b)	1,257,401,448	640,522,072
Club memberships, at fair value	11,570,862	9,600,965
	1,638,539,453	957,750,766

19. AVAILABLE-FOR-SALE INVESTMENTS - continued

Notes:

(a) Listed securities are as measured at fair value based on the quoted market price.

(b) These unlisted securities issued by private entities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2013, the other investors of an unlisted available-for-sale investment, 寧波信達西溪股權投資合伙企業 withdraw their investments. Thereafter, it becomes a wholly owned subsidiary of the Group. A deemed gain on disposal of HK$1,455,982 which is the difference between the cost of investment, HK$25,437,849, and the carrying amount, HK$26,893,831 was recognised to profit or loss.

During the year ended 31 December 2012, the Group disposed of certain unlisted securities with aggregate carrying amount of HK$197,699,148 at a consideration of HK$277,139,743. Gain on disposal of HK$79,440,595 was recognised to profit or loss. As at 31 December 2012, consideration of HK$159,072,578 was not settled and included in prepayments, deposits and other receivables. The amount was fully settled during the year ended 31 December 2013.

20. PROPERTIES FOR SALE

During the year ended 31 December 2012, the Group provided consultancy and agency services to an independent third party, for which the consideration for such services of HK$206,848,462 were settled by properties owned by that entity with fair value approximately equal to the consideration.

The properties received are ready for sale and in the opinion of the directors, the Group intends to dispose the properties for short-term trading profit and hence the properties are classified as current assets as properties for sale as at 31 December 2013 and 2012.

As at 31 December 2012, the legal titles of the properties for sale had not been passed to the Group. During the year ended 31 December 2013, the legal titles of the properties for sale have been passed to the Group.

21. ACCOUNTS RECEIVABLES, LOANS TO MARGIN CLIENTS AND CLEARING SETTLEMENT FUNDS

	2013 HK$	2012 HK$
Due from brokerage clients	72,796,293	71,421,347
Due from brokers and financial institutions	69,959,108	48,961,761
	142,755,401	120,383,108
Less: allowance for doubtful debts	(1,595,030)	(1,090,427)
Total accounts receivables	141,160,371	119,292,681
Loans to margin clients	115,312,854	74,681,240
Clearing settlement fund	31,718,871	60,473,386
	288,192,096	254,447,307

The Group undertakes foreign exchange transactions and executes client trades on overseas commodities and futures contracts with recognised counterparties, local or overseas brokers as appropriate. A recognised counterparty is a counterparty of a licensed leveraged foreign exchange trader recognised under the Securities and Futures Ordinance which includes authorised institutions under the Hong Kong Banking Ordinance. These receivables include margin deposits and floating profits/losses in respect of transactions and open positions in leveraged foreign exchange and commodities and futures trading with recognised counterparties and brokers and are considered current. For those cash securities trading clients, it normally takes two to three days to settle after trade execution. These outstanding unsettled trades due from clients are reported as accounts receivables.

The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group. The fair value of shares accepted as collateral amounted to HK$401,746,975 (2012: HK$227,448,555). As at 31 December 2013, no securities held as collaterals have been repledged to secure bank facilities (2012: nil).

Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in leveraged foreign exchange contracts, commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For leveraged foreign exchange contracts, commodities and futures contracts, initial margins are normally required before trading and thereafter clients are normally required to keep the equity position at a prescribed maintenance margin level.

21. ACCOUNTS RECEIVABLES, LOANS TO MARGIN CLIENTS AND CLEARING SETTLEMENT FUNDS - continued

The Group maintains designated accounts with the SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31 December 2013, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$2,029,526 and HK$10,792,547 (2012: HK$1,624,270 and HK$24,365,893) respectively.

The Group has no concentration of credit risk with respect to amounts due from brokerage clients and margin loans, as the Group has a large number of customers, widely dispersed. In addition, amounts due from brokers and financial institutions which are high-credit-quality financial institutions.

The effective interest rate charged on accounts receivables and loans to margin clients as at the end of the reporting period ranged from 8% to 13% (2012: 8% to 13%) per annum. The effective interest rate for margins and other trade related deposits is 0.01% (2012: 0.01%) per annum.

Movement in the allowance for doubtful debts:

	2013 HK$	2012 HK$
1 January	1,090,427	409,408
Impairment loss recognised	504,603	681,019
31 December	1,595,030	1,090,427

Included in the Group's accounts receivables are debtors (excluding margin clients), with a carrying amount of HK$9,070,678 (2012: HK$44,825,768) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the underlying debtors. The Group believes that the amounts are still recoverable given the substantial settlement after the reporting date.

22. DEFERRED TAXATION

The following are the Group's major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Deferred taxation

	Deferred tax assets	Deferred tax liabilities				
	Other temporary differences	Fair value change in financial assets	Undistributed profits of a PRC subsidiary	Other temporary differences	Total	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2012	(3,715,460)	31,103,836	11,947,009	2,637,936	45,688,781	41,973,321
Charged to profit or loss (note 10)	2,624,330	-	2,357,166	1,200,853	3,558,019	6,182,349
Credit to other comprehensive income	-	(7,262,174)	-	-	(7,262,174)	(7,262,174)
Exchange realignment	(111,312)	(59,307)	502,802	(95,515)	347,980	236,668
At 31 December 2012	(1,202,442)	23,782,355	14,806,977	3,743,274	42,332,606	41,130,164
Charged to profit or loss (note 10)	301,145	(213,509)	1,975,990	(1,679,950)	82,531	383,676
Credit to other comprehensive income	-	(21,146,833)	-	-	(21,146,833)	(21,146,833)
Exchange realignment	(37,653)	744,179	463,666	117,217	1,325,062	1,287,409
At 31 December 2013	(938,950)	3,166,192	17,246,633	2,180,541	22,593,366	21,654,416

Starting from 1 January 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1 January 2008 amounting to approximately HK$1,471,246,000 (2012: HK$1,279,248,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK$	2012 HK$
Financial assets at FVTPL		
Listed equity investments, at fair value (Note a):		
Hong Kong	358,751,995	388,400,665
PRC	11,473,311	14,279,372
United States	-	51,974,179
	370,225,306	454,654,216
Listed debt investments, at fair value		
Hong Kong	76,219,854	71,837,043
Listed money market fund, at fair value	264,593,880	-
Wealth management products issued by banks, at fair value	69,954,085	-
Unlisted debt securities, at fair value (Note a)	47,200,000	-
Unlisted derivative - warrants, at fair value (Note a)	23,000,000	-
Distressed assets portfolio, at fair value (Note b)	-	611,555,528
	851,193,125	1,138,046,787
Financial liabilities at FVTPL		
Derivative financial instruments, at fair value (Note c)	-	4,383,976
Payables to interest holders of consolidated structured entities (Note d)	234,891,964	-
	234,891,964	4,383,976

Notes:

(a) During the year ended 31 December 2013, the Group acquired a secured note and warrants, at total consideration of HK$ 70,200,000, which is issued by an independent unlisted company. The secured note bears fixed interest rate of 10% per annum, payable semi-annually and will mature in 2016, subject to early redemption at the option of the Group (from 1 June 2015 to 31 May 2016) or the issuer (from 1 June 2014 to 31 May 2016) with a redemption price equivalent to the sum of (1) the outstanding principal amount of the secured note and (2) an unpaid interest at a rate of 10% per annum on the outstanding principal amount of the secured note calculated from 31st May 2013 to the date of redemption. The note was secured by a pledge over listed securities and convertible bonds held by the issuer. It is designated at initial recognition as at fair value through profit or loss since this investment contains embedded derivatives (including the early redemption options held by the Group and the issuer, which are not closely related to the host instrument of note). The fair value of the secured note (together with the embedded derivatives) amounted to HK$47,200,000 on initial recognition and HK$47,200,000 as at 31 December 2013 which was estimated by an independent firm of professional valuer.

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Notes: - continued

(a) The fair value of the warrants mentioned above amounted to HK$23,000,000 at initial recognition. The Group may, but is not obliged to, in lieu of making payment in cash for exercising the warrant, use part of the principal amount of the secured note as payment on exercising the warrant by relinquishing its right to the principal amount of the secured note so applied. The warrants are exercisable from 31 May 2013 to 31 May 2016. The warrants give the Group the right to purchase from the issuer a fixed number of securities of a listed company at various prices with reference to the terms and conditions of the warrants. If part or all of the warrants are not exercised at the date of maturity, the issuer will redeem the outstanding warrants at a redemption price equivalent to 15% calculated on the portion of unexercised warrant. The fair value of the warrants as at 31 December 2013 was HK$23,000,000 which was estimated by an independent firm of professional valuer.

(b) During the year ended 31 December 2013, the Group disposed part of its 國通資產包 to a fellow subsidiary with carrying amount of HK$ 20,084,199 at a total consideration of HK$ 17,806,494, a loss on disposal of HK$ 2,277,705 was recognised.

During the year ended 31 December 2013, the Group disposed of the remaining distressed assets to its vendor at its carrying amount HK$591,471,329, no gain or loss on disposal was recognised.

During the year ended 31 December 2013, distressed assets portfolio with no carrying amount was recovered by receiving cash of HK$39,702,161. The cash received over the carrying amount of the distressed assets portfolios of HK$39,702,161 was recognised as income derived from distressed assets in profit or loss.

During the year ended 31 December 2012, distressed assets portfolio with carrying amount of HK$48,531,626 was recovered by receiving cash of HK$176,461,296. The cash received over the carrying amount of the distressed assets portfolios of HK$127,929,670 was recognised as income derived from distressed assets in profit or loss.

Fair value of investments in distressed assets portfolio was determined by discounted cash flows method. The valuation was carried out by independent qualified valuer not connected with the Group.

(c) Amount represented fair value of investments in put and call options issued by companies listed in United States. Fair value of the derivative financial instruments was determined by reference to quoted price.

(d) Amounts represent interests held by other interest holders of 建信金圓合伙 and 寧波建達合伙 at the end of the reporting period.

As at 31 December 2013, the financial assets at FVTPL of approximately HK$123,420,000 (HK$123,811,000) are denominated in currencies other than the functional currency of the respective group entities.

24. OTHER FINANCIAL ASSETS

	2013 HK$	2012 HK$
Non-current financial assets		
Loan receivables from third parties:		
Secured, bears interest at 16% per annum and repayable in 2014 (Note d)	-	193,775,000
Secured, bears interest at 14% per annum and repayable in 2015 (Note d)	70,000,000	70,000,000
Secured, bears interest at 14% per annum and repayable in 2015 (Note d)	1,500,000,000	2,000,000,000
Secured, bears interest at 13% per annum and repayable in 2014 (Note d)	-	45,000,000
Secured, bears interest at 10.4% per annum for the first 18 months after drawdown date and 14% per annum for the next 12 months and repayable in 2015 (Note d)	206,402,707	200,000,000
Secured, bear interest at 11.5% per annum and repayable in 2015 (Note d)	1,116,418,478	431,645,804
Unsecured, bear interest at 12% per annum and repayable in 2018	31,542,496	-
	2,924,363,681	2,940,420,804

24. OTHER FINANCIAL ASSETS - continued

THE GROUP - continued

	2013 HK$	2012 HK$
Current financial assets		
Loan receivables from third parties:		
Secured, bears interest at 16% per annum and repayable in 2014 (Note d)	193,845,000	-
Secured, bears interest at 10% per annum and repayable in 2014 (Note d)	150,000,000	-
Secured, bears interest at 13.2% per annum and repayable on demand (Note a)	249,151,323	-
Secured, bears interest at 13% per annum and repayable in 2014 (Note d)	45,000,000	-
Unsecured, non-interest bearing and repayable on demand	48,000,000	-
Unsecured, bear interest at People's Bank of China's best lending rate plus 0.05% per annum and repayable on demand	-	7,325,734
Secured, bears interest at 18% per annum and repayable on demand (Note d)	-	30,831,843
Unsecured, bear interest at 20% per annum and repayable in January 2013	-	9,693,638
Unsecured, bears interest at 19.5% per annum and repayable on demand	-	28,599,264
Unsecured, bear interest at People's Bank of China's best lending rate per annum and repayable on demand (Note c)	-	27,132,022
	685,996,323	103,582,501
Loan receivables from associates:		
Unsecured, bear interest at 8% to 10% per annum and repayable on demand	124,200,298	154,344,207
Unsecured, bear interest at 6.1% per annum and repayable on demand	33,999,958	-
Unsecured, interest-free and repayable in 2013	-	30,000,000
	158,200,256	184,344,207
	844,196,579	287,926,708

24. OTHER FINANCIAL ASSETS - continued

Notes:

(a) As at 31 December 2013, the amount of HK$249,151,323, is past due, on which the Group has not provided for impairment loss. The loan receivable is secured by shares of an unlisted company and guaranteed by a group of companies related to the borrower. The Group assessed the financial position of the borrower, in the opinion of the directors, the risk of non-recoverability of the amount is minimal, and no impairment is required as at 31 December 2013.

(b) The Group has policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on directors' judgement, including the current creditworthiness and the past collection history of each debtor.

In determining the recoverability of the loans receivable, the Group considered any changes in the credit quality of the loans receivable from the date credit was initially granted up to the end of the reporting period. At 31 December 2013 and 2012, there were no loans receivable and other receivables which were past due but not impaired, except for those disclosed in note (a) at above and the amount due from an associate as disclosed in note 8.

(c) During the year ended 31 December 2013, the loan receivables of HK$27,132,022 was settled by 25.69% equity interest in the borrower, 龍川萬泰, which has become an associate of the Group thereafter.

(d) The loan receivables are secured by properties, equity investments held by the borrowers or the equity interest of the borrowers.

Amounts due from ultimate holding company and associates are unsecured, interest-free and repayable on demand.

Other receivables are repayable on demand. As at 31 December 2012, included in other receivables of HK$119,072,578 represented unsettled portion of consideration receivables from disposal of unlisted available-for-sale investments, which were unsecured, interest-free and repayable on demand and were settled during the year ended 31 December 2013.

As at 31 December 2013, the loan receivables of approximately HK$1,226,883,000 (2012: HK$473,012,000) are denominated in currencies other than the functional currency of the respective group entities.

25. DEPOSIT

	2013	2012
	HK$	HK$
Deposit paid for acquisition of equity investment (Note)	68,427,814	66,350,126

Note: During the year ended 31 December 2012, the Group entered into an loan restructuring agreement ("Loan Restructuring Agreement") with one of the debtors included in the Group's distressed asset portfolios (the "Debtor") and a guarantee provider (the "Guarantor"). The Guarantor is a state-owned enterprise, which will obtain the equity interests of the Debtor upon completion of the Loan Restructuring Agreement. Pursuant to the Loan Restructuring Agreement, a new entity will be established by the Guarantor (the "Target Company"), and through several restructuring, the business of the Debtor will be injected into the Target Company and target to list the shares of the Target Company within 5 years from the date of the Loan Restructuring Agreement.

Pursuant to the Loan Restructuring Agreement, the Debtor paid the Group RMB53,800,000, equivalent to HK$68,427,814 (2012: HK$66,350,126) by cash to settle all the outstanding liabilities owed to the distressed assets owner and the Group deposited the same amount to a bank account designated by the Debtor as the initial capital of the Target Company. The Group has the right to invest in not less than 30% equity interest in the Target Company. The cash received from the Debtor over the carrying amount of the distressed assets portfolio of HK$62,714,435 was recognised as income derived from distressed assets portfolio in profit or loss during the year ended 31 December 2012.

If the IPO of Target Company is not successful after 5 years from the date of the Loan Restructuring Agreement, the Debtor, the Guarantor or any designated parties should repurchase the equity interests of the Target Company owned by the Group at a consideration of RMB60,000,000, equivalent to HK$76,313,547 (2012: HK$73,996,423) plus interest equivalent to bank lending interest rate, less dividend received during the five years period, if any.

As at 31 December 2013 and 2012, the Target Company has not been established.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2013, bank deposits amounting to HK$191,728,744 (2012: HK$15,040,542) have been pledged to banks as security for the provision of approximately HK$388 million (2012: HK$70 million) securities broking and other financing facilities.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31 December 2013, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK$223,647,403 (2012: HK$552,039,418).

The Group's bank balances and cash comprise cash and short-term bank deposits carrying prevailing market interest rate with an original maturity of three months or less. An aggregate amount of HK$4,735,795 (2012: HK$47,468,476) of the Group's bank balances and cash at 31 December 2013 was denominated in RMB and not freely convertible into other currencies.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH – continued

As at 31 December 2013, the bank balances and cash of approximately HK$2,411,402,000 (HK$2,215,080,000) are denominated in currencies other than the functional currency of the respective group entities.

27. ACCOUNTS PAYABLES

	2013 HK$	2012 HK$
Accounts payables to brokerage clients	161,129,369	108,163,535
Margin and other deposits payables to client	38,787,000	48,132,489
Accounts payables to brokers and clearing houses	757,068	474,098
	200,673,437	156,770,122

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of broking in securities range from two to three days after the trade date of those transactions. Margin deposits received from clients for their trading of leveraged foreign exchange, commodities and futures contracts were payable within one month.

The effective interest rate paid on margin and other deposits payables to client as at the end of the reporting period is 0.01% per annum (2012: 0.01% per annum).

As at 31 December 2013, the accounts payables to brokerage clients of approximately HK$2,652,000 (2012: HK$48,219,000) are denominated in currencies other than the functional currency of the respective group entities.

28. OTHER CURRENT FINANCIAL LIABILITIES

Other payables principally comprise amounts outstanding for ongoing costs and are repayable within one year. As at 31 December 2013, included in other payables and accruals of HK$10,880,256 (2012: HK$49,153,402) represents receipt in advance in relation to consultancy services and HK$22,961,326 (2012: HK$30,466,220) represents accrued interest payables for borrowings.

Amounts due to a fellow subsidiary and associates are unsecured, interest-free and repayable on demand.

As at 31 December 2013, the other payables of approximately HK$11,893,000 (2012: HK$30,832,000) are denominated in currencies other than the functional currency of the respective group entities.

29. BORROWINGS

	2013 HK$	2012 HK$
Bank loans - secured	208,785,130	135,169,229
Bank loans - unsecured	4,199,826,071	3,320,629,690
Other loans - unsecured	-	424,665,475
	4,408,611,201	3,880,464,394
Carrying amount without a repayment on demand clause repayable:		
Within one year	425,233,785	1,239,271,749
More than one year, but not exceeding two years	1,550,760,000	195,501,583
More than two years, but not more than five years	1,601,722,089	1,749,154,750
More than five years	-	3,021,520
	3,577,715,874	3,186,949,602
Add: Carrying amount of loans containing a repayment on demand clause (shown under current liabilities) with scheduled repayment set out in the loan agreements due:		
- within one year	793,173,344	302,619,854
- more than one year, but not exceeding two years	2,569,827	352,494,979
- more than two years, but not more than five years	7,949,563	7,949,563
- more than five years	27,202,593	30,450,396
	830,895,327	693,514,792
	4,408,611,201	3,880,464,394
Less: Amounts due within one year shown under current liabilities	(1,256,129,112)	(1,932,786,541)
Amounts shown under non-current liabilities	3,152,482,089	1,947,677,853

The Group's secured bank loans are secured by property, plant and equipment of HK$39,214,834 (2012: HK$72,996,050) and pledged bank deposits of HK$191,728,744 (2012: HK$15,040,542).

Bank loans of the Group of approximately HK$2,746,511,000 (2012: HK$1,959,496,000) are denominated in US$, which is not the functional currency of the relevant group entities. The bank loans carry floating rates at LIBOR plus margin of 3% to 3.55% per annum or effective interest rate of 3.34% to 3.89% (2012: 3.55%) per annum. Bank loans of the Group of approximately HK$1,494,210,000 (2012: HK$1,293,515,000) are denominated in HK$, functional currency of the relevant group entities, and carry floating rates at HIBOR plus margin of 2% to 3% per annum or effective interest rate of 2.71% to 3.55% (2012: 2.29% to 7.00%) per annum. Bank loans of the Group of approximately HK$167,870,000 (2012: HK$602,788,000) are denominated in RMB, functional currency of the relevant group entities and carry fixed interest rate of 4.00% to 4.40% (2012: 4.00% to 6.60%) per annum. The remaining loans of approximately HK$24,665,000 of the Group as at 31 December 2012 were denominated in RMB, functional currency of the relevant group entities and carried a floating rate at the People's Bank of China's best lending rate.

29. BORROWINGS – continued

As at 31 December 2013, the borrowings of approximately HK$3,374,826,000 (2012: HK$1,959,496,000) are denominated in currencies other than the functional currency of the respective group entities.

30. BOND PAYABLES

During the year ended 31 December 2013, the Group's non-wholly owned subsidiary, CIHL, issued fixed rate 5-year coupon bonds at a rate of 4% per annum, interest is payable semi-annually, and with an aggregated principal amount of HK$34,000,000. The bonds will be matured in Year 2018.

The bonds are non-secured, non-guaranteed and issued to independent third parties without any early redemption options.

On 12 December 2012, the Group's wholly owned subsidiary, Bitronic Limited issued a RMB denominated bond with principal amount of RMB2,000,000,000, equivalent to HK$2,543,784,898 (2012: HK$2,466,547,450) (the "RMB Bonds") to independent third parties, for which, the Company's ultimate holding company provides a keepwell deed. The RMB Bonds bear interest at 4% per annum and will be matured on 12 December 2015. Interest is payable semi-annually in arrear.

Direct costs related to the issuance of the RMB Bonds of HK$28,324,012 were deducted to the carrying amount of the Bonds and included in the estimation of effective interest.

As at 31 December 2013, the bond payables of approximately HK$ 2,524,902,000 (2012: HK$2,438,223,000) are denominated in currencies other than the functional currency of the respective group entities.

31. SHARE CAPITAL

	Number of shares		Share capital	
	2013	2012	2013 HK$	2012 HK$
Ordinary shares of HK$1 each				
Authorised				
At beginning and end of year	1,400,000,000	1,400,000,000	1,400,000,000	1,400,000,000
Issued and fully paid				
At beginning and end of year	1,400,000,000	1,400,000,000	1,400,000,000	1,400,000,000

There was no movement in the Company's share capital in both years.

32. COMMITMENTS

(a) Operating lease commitment

The Group as lessee

The Group leases certain of its offices under operating lease arrangements with leases negotiated for terms ranging from two to three years (2012: two to five years).

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
Within one year	17,523,395	7,945,591
In the second to fifth years, inclusive	21,070,690	34,580
	38,594,085	7,980,171

The Group as lessor

Property rental income earned during the year was HK$798,113 (2012: nil). All of the leased properties held have committed tenants for the next 3 to 5 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2013	2012
	HK$	HK$
Within one year	992,076	-
In the second to fifth years, inclusive	2,666,735	-
	3,658,811	-

(b) Capital commitments

As at 31 December 2013, the Group had capital expenditure in respect of the acquisition of property, plant and equipment, contracted for but not provided in the consolidated financial statements amounted to HK$ nil (2012: HK$ 10,956,000).

32. COMMITMENTS - continued

(c) Underwriting commitments

As at 31 December 2013, the Group had no underwriting commitment.

During the year ended 31 December 2012, the Group entered into an underwriting agreement with an independent third party. The underwriting commitment was to subscribe the IPO shares of HK$10,775,000. The commitment had been released upon the successful listing of the IPO Company on 15 January 2013.

33. CONTINGENT LIABILITIES

The following litigation cases are outstanding up to the date of this report. Under the sales and purchase agreement (the "Agreement") entered with Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) in relation to the acquisition of CIHL in 2008, HHIL and the then chairman of CIHL have undertaken to indemnify and keep indemnified CIHL on a fully indemnity basis of any loss or liability suffered by CIHL Group as a result of or in connection with the outstanding litigation cases set out below. Therefore, no provision has been made.

(a) A company named Hantec Investment Limited which is unrelated to the CIHL Group filed a writ to CIHL on 28 July 2000 seeking for injection to restrain CIHL from using the plaintiff's alleged trade name and damages. The plaintiff has not taken further action after the CIHL filed a defence.

(b) An indirect wholly owned subsidiary of CIHL received a writ of summons dated 25 March 2006 from two clients jointly as plaintiffs claiming for damages against it and two of its licensed representatives for an amount of HK$20,600,000 together with costs relating to a number of leverage exchange trading transactions. Defence action has been commenced and no further development has been made up to the date of this report.

34. RESERVES

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Property revaluation reserve			
At 1 January 2012	25,089,047	-	25,089,047
Transfer to retained profits on partial disposal of an associate	(20,251)	-	(20,251)
Share of other comprehensive income of associates	8,075,701	-	8,075,701
At 31 December 2012 and 2013	33,144,497	-	33, 144,497

The property revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to those properties is transferred directly to retained profits.

34. RESERVES - continued

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Investment revaluation reserve			
At 1 January 2012	310,673,393	69,285,949	379,959,342
Change in fair value arising on revaluation of available-for-sale investments	(23,399,911)	(7,456,544)	(30,856,455)
Deferred tax arising on revaluation of available-for-sale investments	(1,263,195)	673,330	(589,865)
Reclassification adjustments for the reversal of deferred tax relating to sale of available-for-sale investments	4,361,808	3,490,231	7,852,039
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(13,473,924)	(10,781,565)	(24,255,489)
Share of other comprehensive income of associates	(21,703,600)	(623,900)	(22,327,500)
Transfer to profit or loss on partial disposal of an associate	(9,778)	-	(9,778)
Reclassification adjustment – transfer to profit or loss on impairment of available-for-sale investments	49,500,000	-	49,500,000
At 31 December 2012	304,684,793	54,587,501	359,272,294
Change in fair value arising on revaluation of available-for-sale investments	26,749,238	11,888,087	38,637,325
Deferred tax arising on revaluation of available-for-sale investments	6,266,366	108,021	6,374,387
Reclassification adjustments for the reversal of deferred tax relating to sale of available-for-sale investments	14,772,446	-	14,772,446
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(85,377,096)	-	(85,377,096)
Reclassification adjustment – transfer to profit or loss on impairment of available-for-sale investments	11,063,276	-	11,063,276
At 31 December 2013	278,159,023	66,583,609	344,742,632

The investments revaluation reserve represents accumulated gains and losses arising on the fair value changes of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of or are determined to be impaired.

34. RESERVES - continued

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Translation reserve			
At 1 January 2012	258,566,727	8,491,404	267,058,131
Exchange difference arising on translation	1,166,574	326,428	1,493,002
Share of other comprehensive income of associates	9,362,161	-	9,362,161
Transfer to profit or loss on partial disposal of an associate	(104,594)	-	(104,594)
At 31 December 2012	268,990,868	8,817,832	277,808,700
Exchange difference arising on translation	46,490,915	336,521	46,827,436
Share of other comprehensive income of associates	33,628,644	-	33,628,644
At 31 December 2013	349,110,427	9,154,353	358,264,780

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
Statutory reserve			
At 1 January 2012	63,534,574	-	63,534,574
Transferred from retained earnings	11,100,000	-	11,100,000
At 31 December 2012	74,634,574	-	74,634,574
Transferred from retained earnings	5,141,443	-	5,141,443
At 31 December 2013	79,776,017	-	79,776,017
Merger reserve			
At 1 January 2012, 31 December 2012 and 31 December 2013	1,000,000	-	1,000,000
Distribution reserve			
At 1 January 2012, 31 December 2012 and 31 December 2013	(13,488,751)	(1,837,728)	(15,326,479)

35. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2013, the Group entered into an agreement with a borrower, 龍川萬泰 to acquire 25.69% of its total equity interest and settled by the loan receivable and accrued interest amounted to HK$30,429,620 brought forward from prior year. 龍川萬泰 has become an associate of the Group thereafter.

(ii) During the year ended 31 December 2012, properties of HK$206,848,462 was received as consideration for provision of consultancy and agency services, HK$187,521,667 was recognised in profit or loss and the remaining HK$19,326,795 deferred income was included in other payables and accrual. The deferred income was fully recognised during the year ended 31 December 2013 when services were provided.

(iii) During the year ended 31 December 2013, deposits of HK$197,323,796 was utilised as considerations to acquire additional interests in CPIAAR Fund, an associate of the Group.

36. RELATED PARTY TRANSACTIONS

(i) During the year, the Group had the following transactions with related parties:

	2013 HK$	2012 HK$
Associates		
Interest income	16,326,113	16,500,528
Advisory and consultancy fee income	83,987,203	17,421,077
Rental income	76,314	-
Service fee income	1,320,102	1,307,250
Fellow subsidiary		
Gain on disposal of an associate	1,739,556	-

36. RELATED PARTY TRANSACTIONS - continued

In addition to the above, during the year, the Group entered into the following transactions with related companies:

(i) As at 31 December 2013, the Group holds certain other investments on behalf of associates with a market value and aggregate value of HK$135,021,823 (2012: HK$36,546,025). The Group did not charge the associates for services provided for both years.

(ii) As at 31 December 2013, the ultimate holding company of the Group holds certain listed and unlisted equity securities on behalf of the Group with aggregate value of HK$90,049,985 (2012: HK$60,245,844). The ultimate holding company did not charge the Group any fee for the services provided for both years.

(iii) As at 31 December 2013, fellow subsidiaries of the Group hold certain unlisted equity securities on behalf of the Group with aggregate cost of HK$12,210,168 (2012: HK$14,600,000). No fee was charged by the fellow subsidiaries for the services provided.

(iv) As at 31 December 2013 and 2012, the bonds issued by the Group was under a keepwell deed provided by its ultimate holding company.

(v) As at 31 December 2013, the Group holds certain listed equity securities on behalf of its fellow subsidiary with aggregate value of HK$65,932,315 (2012: HK$73,990,035). No service fee was charged by the Group for both years.

(vi) During the year ended 31 December 2013, the Group disposed of its distressed assets portfolios (previously included in financial assets at FVTPL) to its fellow subsidiary at HK$17,806,494.

(vii) Balances with related parties are set out in the consolidated statement of financial position on page 4 and 5 and details are set out in notes 24 and 28 respectively.

(viii) The Group is controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 31st December 2013. For the current and prior years, the Group undertakes transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

37. EVENTS AFTER THE REPORTING PERIOD

The Group has the following significant subsequent events:

(i) On 21 February 2014, the Group has entered into a purchase agreement with a limited liability company, namely Cindat Chicago Wacker LLC (the "LLC Company"), situated in Chicago at an aggregate cash consideration of US$50,000,000. The Group's new investment, Cindat Capital Management Limited ("Cindat Capital"), which was set up in Year 2014, is the manager of LLC Company. Out of the consideration, 25% is applied to purchase of common units of LLC Company and the remaining is applied to a promissory note advanced to the LLC Company. The promissory note was issued on 11 March 2014, carries 12% per annum and will be due on the fifth year anniversary from the issue date. The Group acts as a limited partner of the LLC Company. The LLC Company intends to operate a property development project in Chicago.

Up to the date of issuance of these consolidated financial statements, the Group has fully settled the cash consideration of US$50,000,000.

(ii) On 12 March 2014, the Group has entered into an Exempted Limited Partnership Agreement (the "Partnership Agreement") with Cindat Capital, which is the general partner of a partnership, namely Cindat Fulljoy LP. Pursuant to the Partnership Agreement, the Group, as a limited partner, agrees to make a capital commitment in an aggregate amount of HK$450,000,000 to the partnership. The partnership intends to operate a property development project in Dalian.

Up to the date of issuance of these consolidated financial statements, the Group has contributed approximately HK$69,000,000. Approximately 40% of the total capital commitment will be paid by June 2014 and the remaining by September 2014.

The directors of the Company are in the process of assessing the potential financial impact of the above investments to the Group.

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

The following table lists the subsidiaries and consolidated structured entities of the Company which, in the opinion of the directors, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of enity	Place/country of incorporation	Paid up/ registered share capital	Proportion ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2013 %	2012 %	2013 %	2012 %	
Subsidiaries							
Cinda (China) Investments Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	100	-	-	Investment holding
China Cinda (HK) Asset Management Co., Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	-	-	Investment in securities and investment holding
Regent Star International Limited	British Virgin Islands	1 ordinary share of US$1	100	100	-	-	Investment in securities
Sinoday Limited	British Virgin Islands	1 ordinary share of US$1	100	100	-	-	Investment holding
Well Kent International Holdings Company Limited	Hong Kong	1,000,000 ordinary shares of HK$1	100	100	-	-	Investment holding
Parloy Investment Limited	British Virgin Island	1 ordinary share of US$1	-	-	100	100	Investment holding and provision of consultancy service
Rayco Investment Limited	British Virgin Island	1 ordinary share of US$1	-	-	100	100	Investment holding
Boyu Investment Limited	British Virgin Island	1 ordinary share of US$1	-	-	100	100	Investment holding
CIHL (Note i)	Hong Kong	534,338,000 ordinary shares of HK$0.1 each	-	-	63	63.87	Investment holding
Tinmaxa Limited	British Virgin Islands	1 ordinary share of US$1	-	-	100	100	Investment in securities
Sino-Rock Investment Management Company Limited ("Sino-Rock")	Hong Kong	45,000,000 ordinary share of HK$1	-	-	70	70	Investment holding, provision of capital management and consultancy
華建深圳	The PRC	234,000,000 registered shares of HK$1 each	-	-	100	100	Provision of consultancy services of securities and properties investment
浙江信達資產管理有限公司	The PRC	80,000,000 registered shares of RMB1 each	-	-	100	100	Asset management
寧波信達華建投資有限公司	The PRC	10,000,000 registered shares of RMB1 each	-	-	100	100	Investment holding provision of consultancy service of investment and sales of properties
寧波信達西溪股權投資合伙企業有限公司 (Note iii)	The PRC	20,000,000 registered shares of RMB1 each (2012:103,000,000 registered shares of RMB1 each)	-	-	100	19.4	Asset management

38. PARTICULARS OF SUBSIDIARIES - continued

Name of subsidiary	Place/country of incorporation	Paid up/ registered share capital	Proportion ownership interest held by the Company Direct 2013 %	Direct 2012 %	Indirect 2013 %	Indirect 2012 %	Principal activities
深圳市前海華建股權投資有限公司	The PRC	10,000,000 registered shares of RMB1 each	-	-	100	100	Asset management
建信金圓(廈門)股權投資管理有限公司 ("JXJY")	The PRC	50,000,000 registered shares of RMB1 each	-	-	75	75	Investment holding
Consolidated structured entities							
建信金圓合伙 (Note ii)	The PRC	311,500,000 registered shares of RMB1 each	-	-	10.67	-	Asset management
寧波建達合伙 (Note ii)	The PRC	30,000,000 registered shares of RMB1 each	-	-	16.67	-	Asset management

Notes:

i. During the year ended 31 December 2013, the Group partially disposed its equity interest in the subsidiary and hence the Group's interest in the subsidiary has decreased to 63%.

ii. According to investment agreements entered into between the Group and the other shareholders, the Group is a general partner in 建信金圓合伙 and 寧波建達合伙 and has the right to direct the relevant activities at its sole discretion. In addition to the Group's holdings in these entities, the Group provided credit enhancements in respect of 建信金圓合伙 and 寧波建達合伙, which exposed the Group to significant variable returns. Accordingly, 建信金圓合伙 and 寧波建達合伙 are classified as subsidiaries of the Group.

iii. During the year ended 31 December 2013, the other investors of this company withdraw their investments in this company. Hence, it has become a subsidiary of the Group since then. Such investment was classified as available-for-sale as at 31 December 2012.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2013	2012	Profit (loss) allocated to non-controlling interests 2013 HK$	2012 HK$	Accumulated non-controlling interests 2013 HK$	2012 HK$
CIHL	Hong Kong	37%	36.13%	32,689,835	3,658,105	245,195,207	202,073,871
JXJY	The PRC	25%	25%	(7,290,550)	40,237	253,118,651	15,456,159
Sino-Rock	Hong Kong	30%	30%	17,625,939	17,768,016	188,545,071	161,251,710
						686,858,929	378,781,740

38. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES - continued

Summarised financial information in respect of each of the Group's subsidiaries and their subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

CIHL

	2013 HK$'000	2012 HK$'000
Current assets	578,444	413,161
Non-current assets	404,423	369,328
Current liabilities	(267,211)	(225,770)
Non-current liabilities	(34,000)	-
Total equity	681,656	556,719

	2013 HK$'000	2012 HK$'000
Revenue	165,691	100,214
Other income, other gains and losses	41,486	23,640
Expenses	(136,301)	(113,352)
Profit for the year	70,876	10,502
Other comprehensive income (expense) for the year	6,874	(537)
Total comprehensive income for the year	77,750	9,965
Net cash inflow (outflow) from operating activities	49,950	(194,209)
Net cash outflow from investing activities	(92,310)	(33,164)
Net cash inflow from financing activities	54,303	59,688
Net cash inflow (outflow)	11,943	(167,685)

38. PARTICULARS OF SUBSIDIARIES - continued

JXJY

	2013 HK$'000	2012 HK$'000
Current assets	103,374	39,986
Non-current assets	212,080	24,634
Current liabilities	(5,468)	(2,894)
Total equity	309,986	61,726

	2013 HK$'000	2012 HK$'000
Revenue	4,796	4,060
Expenses	(12,752)	(3,900)
(Loss) profit for the year	(7,956)	160
Other comprehensive income for the year	24,653	-
Total comprehensive income for the year	16,697	160
Net cash (outflow) inflow from operating activities	(67,814)	1,427
Net cash outflow from investing activities	(181,181)	(24,396)
Net cash inflow from financing activities	240,505	63,137
Net cash (outflow) inflow	(8,490)	40,168

38. PARTICULARS OF SUBSIDIARIES - continued

Sino-Rock

	2013 HK$'000	2012 HK$'000
Current assets	213,059	788,322
Non-current assets	264,196	234,340
Current liabilities	(46,566)	(651,565)
Non-current liabilities	(20,413)	(18,082)
Total equity	410,276	353,015

	2013 HK$'000	2012 HK$'000
Revenue	3,834	1,435
Other income, gains and losses	93,360	86,141
Expenses	(54,940)	(51,488)
Profit for the year	42,254	36,088
Other comprehensive income (expense) for the year	15,007	(25,353)
Total comprehensive income for the year	57,261	10,735
Net cash inflow (outflow) from operating activities	30,841	(38,975)
Net cash inflow (outflow) from investing activities	685,481	(546,416)
Net cash (outflow) inflow from financing activities	(614,893)	22,433
Net cash inflow	101,429	562,958

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following accounts receivables and accounts payables as the Group currently has a legally enforceable right to set off the balance, and intends either to settle on net basis, or to realise the balance simultaneously.

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not offset in the consolidated statement of financial position Financial instruments held as collateral (note 3) HK$'000	Net amount HK$'000
As at 31 December 2013					
Financial assets by counterparty					
Accounts receivables from:					
- Margin clients (note 1)	213,823	(98,510)	115,313	(114,232)	1,081
- Clearing houses (note 2)	194,098	(162,379)	31,719	-	31,719
Total	407,921	(260,889)	147,032	(114,232)	32,800
As at 31 December 2012					
Financial assets by counterparty					
Accounts receivables from:					
- Margin clients (note 1)	134,433	(59,725)	74,681	(74,118)	563
- Clearing houses (note 2)	143,477	(83,004)	60,473	-	60,473
Total	277,910	(142,729)	135,154	(74,118)	61,036

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not offset in the consolidated statement of financial position - Financial instruments pledged (note 3) HK$'000	Net amount HK$'000
As at 31 December 2013					
Financial liabilities by counterparty					
Accounts payables to:					
- Margin clients (note 1)	135,785	(98,510)	37,275	-	37,275
- Clearing houses (note 2)	162,379	(162,379)	-	-	-
Total	298,164	(260,889)	37,275	-	37,275
As at 31 December 2012					
Financial liabilities by counterparty					
Accounts payables to:					
- Margin clients (note 1)	70,902	(59,752)	11,150	-	11,150
- Clearing houses (note 2)	83,004	(83,004)	-	-	-
Total	153,906	(142,756)	11,150	-	11,150

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES - continued

Notes:

(1) Under the agreements signed between the Group and the customers, money obligations receivable and payable with the same customer on the same date are settled on net basis simultaneously.

(2) Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

(3) Financial instruments held as collateral represent the margin clients' listed securities measured at fair value determined by reference to their respective quoted price pledged to the Group for credit facilities for securities trading.

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	2013 HK$'000	2012 HK$'000
Accounts payables		
Net amount of accounts payables as stated above	37,275	11,150
Amount not in scope of offsetting disclosures	163,398	145,620
Amount of total accounts payables as stated in note 27	200,673	156,770

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position, both of which in the above tables, are measured as follows:

- Accounts receivable from, or payable to, clearing houses and margin clients - amortised cost

  The listed securities pledged by margin clients as collateral to the Group, which are eligible for set off against the Group's financial asset in the event of default is measured at fair value. Other than that, the amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or are subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

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