China Cinda Asset Management Co., Ltd.
中國信達資產管理股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01359)

2013 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Cinda Asset Management Co., Ltd. (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended December 31, 2013. This announcement, containing the full text of the 2013 Annual Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Company's 2013 Annual Report will be delivered to the holders of the H-share of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.cinda.com.cn in late April 2014.

Company Profile

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

Our principal business segments include distressed asset management, financial investment and asset management, as well as financial services. Distressed asset management is the core business of the Company. The Company has 31 branches in 30 provinces, autonomous regions and municipalities in China and nine wholly-owned or non wholly-owned tier-one subsidiaries providing asset management and financial services in China and Hong Kong. The Group has approximately 18,000 staff.

Our business 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.

The listing of the Company in Hong Kong was regarded as one of the “Ten Major Events in China Banking Industry in 2013” by the CBRC and The China Banking Association and was honored as “The Best IPO in Asia in 2013” by The Asset magazine in Hong Kong.

Contents

Definitions

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

"ABC"	Agricultural Bank of China Ltd. (中國農業銀行股份有限公司)
"AMC(s)"	financial asset management company(ies)
"Articles"	the articles of association of China Cinda Asset Management Co., Ltd., approved by China Banking Regulatory Commission on March 20, 2014
"Asset Acquisition from Non-financial Enterprises"	the acquisition of distressed assets from non-financial enterprises
"Board"	the board of directors of the Company
"BOC"	Bank of China Ltd. (中國銀行股份有限公司)
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCB"	China Construction Bank Corporation (中國建設銀行股份有限公司)
"China or PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Cinda Capital"	Cinda Capital Management Co., Ltd. (信達資本管理有限公司)
"Cinda Futures"	Cinda Futures Co., Ltd. (信達期貨有限公司)
"Cinda International"	Cinda International Holdings Limited (信達國際控股有限公司)
"Cinda Investment"	Cinda Investment Co., Ltd. (信達投資有限公司)
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司)
"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司)
"Cinda Real Estate"	Cinda Real Estate Co., Ltd. (信達地產股份有限公司)
"Cinda Securities"	Cinda Securities Co., Ltd. (信達證券股份有限公司)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"CITIC Capital"	CITIC Capital Financial Holding Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"DES" or "debt-to-equity swap(s)"	the practice of converting indebtedness owned by the obligors to their equity

Definitions

"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary share(s) issued by the Company with nominal value of RMB1.00 each
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司)
"FRB"	Board of Governors of the Federal Reserve Board
"H Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd. (幸福人壽保險股份有限公司)
"(Hong Kong) Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICBC"	Industrial and Commercial Bank of China Co., Ltd. (中國工商銀行股份有限公司)
"Jingu Trust"	China Jingu International Trust Co., Ltd. (中國金谷國際信託有限責任公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"MOF"	the Ministry of Finance of the PRC
"NSSF"	the National Council for Social Security Fund of the PRC
"(our) Company" or "Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"PBOC/Central Bank"	the People's Bank of China
"Reporting Period"	For the year ended December 31, 2013
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Standard Chartered Financial Holdings"	Standard Chartered Financial Holdings
"UBS"	UBS AG
"Well Kent International"	Well Kent International Investment Company Limited (華建國際投資有限公司)
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司)

Important Notice

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

On March 27, 2014, the second meeting and the second regular meeting of the Board of the Company considered and adopted the 2013 Annual Report and the results announcement of the Company. There were 12 directors eligible to attend the meeting, of whom 12 attended in person.

The financial report for 2013 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard audit reports for the Company without qualified opinion.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 27, 2014

The legal representative of the Company, HOU Jianhang, vice president of the Company responsible for the financial work, GU Jianguo, and the person-in-charge of the financial department, ZHANG Changyi guarantee that the financial report in this annual report is true, accurate and complete.

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

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

Corporate Information

Official Chinese name	中國信達資產管理股份有限公司
Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.
English abbreviation	China Cinda
Legal representative	Hou Jianhang
Authorized representatives	Xu Zhichao, Zhang Weidong
Board Secretary	Zhang Weidong
Joint company secretaries	Zhang Weidong, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Share annual report	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of Listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Name	China Cinda
Stock Code	01359
Share Registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration for subsequent changes	March 24, 2014

Place of registration for subsequent changes	the State Administration of Industry and Commerce of the PRC
Registration number of Business License as Legal Person	100000000031562
Organization code	71092494-5
Registration number of Financial License	J0004H111000001
Registration number of Tax Certificate	Jing Shui Zheng Zi 110101710924945
Legal advisors as to PRC Law and the place of business	Haiwen & Partners 20/F, Fortune Financial Tower 5 Dong San Huan Central Road Chaoyang District Beijing, the PRC Zhong Lun Law Firm 36–37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, the PRC
Legal advisors as to Hong Kong law and place of business	Davis Polk & Wardwell Hong Kong Solicitors 18/F, The Hong Kong Club Building 3A Chater Road Central, Hong Kong Li & Partners 22nd Floor, World-wide House Central, Hong Kong
International accounting firm and office address	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
Domestic accounting firm and office address	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center 222 Yan An Road East Shanghai, the PRC

Financial Summary

The financial information contained in this annual report was prepared in accordance with the International Financial Reporting Standards (the "IFRS"). Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB.

	For the year ended December 31,			
	2013	2012	2011	2010
	(in millions of RMB)			
Income from distressed debt assets classified as receivables	10,144.2	3,518.4	180.9	—
Fair value changes on distressed debt assets	4,617.6	3,878.3	4,463.1	5,850.9
Fair value changes on other financial assets	539.0	399.3	40.5	426.1
Investment income	7,043.8	6,528.8	5,779.3	4,834.8
Other income and other net gains or losses	20,068.6	18,010.4	13,918.3	13,148.6
Total income	**42,413.2**	**32,335.2**	**24,382.1**	**24,260.4**
Impairment losses on assets	(6,153.3)	(4,601.0)	(536.5)	(495.7)
Interest expense	(7,803.8)	(3,697.6)	(1,807.0)	(1,366.3)
Other costs and expenses	(16,643.8)	(14,901.5)	(13,683.3)	(12,940.6)
Total costs and expenses	**(30,600.9)**	**(23,200.1)**	**(16,026.7)**	**(14,802.6)**
Change in net assets attributable to other holders of consolidated structured entities	(540.5)	(151.5)	50.0	(6.1)
Share of results of associates	500.3	612.3	652.9	504.5
Profit before tax	11,772.1	9,595.9	9,058.2	9,956.4
Income tax expense	(2,671.1)	(2,378.7)	(2,271.9)	(2,453.8)
Profit for the year	**9,101.0**	**7,217.2**	**6,786.3**	**7,502.6**
Profit attributable to:				
Equity holders of the Company	9,027.3	7,306.3	6,762.8	7,399.0
Non-controlling interests	73.7	(89.1)	23.6	103.6
Assets				
Cash and bank balances	57,059.1	42,726.3	27,187.2	33,772.6
Financial assets at fair value through profit or loss	25,178.5	16,923.0	13,402.1	10,101.9
Available-for-sale financial assets	72,747.2	64,376.6	64,382.3	62,155.8
Financial assets classified as receivables	116,662.7	51,195.1	12,149.8	—
Loans and advances to customers	48,636.4	25,041.5	9,447.9	2,508.4
Other assets	63,501.5	54,351.9	46,554.7	42,162.6
Total assets	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**

	For the year ended December 31,			
	2013	2012	2011	2010
	(in millions of RMB)			
Liabilities				
Borrowings from central bank	4,913.0	7,053.4	11,310.7	16,464.6
Accounts payable to brokerage clients	6,480.8	6,629.5	8,150.5	13,677.5
Borrowings	173,834.7	76,099.2	25,178.9	7,826.2
Accounts payable	22,814.1	39,539.4	47,994.9	47,219.5
Bonds issued	13,285.0	12,534.6	495.0	—
Other liabilities	79,695.7	51,873.5	37,151.3	23,012.0
Total liabilities	**301,023.3**	**193,729.6**	**130,281.3**	**108,199.9**
Equity				
Equity attributable to equity holders of the Company	75,998.3	54,773.6	37,813.1	37,025.3
Non-controlling interests	6,763.8	6,111.2	5,029.6	5,476.2
Total equity	**82,762.1**	**60,884.8**	**42,842.7**	**42,501.6**
Total equity and liabilities	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**
Financial indicators				
Return on average shareholders' equity(1) (%)	13.8	15.8	18.1	25.5
Return on average assets(2) (%)	2.85	3.4	4.2	6.3
Cost-to-income ratio(3) (%)	26.2	29.7	35.2	30.8
Earnings per share (RMB yuan)(4)	0.30	0.25	0.27	0.32
Net assets per share (RMB yuan)(5)	2.50	1.90	1.50	1.47

Notes:

(1) Return on average shareholders' equity (ROE): Represents the percentage of profit attributable to the equity holders for the period in the average balance of equity attributable to the equity holders of the Company as at the beginning and the end of the period.

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

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

(4) Earnings per share: Represents the net profit attributable to equity holders of the Company during the period divided by the weighted average number of shares.

(5) Net assets per share: Represents the net assets attributable to equity holders of the Company at the end of the period divided by the weighted average number of shares.

Chairman's Statement

The year of 2013 is a milestone in the development of our Company. We coped with various challenges from complex operating conditions and business environment with due deliberations. In this year, we pushed forward institutional reforms, accelerated business development and strengthened risk management and internal controls, and have thus achieved steady growth in the results of operations. In 2013, the Group recorded a net profit of RMB9,027 million attributable to equity holders of our Company, representing an increase of 23.6% as compared to 2012; we also achieved return on average assets of 2.85% and return on average shareholders' equity of 13.8%. Particularly, with the support of shareholders as well as the regulatory authorities and other related parties, the Company successfully completed its listing on the Hong Kong Stock Exchange, laying a solid foundation for its sustainable and sound development in the future.

We accelerated the transformation of internal institutions and further improved corporate governance. We further improved our corporate governance through developing ready connections with the capital market, diversifying our shareholding structure, and further streamlining the governance structure composed of the shareholders meeting, the Board meeting, the Board of Supervisors meeting and the Senior Management. We also enhanced our organizational structure and internal management based on features of our business and needs of development through transformation. In order to maximize the synergies of group operations, we implemented differentiated management and business authorizations with respect to each branches and imposed effective supervision and management of the subsidiaries based on their different market positioning. We further reformed our compensation and evaluation mechanisms by establishing performance evaluation systems and remuneration management systems by responding to our business development in order to boost the innovation and vitality of the Company.

We boosted core business development by utilizing our asset management expertise. Since the transition to commercial operations, we focused on its core business of distressed asset management and strengthened the development of acquisitions, management and disposal of distressed assets to consolidate our leading position of our core business in the industry. During 2013, our total distressed debt assets acquired amounted to RMB88,813 million, representing an increase of 70.2% as compared to 2012. Among these, the traditional distressed debt assets acquired amounted to RMB12,279 million, maintaining the leading position in the industry in terms of market share. Profits from the distressed asset management segment accounted for 70.6% of our total profit before tax for the year.

We strengthened innovation and explored new business models. We have established a unique business model by capitalising on the advantages of our core business and achieving synergy between the three major business segments of our Company. These include the distressed asset management business, financial investment and asset management business and financial services. We developed third-party asset management business by utilizing internal and external funds. We also established investment funds and buyout funds by focusing on distressed assets and adopted innovative transaction structures to develop additional business drivers. Based on our distressed asset management business, we have developed diversified business platforms, covering businesses such as securities, futures, trusts, financial leasing, fund management, insurance, investment and real estate. We provided our clients with customized financial solutions through the integrated design and development of multiple products.

We further refined our comprehensive risk management system and reinforced compliance and internal controls. We regard risk management as a cornerstone and a core focus of our management and business operations. We implemented risk management in all three business segments by using the integrated risk management framework, which comprised of four levels of supervision and three lines of defense. By optimizing the systems, streamlining business flows and implementing stringent internal controls, we further reinforced our comprehensive risk management, providing a strong basis for our sound operations and sustainable development.

We have been promoting corporate culture and actively fulfilling social responsibility. We regard corporate culture as an important competitive edge that cannot be replicated. The Company has enriched its corporate culture by combining the traditional values and development requirements for the transformation of our Company through innovation and integration. We promoted a culture of innovation and determination and focused on consolidating the overall strengths and competitiveness of the Company by making competitiveness the core value of our cultures for corporate governance, business management and competitive development. Our core motto is "One Cinda, One Goal", which was embedded into the behavior norms of our employees. Moreover, we actively fulfilled our social responsibility. We have made donations to areas stricken by earthquakes, provided specific support for poverty alleviation and supported economic development within rural areas of China. We are committed to contributing to the society through active participation in charity work and philanthropy.

We completed our IPO and successfully entered into the capital market. As the pioneer and the leader in the distressed asset management industry of the PRC, the Company has entered into the international capital market with high recognition from investors, evidencing by over-subscription in both the international branch and the Hong Kong branch. We raised approximately US$2.8 billion from the listing in Hong Kong on December 12, 2013 and a full exercise of the over-allotment option. This further expanded the capital base of the Company and laid a solid foundation for our future development. The listing of the Company in Hong Kong was honored as "The Best IPO in Asia in 2013" by The Asset, a Hong Kong magazine and regarded as one of the "Ten Major Events in the China Banking Industry in 2013" by the CBRC and China Banking Association.

Since 2010, the Company has completed the restructuring, the introduction of strategic investors and IPO, and achieved our mission in the pilot reform of AMCs assigned by the State Council. I would like to take this opportunity to express my gratitude for the continuous support of our shareholders, customers and the greater community. I am also thankful for the intelligence and dedication of all our employees in the development of our Company.

In June 2013, a new session of the Board was elected. Mr. ZHUANG Enyue, Ms. LI Yanping, Mr. LIU Xianghui and Mr. YUEN Tin Fan, Francis ceased to be directors of the Company as their terms of office expired. On behalf of all members of the Board, I would like to thank the first session of the Board for their contribution to the development of the Company, and I would like to express our warm welcome to Ms. YUAN Hong, Mr. CHANG Tso Tung, Stephen and Mr. XU Dingbo for joining the second session of the Board.

2014 is our first full year of operations as a listed company. Taking the IPO as our new starting point, we will seize every development opportunity and push forward reforms to consolidate and strengthen our leading position in the distressed asset management industry as well as further expand the asset management business. We will also develop and improve our differentiated business model through the synergistic operation of our diversified business platforms. We are committed to further enhancing the values of the Company while serving the real economy and delivering sustainable and competitive returns to our shareholders.

Chairman
HOU Jianhang

March 27, 2014

President’s Statement

In 2013, confronting a series of difficulties and challenges arising in the macroeconomy and market environment, the Company achieved sound operating results by adhering to the principle of scientific development and prudent operations, and by coordinating our business operations and management through accelerating development, adjusting business structure, emphasizing profitability and boosting innovation, as well as further refining our sustainable business and profit models.

Firstly, the Company enhanced profitability and significantly improved business scales and strength. In 2013, the Group recorded net profit of RMB9,101 million, representing an increase of 26.1% as compared with the previous year. Net profit attributable to equity holders of the Company was RMB9,027 million, representing an increase of 23.6% as compared with the previous year, indicating a continuous improvement in profitability. Equity attributable to equity holders of the Company amounted to RMB75,998 million, representing an increase of 38.7% as compared with the pervious year. The consolidated total assets of the Group amounted to RMB383,785 million, representing an increase of 50.7% as compared with the previous year, achieving a significant growth in business scale.

Secondly, the Company achieved substantial breakthrough in major projects and consolidated the competitiveness of core business. Focusing on distressed asset business as its core business, the Company strived for market expansion and innovative business model and further consolidated the competitiveness of its core business. During 2013, the Company acquired distressed debt assets of RMB88,813 million, which exceeded the existing distressed debt assets consolidated, representing a further improvement of its profit structure. The market share of its financial distressed asset acquisition business continued to lead the market while the increase in its non-financial distressed assets remained stable. Several equity assets were successfully disposed or contributed dividend income.

Thirdly, the Company experienced steady business transformation through sound development of asset management business. The Company actively and continuously nurtured and developed its asset management business, providing driving forces for its business model transformation. It successfully launched the second tranche of the Qiushi Fund and was able to favorably manage the China Agricultural Industry Development Fund. The fund management scale of the Company marked a record high with over 20 newly established funds, resulting in enhanced market presence. In addition to expanding the scale of assets management, the Company attached great importance to the selection of investment projects to ensure decent return of its fund investment.

Fourthly, the Company further enhanced group-wide synergistic operations and brand awareness. Dedicated to its differentiated marketing approach, the Company continuously strengthened its market positioning and operation principle for the provision of customized financial solutions and differentiated asset management services to its customers. Synergistic strategies of the Group were carried out to optimize its synergistic management mechanism. The Group continued to expand its customer base and improve customer loyalty by endeavoring to provide quality and comprehensive financial services.

Fifthly, the Company further strengthened its risk management to ensure compliance and sound operations. The Company introduced a series of policies and regulations, including the Provisional Rules on Risk Classification of Assets (《資產風險分類管理暫行辦法》) and the Provisional Rules on Accountability of Issues with Material Risks (《重大風險事件責任追究暫行辦法》). As such, the effectiveness of its risk management system was further improved. In addition, Company announced the risk management target of the Group and clearly set forth quantitative risk management indicators to provide both qualitative and quantitative risk management benchmarks.

On December 12, 2013, the Company was successfully listed in Hong Kong, marking a new era in its reform and laying a solid foundation for its further sustainable development. As the first year after its listing, the Company will implement the development strategy of the Group by focusing on the following major tasks in 2014:

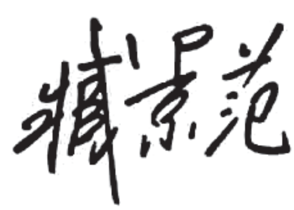
Firstly, continue to develop its core businesses and consolidate competitive advantages. Further capitalizing on the strength of its core business, the Company will enhance its competitive advantages in the traditional distressed assets business, maintain the growth of its restructuring business, further optimize asset structure and improve asset management capabilities of debt-to-equity assets. The Company will also develop opportunities for its intermediary businesses. Through all these efforts, the Company aims to maintain the leadership, competitiveness and strengths of its core businesses.

Secondly, continue to refine business structure by expanding asset management business. The new initiatives of the Company's asset management business will include the development of third-party asset management business, the expansion of special situations investment and the prudent utilization of financial investment leveraging. Innovative asset management model will also be introduced to further expand its asset management scale and generate more competitive returns.

Thirdly, steadily enhance integrated financial services through differentiated operation. Leveraging on the synergistic operations of the Group, the Company will further reinforce its strengths in businesses such as trusts, financial leasing, securities and insurance. Integrated marketing efforts for different products and services of the Group will be made in order to provide a one-stop financial solutions, and enhance its integrated financial services to a higher level.

Fourthly, strengthen management of key risks and provide a solid basis for business development. The Company will strengthen its risk management capabilities and effectively manage market, credit and other risks through grasping market trends, reasonably determining the overall risk limit of customers, continuously and effectively monitoring customer concentration risks, further improving due diligence investigation procedures, focusing on risk points in deal review and approval, further refining internal controls and enhancing compliance awareness among all employees.

In 2014, the Company will continue to comply with the Listing Rules, capitalize on its successful listing and seize development opportunities and improve its operation and management with an aim to achieve higher profitability, strengthen business development driving forces and provide better returns to our shareholders.



Zang Jingfan
President

March 27, 2014

Management Discussion and Analysis

Economic and Regulatory Environment

International economic and financial market environments

The global economy experienced a slow recovery in 2013. U.S. economy regained growth momentum, as the impact of the financial cliff on the economic recovery was insignificant. Economies of European countries were volatile due to the economic polarization and high unemployment rates, while the Japanese economy recorded a moderate growth. Compared with the economic recovery of developed countries, emerging economies were exposed to higher risk of economic downturn.

From the marco-economic perspective in 2013, the concerns with the withdrawal of quantitative easing policy by U.S. Federal Reserve had revealed obviously. European countries maintained a loose monetary policy and a tight fiscal policy, while the monetary and fiscal policies in Japan were further loosened. However, under the pressure of inflation, the general monetary policy in emerging economies was shifting toward tightening.

From the view of international financial market, the market development in 2013 was affected by the expectation of the Federal Reserve's exit from the quantitative easing policy. The stock and commodity markets were highly volatile as a result of the change in the policy of the Federal Reserve, and had not been stabilized until December 2013, when the timetable of and conditions for the Federal Reserve's exit from the quantitative easing policy were announced.

The PRC economic, financial and regulatory environment

The Decision of the CCCP on Some Major Issues Concerning Comprehensively Deepening Reform (《中共中央關於全面深化改革若干重大問題的決定》) passed by the third Plenary Session of the 18th Central Committee of the Communist Party of China has set out the guidelines, objectives and major principles for the further promotion of reform, sketched out an in-depth new blueprint, vision, and goals, gathered new concepts, strategies and measures, which has formulated a clear plan and timetable for an in-depth reform in the PRC, thus further stimulating the development of the general economy and financial market. In 2013, despite the changing domestic and international environment, the economic growth rate of the PRC has maintained at a stable growth with PRC's macro-economic control policies aiming to stabilize growth, adjust economic structure and boost reforms. Investment remained the major factor of the economic growth in the PRC. The export growth of the PRC increased and the manufacturing industry recovered along with the improvement of the global market. With the stable growth of consumption, the overall economy in the PRC maintained steady development.

The PRC government has taken initiative to address the risks in the financial and non-financial industries. The Guidance on the Supports from Financial Industry for the Restructuring, Transformation and Upgrading of Economic Structure (《關於金融支持經濟結構調整和轉型升級的指導意見》) issued by the General Office of the State Council has emphasized to support the transfer of non-performing loans by banks and extend the authorization of banks to write off non-performing loans in order to prevent and eliminate risks in a timely manner. The Ministry of Industry and Information Technology and other departments jointly issued the Guidance on Expediting Merger and Restructuring of Enterprises in Key Industries (《關於加快推進重點行業企業兼併重組的指導意見》). Certain local governments have also implemented policies to facilitate the disposal of non-performing assets in their respective regions, including establishment of risk evaluation mechanism and strengthening coordination to resolve the risks arising from distressed assets and distressed entities in the regions.

Analysis of Financial Statements

Operating Results of the Group

In 2013, the net profit attributable to equity holders of the Group amounted to RMB9,027.3 million, representing an increase of RMB1,721.0 million, or 23.6%, as compared to the previous year. ROE and ROE net of listing proceeds were 13.8% and 15.5%, respectively, ROA and ROA net of listing proceeds were 2.85% and 2.92%, respectively.

	For the year ended December 31,			
	2013	2012	Change	Change in percentage (%)
	(in millions of RMB)			
Income from distressed debt assets classified as receivables	10,144.2	3,518.4	6,625.8	188.3
Fair value changes on distressed debt assets	4,617.6	3,878.3	739.3	19.1
Fair value changes on other financial assets	539.0	399.3	139.7	35.0
Investment income	7,043.8	6,528.8	515.0	7.9
Net insurance premiums earned	5,771.9	5,324.9	447.0	8.4
Commission and fee income	2,520.1	2,226.3	293.8	13.2
Revenue from sales of inventories	4,321.9	3,924.1	397.8	10.1
Interest income	5,059.2	2,493.3	2,565.9	102.9
Net gains on disposal of subsidiaries and associates	200.6	2,585.3	(2,384.7)	(92.2)
Other income and other net gains or losses	2,194.9	1,456.5	738.4	50.7
Total income	**42,413.2**	**32,335.2**	**10,078.0**	**31.2**
Insurance costs	(5,018.8)	(4,690.1)	(328.7)	7.0
Commission and fee expense	(869.4)	(900.7)	31.3	(3.5)
Purchases and changes in inventories	(2,720.3)	(2,391.8)	(328.5)	13.7
Employee benefits	(3,797.4)	(3,417.6)	(379.8)	11.1
Impairment losses on assets	(6,153.3)	(4,601.0)	(1,552.3)	33.7
Interest expense	(7,803.8)	(3,697.6)	(4,106.2)	111.1
Other expenses	(4,237.9)	(3,501.3)	(736.6)	21.0
Total costs and expenses	**(30,600.9)**	**(23,200.1)**	**(7,400.8)**	**31.9**
Change in net assets attributable to other holders of consolidated structured entities	(540.5)	(151.5)	(389.0)	256.8
Share of results of associates	500.3	612.3	(112.0)	(18.3)
Profit before tax	11,772.1	9,595.9	2,176.2	22.7
Income tax expense	(2,671.1)	(2,378.7)	(292.4)	12.3
Profit for the year	**9,101.0**	**7,217.2**	**1,883.8**	**26.1**
Profit attributable to:				
Equity holders of the Company	9,027.3	7,306.3	1,721.0	23.6
Non-controlling interests	73.7	(89.1)	162.8	(182.7)

Total Income

Income from Distressed Assets

Distressed asset business is the core business of the Group. The income from distressed asset is classified on the basis of the nature of the assets including (1) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring; (2) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets; (3) income from DES Assets, including dividend income and net gains on disposal of DES assets, which is accounted for as investment income and net gains on disposal of associates; and (4) net gains on disposal of assets in satisfaction of debt.

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	10,144.2	3,518.4	6,625.8	188.3
Fair value changes on distressed debt assets	4,617.6	3,878.3	739.3	19.1
Income from DES Assets	4,995.4	5,647.7	(652.3)	(11.5)
Available-for-sale financial assets(1)	4,995.4	4,664.5	330.9	7.1
Interests in associates(2)	—	983.2	(983.2)	(100.0)
Net gains on disposal of assets in satisfaction of debts(3)	363.9	189.1	174.8	92.4
Total	**20,121.1**	**13,233.5**	**6,887.6**	**52.0**

Notes:

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

(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 statement.

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

The income from distressed assets increased from RMB13,233.5 million in 2012 to RMB20,121.1 million in 2013, representing an increase of 52.0%, and accounting for 40.9% and 47.4% of the total income for 2012 and 2013, respectively.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased from RMB3,518.4 million in 2012 to RMB10,144.2 million in 2013, representing an increase of 188.3%, and accounting for 10.9% and 23.9% of the total income for the respective periods. The increase in income and its proportion of the total income were primarily due to the increase in distressed debt assets classified as receivables as a result of the rapid development of business. As at December 31, 2012 and 2013, the balance of the distressed debt assets classified as receivables were RMB49,550.5 million and RMB100,913.2 million, respectively, representing an increase of 103.7%.

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 the enhancement of risk control including development of major high-quality customers, regional structural adjustment and application of risk-mitigation tools while expanding business of the Company.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets increased from RMB3,878.3 million in 2012 to RMB4,617.6 million in 2013, representing an increase of 19.1%, and accounting for 12.0% and 10.9% of the total income for the respective periods. As at December 31, 2012 and 2013, the balance of distressed debt assets designated as at fair value through profit or loss was RMB7,960.2 million and RMB16,391.7 million, respectively.

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

	For the year ended December 31,			
	2013	**2012**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Realized fair value changes	4,317.4	3,580.7	736.7	20.6
Unrealized fair value changes	300.2	297.6	2.6	0.9
Total fair value changes on distressed debt assets	**4,617.6**	**3,878.3**	**739.3**	**19.1**

The table below sets out fair value changes on distressed debt assets for the years indicated.

	As at and for the year ended December 31, (in millions of RMB)
Group	
December 31, 2011	7,415.4
Acquisition during the year	3,456.1
Disposal during the year	(3,208.9)
Unrealized fair value changes	297.6
December 31, 2012	7,960.2
Acquisition during the year	12,279.5
Disposal during the year	(4,148.2)
Unrealized fair value changes	300.2
December 31, 2013	**16,391.7**

Fair value changes on distressed debt assets increased by 19.1% in 2013 as compared to 2012, 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. The rate of return of the Company remained stable at 112.5% and 111.3% in 2012 and 2013 respectively.

Investment Income

The investment income increased from RMB6,528.8 million in 2012 to RMB7,043.8 million in 2013, representing an increase of 7.9%, and accounting for 20.2% and 16.6% of the total income, respectively.

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Available-for-sale financial assets	3,850.3	3,908.2	(57.9)	(1.5)
Interest income from investment securities				
Available-for-sale financial assets	596.5	686.9	(90.4)	(13.2)
Debt securities classified as receivables	426.1	396.3	29.8	7.5
Held-to-maturity financial assets	354.6	289.4	65.2	22.5
Dividend income				
Available-for-sale financial assets	1,816.3	1,248.0	568.3	45.5
Total investment income	**7,043.8**	**6,528.8**	**515.0**	**7.9**

The investment income increased by 7.9% in 2012 as compared to 2013, primarily due to an increase in dividend income from available-for-sale financial assets by 45.5% from RMB1,248.0 million in 2012 to RMB1,816.3 million in 2013. The increase was mainly due to (1) the improvement in the performance of DES Companies and (2) the increase in the dividend distribution of DES Companies in 2013.

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage (%)
	(in millions of RMB, except for percentages)			
Net realized gains on disposal of available-for-sale financial assets	3,850.3	3,908.2	(57.9)	(1.5)
DES Assets of the Company[1]	3,644.6	3,699.7	(55.1)	(1.5)
Others	205.7	208.5	(2.8)	(1.3)
Interest income from available-for-sale financial assets	596.5	686.9	(90.4)	(13.2)
Dividend income from available-for-sale financial assets	1,816.3	1,248.0	568.3	45.5
DES Assets of the Company	1,350.8	964.8	386.0	40.0
Principal equity investment of the Company and others	465.5	283.2	182.3	64.4
Total investment income from available-for-sale financial assets	**6,263.1**	**5,843.1**	**420.0**	**7.2**

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

Investment income from available-for-sale financial assets includes (1) net realized gains on disposal of available-for-sale financial assets; (2) interest income from available-for-sale financial assets; and (3) dividend income from available-for-sale financial assets. Investment income from available-for-sale financial assets, which is the main component of the investment income, accounted for 89.5% and 88.9% of the total investment income in 2012 and 2013, respectively.

Net Insurance Premiums Earned

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage (%)
	(in millions of RMB, except for percentage)			
Gross written premiums	7,148.3	8,101.4	(953.1)	(11.8)
Less: Premiums ceded to reinsurers	(1,311.6)	(2,258.7)	947.1	(41.9)
Change of unearned premium reserves	(64.8)	(517.8)	453.0	(87.5)
Net insurance premiums earned	**5,771.9**	**5,324.9**	**447.0**	**8.4**

The gross written premiums decreased by 11.8% to RMB7,148.3 million in 2013 as 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 partly offset by the increase in the gross written premiums of Cinda P&C.

The 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.

The unearned premium reserves decreased by 87.5% to RMB64.9 million in 2013 from RMB517.8 million in 2012. 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 totally offset by the decrease in premiums ceded to reinsurers and unearned premium reserves.

Commission and Fee Income

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

	For the year ended December 31,			
	2013	**2012**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Securities and futures brokerage	1,013.8	768.7	245.1	31.9
Trustee services	754.7	556.6	198.1	35.6
Consultancy and financial advisory	361.6	528.9	(167.3)	(31.6)
Fund and asset management business	213.7	178.2	35.5	19.9
Securities underwriting	115.9	134.9	(19.0)	(14.1)
Agency business	42.2	35.6	6.6	18.5
Others	18.2	23.4	(5.2)	(22.2)
Total commission and fee income	**2,520.1**	**2,226.3**	**293.8**	**13.2**

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

The fee income on trustee services consists primarily of fees for trust businesses 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 an increase of income in 2013 as a result of the increase in trust assets in 2013. In addition, the proportion of collective trust products, which have relatively high rate of return, to the total trust assets increased to 23.7% as at December 31, 2013 as compared to 21.9% as at December 31, 2012.

Commission and fee income on securities and futures brokerage businesses 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. The average securities brokerage commission rate was 0.0904% and 0.0935% in 2012 and 2013, respectively.

Consultancy and financial advisory fee income decreased by 31.6% to RMB361.6 million in 2013 as compared to RMB528.9 million in 2012, primarily because Well Kent International recorded a large amount of one-time consultancy service fee in the first half of 2012. The consultancy fee income of Well Kent International was RMB242.1 million and RMB124.7 million in 2012 and 2013, respectively.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	4,321.9	3,924.1	397.8	10.1
Purchases and changes in inventories	(2,720.3)	(2,391.8)	(328.5)	13.7
Including:				
Revenue from sales of properties held for sales	4,132.8	3,752.8	379.9	10.1
Purchases and changes in properties held for sales	(2,589.1)	(2,254.4)	(334.7)	14.8
Gross profit from sales of properties	1,543.7	1,498.4	45.3	3.0
Gross profit margin from sales of properties (%)	**37.4**	**39.9**	**(2.5)**	**(6.3)**

The 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 the 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.

The revenue from sales of properties held for sales 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. The purchases and changes in properties held for sale increased by 14.8% to RMB2,589.1 million in 2013 as compared to RMB2,254.4 million in 2012. Therefore, the gross profit from sales of properties increased by 3.0% to RMB1,543.6 million in 2013 as compared to RMB1,498.4 million in 2012.

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	3,224.4	1,593.1	1,631.3	102.4
Bank balances	1,242.2	652.1	590.1	90.5
Accounts receivable	362.2	58.6	303.6	517.7
Placements with banks and a financial institution	105.1	31.1	74.0	237.9
Financial assets held under resale agreements	28.9	4.5	24.4	538.6
Others[(1)]	96.4	153.9	(57.5)	(37.3)
Total	**5,059.2**	**2,493.3**	**2,565.9**	**102.9**

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

The interest income increased by 102.9% to RMB5,059.2 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.

The interest income from loans and advances to customers increased by 102.4% to RMB3,224.4 million in 2013 as compared to RMB1,593.1 million in 2012, primarily due to (1) 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 (2) an increase in loans secured by pledges and properties granted by subsidiaries such as Cinda Investment and Well Kent International.

The interest income from bank balances 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.

The interest income from accounts receivable increased by 517.7% to RMB362.2 million in 2013 as compared to RMB58.6 million in 2012, primarily due to the increase in accounts receivable from the disposal of distressed debts by RMB1,357.7 million to RMB5,555.2 million in 2013 as compared to RMB4,197.5 million in 2012.

Other Income and Other Net Gains or Losses

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Net gains on disposal of investment properties	679.1	102.2	576.9	564.5
Net losses on exchange differences	(55.7)	(23.0)	(32.7)	142.2
Net gains on disposal of other assets	363.9	189.1	174.8	92.4
Rental income	454.9	467.7	(12.8)	(2.7)
Revenue from hotel operation	386.8	401.0	(14.2)	(3.5)
Revenue from property management business	186.2	190.8	(4.6)	(2.4)
Government grant and compensation	36.4	34.7	1.7	4.9
Others	143.3	94.0	49.3	52.4
Total	**2,194.9**	**1,456.5**	**738.4**	**50.7**

The 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.

The net gains on disposal of other assets increased by 92.4% to RMB363.9 million in 2013 as compared to RMB189.1 million in 2012, primarily because (1) we sold more assets in satisfaction of debts; and (2) the sales prices of the properties underlying the assets in satisfaction of debts in 2013 were higher than their acquisition prices due to the rise in market prices.

Total Costs and Expenses

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	(5,018.8)	(4,690.1)	(328.7)	7.0
Commission and fee expense	(869.4)	(900.7)	31.3	(3.5)
Purchases and changes in inventories	(2,720.3)	(2,391.8)	(328.5)	13.7
Employee benefits	(3,797.4)	(3,417.6)	(379.8)	11.1
Business tax and surcharges	(1,233.9)	(785.7)	(448.2)	57.0
Depreciation and amortization expenses	(443.8)	(449.1)	5.3	(1.2)
Impairment losses on assets	(6,153.3)	(4,601.0)	(1,552.3)	33.7
Interest expense	(7,803.8)	(3,697.6)	(4,106.2)	111.1
Other expenses	(2,560.2)	(2,266.5)	(293.7)	13.0
Total costs and expenses	**(30,600.9)**	**(23,200.1)**	**(7,400.8)**	**31.9**

The 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 expenses and impairment losses on assets.

Insurance Costs

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	(3,025.0)	(4,785.7)	1,760.7	(36.8)
Interest credited and policyholder dividends	(388.3)	(321.9)	(66.4)	20.6
Refund of reinsurance premiums	1,210.8	2,212.0	(1,001.2)	(45.3)
Other insurance expenses(1)	(2,816.3)	(1,794.5)	(1,021.8)	57.0
Total insurance costs	**(5,018.8)**	**(4,690.1)**	**(328.7)**	**7.0**

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

The 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.

The 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 trend of 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.

The 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 table below sets out the breakdown of the commission and fee expenses for the years indicated.

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance sales	(682.6)	(702.1)	19.5	(2.8)
Securities brokerage	(88.3)	(105.5)	17.2	(16.3)
Others	(98.5)	(93.1)	(5.4)	5.8
Total	**(869.4)**	**(900.7)**	**31.3**	**(3.5)**

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	(3,016.8)	(2,681.4)	(335.4)	12.5
Staff welfare	(120.0)	(107.0)	(13.0)	12.1
Social insurance	(344.9)	(313.4)	(31.5)	10.1
Annuity Scheme	(30.0)	(28.4)	(1.6)	5.6
Housing funds	(159.0)	(146.4)	(12.6)	8.6
Labor union fees and staff education fees	(96.8)	(85.2)	(11.6)	13.6
Others	(29.9)	(55.8)	25.9	(46.4)
Total	**(3,797.4)**	**(3,417.6)**	**(379.8)**	**11.1**

The 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 (1) the total number of employees, (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 12.5% from RMB2,681.4 million in 2012 to RMB3,016.8 million in 2013.

Impairment Losses on Assets

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

	For the year ended December 31,			
				Change in
	2013	2012	Change	percentage
	(in millions of RMB)			(%)
Distressed debt assets classified as receivables	(1,501.1)	(1,471.7)	(29.4)	2.0
Debt securities classified as receivables	2.3	(17.9)	20.2	(112.8)
Available-for-sale financial assets	(4,007.0)	(3,340.2)	(666.8)	20.0
Loans and advances to customers	(503.3)	(266.9)	(236.4)	88.6
Account receivables	(7.2)	835.4	(842.6)	(100.9)
Investment properties	—	(1.8)	1.8	(100.0)
Property and equipment	—	(13.2)	13.2	(100.0)
Other assets	(137.0)	(324.7)	187.7	(57.8)
Total	**(6,153.3)**	**(4,601.0)**	**(1,552.3)**	**33.7**

The 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.

The impairment losses on available-for-sale financial assets 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 Aluminum Corporation of China Limited and others.

The impairment losses on loans and advances to customers 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 the Group in accordance with its prudent principle to strengthen its tolerance to risks.

Interest Expense

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

	For the year ended December 31,			
	2013	2012	Change	Percentage of change
	(in millions of RMB)			(%)
Borrowings from central bank wholly repayable within five years	(115.7)	(196.8)	81.1	(41.2)
Accounts payable to brokerage clients	(20.4)	(26.2)	5.8	(22.1)
Financial assets sold under repurchase agreements	(396.3)	(326.9)	(69.4)	21.2
Borrowings				
wholly repayable within five years	(6,022.4)	(2,137.4)	(3,885.0)	181.8
not wholly repayable within five years	(44.0)	(65.3)	21.3	(32.6)
Amount due to the MOF	(591.5)	(810.5)	219.0	(27.0)
Bonds issued	(585.3)	(114.0)	(471.3)	413.4
Others	(28.2)	(20.5)	(7.7)	37.6
Total	**(7,803.8)**	**(3,697.6)**	**(4,160.2)**	**111.1**

The 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 resulting from the increased borrowings for the rapidly developing core businesses.

The interest expense on borrowings increased by 175.4% to RMB6,066.4 million in 2013 as compared to RMB2,202.7 million in 2012, primarily due to (1) an increase in the borrowings from banks and other financial institutions to support the growing acquisitions of distressed assets classified as receivables; and (2) an increase in borrowings by Cinda Leasing, Well Kent International, Cinda Securities and Cinda Investment to support the growth of their businesses.

The interest expense on bonds issued increased by 413.4% to RMB585.3 million in 2013 as compared to RMB114.0 million in 2012, primarily due to the financial bonds of RMB10 billion only issued in October 2012 by the Company.

Income Tax Expense

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

	For the year ended December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	11,772.1	9,595.9	2,176.2	22.7
Income tax expense	(2,671.1)	(2,378.7)	(292.4)	12.3
Effective tax rate (%)	**22.7**	**24.8**	**(2.1)**	**(8.5)**

The 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. In 2012 and 2013, the effective tax rate was 24.8% and 22.7%, respectively. The decrease in the effective tax rate in 2013 was primarily due to the increase in dividend income.

Segment Results of Operations

We report the financial results in three segments: (1) distressed asset management, operated by the Company, which mainly includes distressed debt asset management and DES asset management, and the custody, liquidation and restructuring services for distressed entities; (2) financial investment and asset management, which primarily includes, among other things, the principal investment, real estate business, private equity funds; and (3) financial services, primarily operated through our subsidiaries, which mainly include securities and futures, trust, financial leasing, fund management and insurance.

Financial summary of our business segments:

The following table sets forth the segment financial positions of the Group for the years indicated.

	As at and for the year ended December 31,									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB except for percentages)									
Total income	21,849.8	14,392.0	8,976.8	7,911.3	12,133.9	10,552.6	(547.3)	(520.7)	42,413.2	32,335.2
Percentage of total (%)	51.5	44.5	21.2	24.5	28.6	32.6				
Total costs and expenses	(13,590.4)	(8,384.6)	(5,853.2)	(4,860.9)	(11,635.9)	(10,388.3)	478.6	433.8	(30,600.9)	(23,200.1)
Profit before tax	8,314.3	6,234.0	3,011.7	3,284.6	514.9	164.3	(68.8)	(87.0)	11,772.1	9,595.9
Percentage of total tax (%)	70.6	65.0	25.6	34.2	4.4	1.7				
Profit margin (%)	38.1	43.3	33.5	41.5	4.2	1.6			27.8	29.7
Total assets	228,603.9	140,327.7	72,776.4	49,026.6	86,248.2	69,352.1	(3,843.1)	(4,092.0)	383,785.4	254,614.4
Percentage of total (%)	59.6	55.1	19.0	19.3	22.5	27.2				
Net assets	39,237.0	24,777.8	28,998.2	21,661.7	14,555.1	13,801.9	(28.2)	643.4	82,762.1	60,884.8
Percentage of total (%)	47.4	40.7	35.0	35.6	17.6	22.7				
Return on net assets before tax (%)	26.0	31.4	11.9	16.8	3.6	1.4			16.4	18.5

Note: (1) Return on net assets before tax refers to profit before tax divided by the average of net assets at the beginning and end of the period.

Distressed asset management is our core business and one of our principal income contributors. In 2012 and 2013, the income generated from distressed asset management accounted for 44.5% and 51.5% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 65.0% and 70.6% of our total profit before tax, respectively. In 2012 and 2013, the total assets of our distressed asset management accounted for 55.1% and 59.6% of our total assets and the net assets of our distressed asset management accounted for 40.7% and 47.4%, of our total net assets, respectively.

The profit contribution from the financial investment and asset management services remained stable in 2012 and 2013, accounting for 34.2% and 25.6% of the total profit before tax of the Group, respectively. In 2012 and 2013, the profit margin of this segment remained stable at 41.5% and 33.5%, respectively, and average annualized return on net asset before tax were 16.8% and 11.9%, respectively.

As a key component of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The total income and profit before tax of the segment in 2013 increased by 15.0% and 213.4% from 2012, respectively.

Please see "— Business Overview" for the details of the development of each of the segments.

Summary of Statement of Financial Position

As at December 31, 2012 and 2013, the total assets of the Group amounted to RMB254,614.4 million and RMB383,785.4 million respectively, representing an increase of 50.7%. Total liabilities amounted to RMB193,729.6 million and RMB301,023.3 million respectively, representing an increase of 55.4%. Total equity amounted to RMB60,884.8 million and RMB82,762.1 million respectively, representing an increase of 35.9%.

The table below sets forth the major items of balance sheet as at the dates indicated.

	As at December 31,			
	2013		2012	
	Amount (in millions of RMB)	Percentage (%)	Amount (in millions of RMB)	Percentage (%)
Assets				
Cash and bank balances	57,059.1	14.9	42,726.3	16.8
Financial assets at fair value through profit or loss	25,178.5	6.6	16,923.0	6.6
Available-for-sale financial assets	72,747.2	19.0	64,376.6	25.3
Financial assets classified as receivables	116,662.7	30.4	51,195.1	20.1
Loans and advances to customers	48,636.4	12.7	25,041.5	9.8
Other assets	63,501.5	16.4	54,351.9	21.4
Total assets	**383,785.4**	**100.0**	**254,614.4**	**100.0**
Liabilities				
Borrowings from central bank	4,913.0	1.6	7,053.4	3.6
Accounts payable to brokerage clients	6,480.8	2.2	6,629.5	3.4
Borrowings	173,834.7	57.7	76,099.2	39.3
Accounts payable	22,814.1	7.6	39,539.4	20.4
Bonds issued	13,285.0	4.4	12,534.6	6.5
Other liabilities	79,695.7	26.5	51,873.5	26.8
Total liabilities	**301,023.3**	**100.0**	**193,729.6**	**100.0**
Equity				
Equity attributable to equity holders of the Company	75,998.3	91.8	54,773.6	90.0
Non-controlling interests	6,763.8	8.2	6,111.2	10.0
Total equity	**82,762.1**	**100.0**	**60,884.8**	**100.0**
Total equity and liabilities	**383,785.4**		**254,614.4**	

Assets

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our bank deposits and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2012 and 2013, cash and bank balances amounted to RMB42,726.3 million and RMB57,059.1 million, respectively, representing an increase of 33.5%. We had a relatively high cash and bank balances primarily due to (1) our reservation of a portion of cash at the end of the year for the purposes of acquiring distressed debt assets and repaying of certain accounts payable due at the beginning of next year; and (2) the proceeds of RMB14,577.0 million from the listing of the Company in Hong Kong in December 2013 after deducting the offering expenses.

Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss are divided into two categories, including held-for-trading financial assets and financial assets designated as at fair value through profit or loss.

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

	As at December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Held-for-trading financial assets				
Debt securities	4,096.6	4,154.8	(58.2)	(1.4)
Equity instruments listed or traded on exchanges	736.0	813.1	(77.1)	(9.5)
Mutual funds	1,097.3	1,380.0	(282.7)	(20.5)
Derivatives	18.0	19.5	(1.5)	(7.7)
Subtotal	**5,947.9**	**6,367.4**	**(419.5)**	**(6.6)**
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	16,391.7	7,960.2	8,431.5	105.9
Financial institution convertible bonds	947.0	946.0	1.0	0.1
Corporate convertible bonds	106.7	72.8	33.9	46.6
Wealth management products	1,218.4	1,246.9	(28.5)	(2.3)
Unlisted equity instruments	566.8	329.7	237.1	71.9
Subtotal	**19,230.6**	**10,555.6**	**8,675.0**	**82.2**
Total	**25,178.5**	**16,923.0**	**8,255.5**	**48.8**

As at December 31, 2012 and 2013, held-for-trading financial assets amounted to RMB6,367.4 million and RMB5,947.9 million respectively, representing a decrease of 6.6%. The decrease was mainly attributable to the decrease in the mutual funds held by Cinda Securities and Happy Life, which was partially offset by the increase in mutual funds held by Well Kent International.

As at December 31, 2012 and 2013, financial assets designated as at fair value through profit or loss amounted to RMB10,555.6 million and RMB19,230.6 million respectively, representing an increase of 82.2%, mainly attributable to the increase in traditional distressed debt assets of the Company. Distressed debt assets designated as at fair value through profit or loss increased by 105.9% from RMB7,960.2 million as at December 31, 2012 to RMB16,391.7 million as at December 31, 2013, mainly attributable to the acquisition of a large amount of such assets by the Company in 2013.

Available-for-sale Financial Assets

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

	As at December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Debt securities	10,738.6	7,998.2	2,740.4	34.3
Equity instruments	44,767.0	50,441.5	(5,674.5)	(11.2)
Funds	4,541.9	3,705.1	836.8	22.6
Trust products	839.9	158.0	681.9	431.6
Wealth management products	1,273.4	980.0	293.4	29.9
Rights to trust assets	1,073.3	1,073.3	—	—
Debt instruments issued by financial institutions and asset management plans	9,404.3	—	9,404.3	100.0
Others	108.8	20.5	88.3	430.7
Total	**72,747.2**	**64,376.6**	**8,370.6**	**13.0**

As at December 31, 2012 and 2013, available-for-sale financial assets amounted to RMB64,376.6 million and RMB72,747.2 million respectively, representing an increase of 13.0%.

Equity instruments are the largest component of available-for-sale financial assets of the Group. As at December 31, 2012 and 2013, equity instruments amounted to RMB50,441.5 million and RMB44,767.0 million, accounting for 78.4% and 61.5% of total available-for-sale financial assets, respectively.

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

	As at December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	7,382.8	11,312.9	(3,930.1)	(34.7)
Unlisted	37,384.2	39,128.6	(1,744.4)	(4.5)
Total	**44,767.0**	**50,441.5**	**(5,674.5)**	**(11.2)**
The Company				
Listed	5,524.7	9,152.1	(3,627.4)	(39.6)
Unlisted	35,510.7	37,833.0	(2,322.3)	(6.1)
Total	**41,035.4**	**46,985.1**	**(5,949.7)**	**(12.7)**
DES Assets[1]	39,151.4	45,141.5	(5,990.1)	(13.3)
Financial equity investments by the Company[2]	1,884.0	1,843.6	40.4	2.2
Total	**41,035.4**	**46,985.1**	**(5,949.7)**	**(12.7)**

Notes:

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

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

Equity instruments in available-for-sale financial assets decreased from December 31, 2012 to December 31, 2013, primarily due to a decrease in DES Assets held by the Company. The decrease in DES Assets held by the Company from December 31, 2012 to December 31, 2013 was primarily because the Company disposed certain DES Assets.

We assess the available-for-sale financial assets for impairment, determine the provisions for impairment losses, and recognize impairment losses on assets for the year.

The table below sets forth the changes in allowance for impairment losses of available-for-sale financial assets for the years indicated.

	As at and for the year ended December 31, (in millions of RMB)
December 31, 2011	(704.9)
Provisions for impairment losses	(3,340.2)
Write off for non-recoverable amount	163.3
December 31, 2012	(3,881.8)
Provisions for impairment losses	(4,007.0)
Write off for non-recoverable amount	511.1
December 31, 2013	**(7,377.7)**

In 2012 and 2013, provisions for impairment losses on available-for-sale financial assets amounted to RMB3,340.2 million and RMB4,007.0 million respectively, mainly reflecting the market price changes of certain listed companies' equity interests held by the Group, including the effects of the decrease in the stock value of, among other things, Aluminum Corporation of China Limited, a listed DES Company.

Financial Assets Classified as Receivables

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

	As at December 31,			
	2013	**2012**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Distressed debt assets				
Loans acquired from financial institutions	36,512.9	19,294.5	17,218.4	89.2
Accounts receivable acquired from non-financial institutions	64,400.3	30,256.0	34,144.3	112.9
Subtotal	100,913.2	49,550.5	51,362.7	103.7
Allowance for impairment losses	(2,942.6)	(1,482.3)	(1,460.3)	98.5
Other debt investments				
Trust products	2,329.0	2,637.0	(308.0)	(11.7)
Certificate treasury bonds	142.7	292.7	(150.0)	(51.2)
Others	230.0	215.1	14.9	6.9
Subtotal	2,701.7	3,144.8	(443.1)	(14.1)
Allowance for impairment losses	(5.7)	(17.9)	12.2	(68.2)
Structured debt arrangements	15,996.1	—	15,996.1	—
Total	**116,662.7**	**51,195.1**	**65,467.6**	**127.9**

As at December 31, 2012 and 2013, distressed debt assets classified as receivables amounted to RMB49,550.5 million and RMB100,913.2 million, respectively, representing an increase of 103.7%. The increase was mainly because the Company captured the market opportunities and provided products which were tailored to clients' needs and acquired a large amount of distressed debt assets.

As at December 31, 2012 and 2013, the impaired distressed debt assets classified as receivables were RMB596.8 million and RMB1,010.7 million, respectively, accounting for 1.2% and 1.0% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2012 and 2013, the allowance for impairment losses on distressed debt assets classified as receivables was RMB1,482.3 million and RMB2,942.6 million, respectively, the coverage ratio of distressed debt assets classified as receivables was 248.4% and 291.1%, respectively, and the ratio of allowance to total distressed debt assets classified as receivables was 3.0% and 2.9%, respectively.

As at December 31, 2013, the balance of structured debt arrangements amounted to RMB15,996.1 million. Such assets were acquired by the Company from banks through structured fund arrangements, and are non-derivative financial assets with fixed return which have no active market. Such assets were managed as loans and receivables and accounted for as financial assets classified as receivables.

Loans and Advances to Customers

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

	As at December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Unsecured loans	50.0	288.1	(238.1)	(82.6)
Loans secured by properties	4,132.6	3,109.3	1,023.3	32.9
Other secured loans	1,445.4	461.7	983.7	213.1
Loans to margin customers	2,750.8	447.7	2,303.1	514.4
Net finance lease receivables	25,700.9	18,003.4	7,697.5	42.8
Entrusted loans	15,498.5	3,169.8	12,328.7	388.9
Subtotal	49,578.2	25,480.0	24,098.2	94.6
Allowance for impairment losses	(941.8)	(438.5)	(503.3)	114.8
Total	**48,636.4**	**25,041.5**	**23,594.9**	**94.2**

As at December 31, 2012 and 2013, loans and advances to customers amounted to RMB25,041.5 million and RMB48,636.4 million, respectively, representing an increase of 94.2%.

Entrusted loans increased by 388.9% from RMB3,169.8 million as at December 31, 2012 to RMB15,498.5 million as at December 31, 2013, mainly attributable to (1) the rapid development of asset management business and the corresponding increase in consolidated structured entities which engaged in the operation of entrusted loans; and (2) the growth of entrusted loan business of Cinda Investment.

Cinda Securities launched margin financing and securities lending business at the end of 2012. As at December 31, 2013, the loans to margin customers amounted to RMB2,750.8 million.

Loans secured by properties increased by 32.9% from RMB3,109.3 million as at December 31, 2012 to RMB4,132.6 million as at December 31, 2013, mainly attributable to the growth of loans secured by properties of Well Kent International and Jingu Trust.

Finance lease receivables (before allowance for impairment losses) increased by 42.8% from RMB18,003.4 million as at December 31, 2012 to RMB25,700.9 million as at December 31, 2013, mainly attributable to the business expansion of Cinda Leasing. As at December 31, 2012 and 2013, net finance lease receivables accounted for 70.7% and 51.8% of gross balance of loans and advances to customers respectively. The decrease in percentages was mainly attributable to the rapid growth of entrusted loans, loans to margin customers and loans secured by properties.

The table below sets forth the net amount of finance lease receivables we will receive within the number of years indicated, as at the dates indicated.

	As at December 31,			
	2013	2012	Change	Change in percentage
	(in millions of RMB)			(%)
Gross investment in finance leases	29,306.0	20,776.4	8,529.6	41.1
Less: Unearned finance income	(3,605.1)	(2,773.0)	(832.1)	30.0
Net finance lease receivables	**25,700.9**	**18,003.4**	**7,697.5**	**42.8**
Within 1 year (inclusive)	8,989.9	5,502.5	3,487.4	63.4
1 year to 5 years (inclusive)	16,256.9	12,017.8	4,239.1	35.3
Over 5 years	454.2	483.1	(28.9)	(6.0)
Allowance for impairment losses	(543.1)	(438.5)	(104.6)	23.9
Net carrying value	**25,157.8**	**17,564.9**	**7,592.9**	**43.2**

Liabilities

Liabilities of the Group mainly consist of borrowings, accounts payable, bonds issued and placements from banks and a financial institution, accounting for 57.7%, 7.6%, 4.4% and 3.5% of the total liabilities of the Group as at December 31, 2013, respectively.

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

	As at December 31,			
	2013		2012	
	Amount (in millions of RMB)	Percentage (%)	Amount (in millions of RMB)	Percentage (%)
Borrowings from central bank	4,913.0	2.0	7,053.4	4.6
Accounts payable to brokerage clients	6,480.8	2.7	6,629.5	4.3
Financial assets sold under repurchase agreements	9,442.8	3.9	11,993.6	7.9
Borrowings	173,834.7	72.5	76,099.2	50.0
Accounts payable	21,676.7	9.0	38,112.3	25.0
Placements from banks and a financial institution	10,477.0	4.4	—	—
Bonds issued	13,285.0	5.5	12,534.6	8.2
Total	**240,110.0**	**100.0**	**152,422.6**	**100.0**

Borrowings

As at December 31, 2012 and 2013, the balance of borrowings of the Group amounted to RMB76,099.2 million and RMB173,834.7 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 149.1% from RMB55,831.3 million as at December 31, 2012 to RMB139,069.3 million as at December 31, 2013, to finance the acquisitions of distressed debt assets classified as receivables and (2) Cinda Leasing's increased borrowings to support the growth of its finance lease receivables portfolio.

Accounts Payable

As at December 31, 2012 and 2013, the balance of accounts payable amounted to RMB39,539.4 million and RMB22,814.1 million, respectively, mainly including the amount due to the MOF and accounts payable associated with real estate business.

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

	As at December 31, 2013	2012
	(in millions of RMB)	
10-year 7.2% fixed rate subordinated bonds	504.2	495.0
3-year 4.35% fixed rate financial bonds	5,025.6	5,019.0
5-year 4.65% fixed rate financial bonds	5,024.0	5,020.6
3-year 4% fixed rate RMB bonds	1,989.2	2,000.0
90-day 6% fixed rate commercial papers	715.0	—
5-year 4% fixed rate HKD bonds	27.0	—
Total	**13,285.0**	**12,534.6**

Bonds issued mainly consist of (1) financial bonds issued by the Company in October 2012, (2) bonds issued by Well Kent International in December 2012 and September, October and December 2013, (3) the subordinated bonds issued by Happy Life in September 2011, and (4) commercial papers with a term of three months issued by Cinda Securities in November 2013.

Borrowings from Central Bank
The Company had borrowings from the PBOC in connection with the acquisitions of distressed assets from state-owned commercial banks. Such borrowings bear a fixed interest rate at 2.25% per annum and are to be repaid in full by December 31, 2014.

As at December 31, 2012 and 2013, the balance of borrowings of the Company from the PBOC amounted to RMB7,053.4 million and RMB4,913.0 million, respectively.

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 business operations.

As at December 31, 2013 and 2012, the claim amounts of pending litigation 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 counsel. 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.

Difference between Financial Statements Prepared under the PRC GAAP and IFRS

There is no difference of net profit and shareholders' equity for the reporting period between consolidated financial statements prepared by the Company under the PRC GAAP and IFRS.

Business Overview

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

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

	For the year ended December 31,			
	2013		2012	
	Total income	% of total	Total income	% of total
	(in millions of RMB, except for percentages)			
Distressed Asset Management	21,849.8	51.5	14,392.0	44.5
Financial Investment and Asset Management	8,976.8	21.2	7,911.3	24.5
Financial Services	12,133.9	28.6	10,552.6	32.6
Elimination	(547.3)	(1.3)	(520.7)	(1.6)
Total	**42,413.2**	**100.0**	**32,335.2**	**100.0**

	For the Year ended December 31,			
	2013		2012	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB, except for percentages)			
Distressed Asset Management	8,314.3	70.6	6,234.0	65.0
Financial Investment and Asset Management	3,011.7	25.6	3,284.6	34.2
Financial Services	514.9	4.4	164.3	1.7
Elimination	(68.8)	(0.6)	(87.0)	(0.9)
Total	**11,772.1**	**100.0**	**9,595.9**	**100.0**

In 2013, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 51.5%, 21.2% and 28.6% of the total income, respectively, and these segments' profit before tax represented 70.6%, 25.6% and 4.4% of the total profit before tax, respectively.

Distressed Asset Management

Distressed asset management is the core business of the Company and is the primary source of income and profit. In 2012 and 2013, income from the distressed asset management business accounted for 44.5% and 51.5% of the total income, respectively, and profit before tax from the distressed asset management business accounted for 65.0% and 70.6% of the total profit before tax, respectively.

The scope of the Company's distressed asset management business includes (1) the management and disposal of distressed debt assets acquired from or entrusted by financial institutions and non-financial enterprises, (2) the management and disposal of the DES Assets, and (3) custody, liquidation and restructuring of distressed financial institutions and non-financial enterprises.

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

The Company	As at and for the year ended December 31, 2013 (in millions of RMB)	2012
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[1]	114,754.7	56,090.4
Acquisition cost of distressed debt assets	88,813.1	52,191.1
Income from distressed debt assets[2]	14,678.5	7,492.2
Management and disposal of entrusted distressed assets		
Entrusted distressed assets	39,747.5	31,280.5
Management and disposal of DES Assets		
Book value of DES Assets	42,274.8	48,238.6
Dividend income from DES Assets	1,350.8	964.8
Acquisition cost of DES Assets disposed	4,273.6	2,827.0
Net gain from the disposal of DES Assets	3,644.6	4,682.9

Notes:

(1) Equivalent to the sum of the Company's distressed debt assets designated as fair value through profit or loss, and distressed debt assets classified as receivables, as appeared in the consolidated financial statements.

(2) Equivalent to the sum of the Company's fair value changes on distressed debt assets, and income from distressed debt assets classified as receivables as appeared in the consolidated financial statements.

Acquisition of Distressed Debt Assets — by source[1]

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

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

	As at and for the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
The Company	(in millions of RMB, except for percentages)			
Net balance of distressed debt assets(1)				
FI Distressed Assets	52,345.4	45.6	26,478.3	47.2
NFE Distressed Assets	62,409.3	54.4	29,612.1	52.8
Total	**114,754.7**	**100.0**	**56,090.4**	**100.0**
Acquisition cost of distressed debt assets				
FI Distressed Assets	42,332.0	47.7	22,521.0	43.2
NFE Distressed Assets	46,481.1	52.3	29,670.1	56.8
Total	**88,813.1**	**100.0**	**52,191.1**	**100.0**
Income from distressed debt assets(2)				
FI Distressed Assets	8,405.5	57.3	5,336.8	71.2
NFE Distressed Assets	6,273.0	42.7	2,155.4	28.8
Total	**14,678.5**	**100.0**	**7,492.2**	**100.0**

Notes:

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

(2) Equivalent to the Company's fair value changes on distressed debt assets, and income from distressed debt assets classified as receivables as appeared in the consolidated financial statements.

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

FI Distressed Assets

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

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

	For the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Large commercial banks	16,660.9	39.4	8,532.7	37.9
Joint-stock commercial banks	8,665.5	20.5	3,988.5	17.7
City and rural commercial banks	4,870.2	11.5	1,619.9	7.2
Non-bank financial institutions	12,135.4	28.6	8,044.9	35.7
Other banks (including policy banks, the PSBC and foreign banks)	—	—	335.0	1.5
Total	**42,332.0**	**100.0**	**22,521.0**	**100.0**

NFE Distressed Assets

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

Business Models for Distressed Debt Asset Management

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

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

	As at and for the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Net balance of distressed debt assets				
Traditional Distressed Assets(1)	16,784.1	14.6	8,022.2	14.3
Restructured Distressed Assets(2)	97,970.6	85.4	48,068.2	85.7
Total	**114,754.7**	**100.0**	**56,090.4**	**100.0**
Acquisition cost of distressed debt assets(3)				
Traditional Distressed Assets	12,278.8	13.8	2,941.6	5.6
Restructured Distressed Assets	76,534.3	86.2	49,249.5	94.4
Total	**88,813.1**	**100.0**	**52,191.1**	**100.0**
Income from distressed debt assets				
Traditional Distressed Assets(4)	4,534.3	30.9	3,973.8	53.0
Restructured Distressed Assets(5)	10,144.2	69.1	3,518.4	47.0
Total	**14,678.5**	**100.0**	**7,492.2**	**100.0**

Notes:

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

(2) Equivalent to the Company's distressed assets classified as receivables net of any identified impairment losses appeared in the consolidated financial statements.

(3) The "acquisition cost of distressed debt assets" indicates the amounts of assets acquired during each period indicated.

(4) Equivalent to the Company's realized and unrealized fair value changes on distressed debt assets, as appeared in the consolidated financial statements.

(5) Equivalent to the Company's income from distressed debt assets classified as receivables as appeared in the consolidated financial statements.

Traditional Distressed Assets

The primary source of the Company's Traditional Distressed Assets is banks. Upon completion of debt acquisition, we assume the pre-existing rights and obligations between the banks and debtors after we acquire the debts. We realize and enhance the value of assets primarily through debt restructuring, litigation and sales.

The table below sets forth certain financial details of the Company's acquisition and disposal of Traditional Distressed Assets as at the dates and for the years indicated:

	As at and for the year ended December 31,	
	2013	**2012**
	(in millions of RMB, except for percentages)	
Net balance of Traditional Distressed Assets	16,784.1	8,022.2
Acquisition cost of Traditional Distressed Assets	12,278.8	2,941.6
Carrying amount of Traditional Distressed Assets disposed(1)	3,809.8	3,205.9
Unrealized fair value changes	293.0	368.0
Income from Traditional Distressed Assets	4,534.3	3,973.8
Return on disposal (%)(2)	111.3	112.5

Notes:

(1) This item indicates the amounts of Traditional Distressed Assets disposed in a given period.

(2) (Income from Traditional Distressed Assets — unrealized fair value changes)/(Carrying amount of Traditional Distressed Assets disposed).

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non financial enterprises, as well as banks and non-bank financial institutions. When we acquire debts, we would enter into a tri-parte agreement with 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 method, repayment schedule, and any collateral and guarantee agreements. The restructuring returns and payment schedule are fixed at the time of executing the restructuring agreements.

The table below sets forth Restructuring Model, the certain financial details on our Company's acquisition and disposal of Restructured Distressed Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2013	2012
	(in millions of RMB, except for percentages)	
Net balance of Restructured Distressed Assets	97,970.6	48,068.2
Acquisition cost of Restructured Distressed Assets	76,534.3	49,249.5
Income from Restructured Distressed Assets	10,144.2	3,518.4
Annualized return on monthly average balance(1)	13.5	16.0
Impaired Restructured Distressed Assets	1,010.7	596.8
Impaired Restructured Distressed Assets ratio(2)	1.0	1.2
Allowance for impairment losses	2,942.6	1,482.3
Impaired Restructured Distressed Assets coverage ratio(3)	291.1	248.4

Notes:

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

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

(3) Allowance for impairment losses divided by Impaired Restructured Distressed Assets.

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, and our income is primarily derived from commissions. As at December 31, 2012 and 2013, the balance of the entrusted distressed assets was RMB31.28 billion and RMB39.75 billion, respectively.

DES Assets Management

The Company has obtained a significant amount of DES Assets primarily through debt-to-equity swap, receipt of equity in satisfaction of debt and other distressed assets related transactions. The DES Assets can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") or listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2013, we held Unlisted DES Assets in 187 DES Companies, with total book value of RMB34.13 billion, and Listed DES Assets in 26 DES Companies, with total book value of RMB8.14 billion.

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

	As at December 31,	
	2013	**2012**
	(in millions of RMB, except number of DES Companies)	
Basic Information about DES Assets		
Number of DES Companies	213	255
Unlisted	187	186
Listed	26	69
Total book value	42,274.8	48,238.6
Unlisted	34,134.9	36,449.3
Listed	8,139.9	11,789.3

DES Assets Disposal Gain

In 2012 and 2013, the Company disposed of the investments in 43 and 88 DES Companies, respectively, with total acquisition cost of RMB2,827.0 million and RMB4,273.6 million, respectively, realizing net gain of RMB4,682.9 million and RMB3,664.6 million, respectively. The exit multiple of all the DES Companies[1] was 1.9, and 2.2 for the unlisted ones in 2013.

The table below sets forth details of our disposal of DES Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2013	**2012**
	(in millions of RMB, except number of DES Companies disposed)	
Number of DES Companies disposed	88	43
Acquisition cost of DES Assets disposed	4,273.6	2,827.0
Net gain on DES Assets disposed	3,644.6	4,682.9
Dividend income	1,350.8	964.8

1 (Net gain + acquisition cost)/acquisition cost of DES Assets disposed.

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. In 2012 and 2013, we received fees and commissions from our custody, liquidation and restructuring business amounted to RMB10.3 million and RMB5.5 million, respectively.

Financial Investment and Asset Management

The financial investment and asset management business is conducted together by the Company, Cinda Investment, Well Kent International, Zhongrun Development and Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management (including private equity), and other businesses. In 2012 and 2013, the income from financial investment and asset management business accounted for 24.5% and 21.2% of the total income, respectively.

The table below sets forth the key financial data of Cinda Investment, Well Kent International and Zhongrun Development as at the dates and for the years indicated.

	As at and for the year ended December 31,							
	2013				2012			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	6,585.7	2,071.1	37,946.3	13,417.1	7,110.5	2,496.0	30,755.2	12,058.6
Well Kent International	702.9	442.5	9,436.8	3,831.4	624.3	375.9	8,666.6	3,308.8
Zhongrun Development	238.3	141.6	1,089.4	845.3	207.6	126.8	1,124.2	855.6

Principal Investment

Our principal investment business primarily includes: (1) equity investments related to our distressed asset management business, (2) real estate investment and development related to our distressed asset management business, and (3) other investments, including investments in fund products, debt securities, trust products and wealth management products. As at December 31, 2012 and 2013, balance of the principal investment totaled RMB13.87 billion and RMB19.67 billion, respectively. In 2012 and 2013, income from the principal investment, primarily including investment income, income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totaled RMB1.29 billion and RMB2.34 billion, respectively. As at December 31, 2013, the equity investments, real estate investments, fund investment and other investments represented 55.0%, 9.4%, 18.2% and 17.4%, respectively of the total principal investments.

	As at December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Balance of principal investments — by investment type				
Equity investments[1]	10,797.6	55.0	8,690.6	62.7
Real estate investments[2]	1,858.0	9.4	2,099.7	15.1
Fund investments	3,584.5	18.2	1,582.1	11.4
Other investments[3]	3,429.5	17.4	1,498.4	10.8
Total	**19,669.6**	**100.0**	**13,870.8**	**100.0**
Balance of principal investments — by investment entities				
The Company	9,717.4	49.4	6,003.4	43.3
Cinda Investment	8,410.0	42.8	6,680.4	48.2
Well Kent International	3,483.8	17.7	2,590.0	18.7
Zhongrun Development	684.9	3.5	664.2	4.8
(Elimination)	(2,626.5)	(13.4)	(2,067.2)	(15.0)
Total	**19,669.6**	**100.0**	**13,870.8**	**100.0**

Notes:

(1) Equivalent to equity instruments classified under "Financial Assets at Fair Value through Profit or Loss", "Available-for-sale Financial Assets" and "Interests in Associates" as appeared in the consolidated financial statements attributable to financial investment and asset management segment.

(2) Equivalent to Investment Properties as appeared in the consolidated financial statements.

(3) Other investments primarily include investments in debt securities, trust products and wealth management products.

Equity Investment

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

Equity Investments by the Company
The Company is engaged in financial investments and it receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2012 and 2013, the balance of the Company's direct equity investments classified under Financial Assets at Fair value Through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements, was RMB3.72 billion and RMB3.76 billion, respectively.

Equity Investments by Cinda Investment
Cinda Investment serves as the Group's professional investment platform. As at December 31, 2012 and 2013, the balance of Cinda Investment's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB2.04 billion and RMB2.51 billion, respectively.

Equity Investments by Well Kent International
Well Kent International and its subsidiaries serve as our overseas business platform. As at December 31, 2012 and 2013, the balance of Well Kent International's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB2.38 billion and RMB2.84 billion, respectively.

Equity Investments by Zhongrun Development
Zhongrun Development's investment business is primarily expanded through the Company's distressed asset management operations and the custody and liquidation of Distressed Entities business. As at December 31, 2012 and 2013, the balance of Zhongrun Development's equity investments classified under Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB570 million and RMB650 million, respectively.

Real Estate Investment and Development
Cinda Investment, together with its 17 subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Real Estate, one of the subsidiaries controlled by Cinda Investment which is principally engaged in property development, is the operation platform for property development business of the Company. As at December 31, 2012 and 2013, the value of our investment properties amounted to RMB2.10 billion and RMB1.86 billion, respectively. In 2012 and 2013 the real estate development business generated real estate sales revenue are RMB3.75 billion and RMB4.13 billion, respectively.

Other Investments
Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Well Kent International and Zhongrun Development. As at December 31, 2012 and 2013, the balance of the investments in all types of funds was RMB1.58 billion and RMB3.58 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2012 and 2013, the balance of the debt securities investments was RMB287 million and RMB528 million, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2012 and 2013, the balance of the investments in wealth management and trust products totaled RMB980.5 million and RMB2,207.7 million, respectively.

Asset Management Business (Private Equity Fund)

The asset management business includes (1) the private equity business under the financial investment and the asset management business and (2) the securities investment management, trust and mutual fund businesses under our financial services business.

As at December 31, 2013, we have established 25 private equity funds that raised third-party capital and for which our subsidiaries act as a general partner (or manager).

The table below sets forth details of the private equity business as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2013	**2012**
Number of funds[1]	25	9
Total committed capital (AUM) (In billions of RMB)	61.17	11.5
Total paid-in capital (In billions of RMB)	23.07	4.78
Paid-in capital from third parties (In billions of RMB)[2]	20.08	3.89
Fund management income (In millions of RMB)	84.7	18.0
Accumulated number of projects invested	59	20
Number of third-party investors	102	79

Notes: (1) Including funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager);

(2) Paid-in capital contributed by investors not affiliated with Group.

Other Businesses

In 2012 and 2013, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Well Kent International totaled RMB317 million and RMB229 million, respectively.

Financial Service

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 and 2013, income from financial services represented 32.6% and 28.6%, respectively, of the total income of the Group.

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

	As at and for the year ended December 31,							
	2013				2012			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
Securities and Futures(1)	2,083.5	449.5	17,648.5	6,267.0	1,691.2	272.9	14,838.4	5,895.2
Jingu Trust	1,003.6	350.4	3,516.6	3,233.5	946.2	685.6	2,386.2	2,023.6
Cinda Leasing	1,760.0	478.6	30,759.6	2,809.7	1,317.2	367.2	20,236.2	2,394.5
First State Cinda Fund	170.2	15.3	255.0	193.4	93.0	1.1	193.6	184.1
Cinda P&C	3,072.3	2.9	6,052.9	2,635.0	1,754.5	(371.4)	5,358.6	2,826.3
Happy Life	4,053.0	(780.4)	29,811.2	1,212.2	4,762.4	(791.1)	26,339.1	478.2

Note: (1) Including Cinda Securities, Cinda Futures and Cinda International.

Securities and Futures

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities, and through Cinda International in Hong Kong. In 2012 and 2013, the revenue of Cinda Securities (including Cinda Futures) amounted to RMB1.36 billion and RMB1.65 billion, and the revenue of Cinda International amounted to RMB81.3 million and RMB130.3 million, respectively.

Cinda Securities

The table below sets forth the amount of income from securities brokerage, futures and other businesses and their percentages in total operating income of Cinda Securities for the years indicated.

	For the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Securities brokerage	778.3	47.2	543.7	40.0
Futures	184.5	11.2	176.2	13.0
Others(1)	687.2	41.6	637.4	47.0
Total	**1,650.0**	**100.0**	**1,357.3**	**100.0**

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

Securities brokerage: As at December 31, 2013, the number of clients of Cinda Securities' securities brokerage business amounted to 1.123 million, the total value of its AUM amounted to RMB75.6 billion. In 2013, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB584.72 billion.

Futures business: In 2012 and 2013, income from the futures business of Cinda's Futures amounted to RMB176.2 million and RMB184.5 million, respectively.

Investment banking: In 2012 and 2013, Cinda Securities' underwriting fee and commission income amounted to RMB97 million and RMB105.9 million, respectively.

Asset management: As at December 31, 2012 and 2013, the AUM balance of Cinda Securities amounted to RMB16.0 billion and RMB35.4 billion, respectively. In 2013, fee and commission income from Cinda Securities' asset management business amounted to RMB101 million.

Innovative businesses and other businesses: In 2013, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB2.67 billion.

Cinda Futures

In 2012 and 2013, the revenue of Cinda Futures amounted to RMB51.1 million and RMB53.1 million, respectively.

Cinda International

As at December 31, 2013, we held 63.87% of the equity interest in Cinda International through Well Kent International. In 2012 and 2013, Cinda International generated a revenue of RMB81.3 million and RMB130.3 million, respectively.

Trusts

We conduct trust business through Jingu Trust. As at December 31, 2012 and 2013, the outstanding trust AUM totalled RMB101.8 billion and RMB93.8 billion, respectively, and we managed 213 and 192 existing trust projects, respectively. In 2012 and 2013, the fees and commission incomes generated from trust business were RMB752 million and RMB880 million, respectively, accounting for 79.6% and 80.6% respectively, of Jingu Trust's total revenue in respective periods.

Products

The trust products can be classified as individual trusts and collective trusts depending on the identification of the clients.

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

	As at December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Individual trust schemes	71,571.0	76.3	79,566.0	78.1
Collective trust schemes	22,240.0	23.7	22,269.0	21.9
Total	**93,811.0**	**100.0**	**101,835.0**	**100.0**

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

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

	As at December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Financing	63,951.0	68.2	75,217.0	73.9
Investment	24,878.0	26.5	23,338.0	22.9
Non-discretionary	4,982.0	5.3	3,280.0	3.2
Total	**93,811.0**	**100.0**	**101,835.0**	**100.0**

We primarily engage in developing fund trusts for project finance.

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

	As at December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Infrastructure	36,830.0	39.3	41,619.0	40.9
Real estate	21,239.0	22.6	16,272.0	16.0
Industry and commerce	16,959.0	18.1	21,906.0	21.5
Financial institutions	2,103.0	2.2	672.0	0.6
Others	16,680.0	17.8	21,365.0	21.0
Total	**93,811.0**	**100.0**	**101,835.0**	**100.0**

Clients

As at December 31, 2013, the trust business had a total of 10,441 clients, including 9,215 individual customers and 1,226 institutional clients.

Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2012 and 2013, the net lease receivables of the Group was RMB17.56 billion and RMB25.16 billion, respectively. In 2012 and 2013, the revenue generated by the financial leasing business was RMB762.8 million and RMB777.0 million, respectively; and the net profit from the financial leasing business was RMB307.1 million and RMB415.1 million, respectively.

Products

In 2013, the total income from specialized products and non-specialized products was RMB57 million and RMB720 million, respectively, representing 7.3% and 92.7%, respectively, of Cinda Leasing's total revenue for the year.

Clients

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

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

	As at December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Manufacturing	10,163.6	39.5	8,239.2	45.8
Mining	3,192.1	12.4	1,887.7	10.5
Water conservancy, environment and public utilities management	6,163.5	24.0	3,791.4	21.1
Construction	1,439.9	5.6	1,516.7	8.4
Transportation, logistics and postal services	2,609.2	10.2	1,324.5	7.4
Others	2,132.6	8.3	1,243.9	6.8
Total	**25,700.9**	**100.0**	**18,003.4**	**100.0**

Fund Management

We conduct public fund management business and other asset management business through First State Cinda Fund.

Products

As at December 31, 2013, we managed nine public securities investment funds, with AUM totalling RMB5.31 billion. In 2013, management fee from such funds totalled RMB89.3 million. Those public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets.

Clients

First State Cinda Fund has both individual and institutional investors with individual investors constituting the majority. As at December 31, 2013, our fund products had approximately RMB1.15 million individual clients and 986 institutional clients.

Insurance Business

We engage in the P&C insurance business and life and health insurance business through Cinda P&C and Happy Life, respectively.

The table below sets forth details of Cinda P&C's Original Premium Income and Happy Life's Original Premium Income for the years indicated.

	For the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Cinda P&C	3,043.0	42.5	2,422.4	29.8
Happy Life	4,115.2	57.5	5,707.1	70.2
Total	**7,158.2**	**100.0**	**8,129.5**	**100.0**

Cinda P&C

Cinda P&C 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.

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,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Motor vehicle insurance	2,543.6	83.6	1,996.3	82.4
Compulsory motor vehicle liability insurance	1,047.8	34.4	780.0	32.2
Commercial automobile insurance	1,495.8	49.2	1,216.3	50.2
Non-motor vehicle insurance	499.4	16.4	426.1	17.6
Total	**3,043.0**	**100.0**	**2,422.4**	**100.0**

Happy Life

Happy Life primarily offers all types of life and health insurance and accident insurance as well as re-insurance.

The table below sets forth details of the Original Premium Income of the three main types of life insurance products for the years indicated.

	For the year ended December 31,			
	2013		2012	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Life insurance	3,823.8	92.9	5,466.5	95.8
Participating life insurance	3,799.4	92.3	5,444.7	95.4
Others	24.4	0.6	21.8	0.4
Health insurance	129.3	3.1	102.9	1.8
Accident insurance	162.1	3.9	137.7	2.4
Total	**4,115.2**	**100.0**	**5,707.1**	**100.0**

Business Synergy

In 2013, the Group provided clients with a wide range of services including financing, equity investment, insurance, asset management, financial advisory services and overseas financial services through its diversified business platform. In 2013, the financial subsidiaries generated total cross-selling income of RMB1.58 billion, representing an increase of 27.2% as compared with year 2012.

In 2013, the Group promoted the cross-selling of traditional financial services including financial leasing, trusts and P&C insurance, and established business cooperation with branches and subsidiaries to enhance the synergy of asset management business.

Financial leasing: In 2013, the Group had 124 financial leasing projects sourced from cross-selling, representing an increase of 36.3% from 91 projects in 2012. The financial leasing business volume arising from cross-selling was approximately RMB19.82 billion, representing an increase of 20.7% as compared with 2012. Total income derived from these projects amounted to RMB1.24 billion, representing an increase of 43.0% as compared with year 2012.

Trusts: In 2013, the Group had 38 trust projects sourced from cross-selling. The trust business volume (defined as the outstanding trust AUM of Jingu Trust as at December 31, 2012) arising from cross-selling reached approximately RMB13.33 billion. Total income derived from these projects amounted to approximately RMB250 million in 2013, representing an increase of 46.2% as compared with year 2012.

P&C insurance: In 2013, the Group provided products and services to 125 customers recommended by the Company Branches through the P&C insurance business platform, representing an increase of 19.0% as compared with 2012. Cinda P&C derived total income of approximately RMB53.7 million from these customers, representing an increase of 48.3% as compared with 2012.

Asset management business: In 2013, the Group established 20 fund projects through the collaboration between the platforms of the subsidiaries, such as securities, fund and Cinda Capital and Company Branches and the assets under management (total paid-in capital) in aggregate amounted to RMB20.3 billion.

Significant Investment and Acquisition

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

Information Technology

In 2013, the Company continued to strive for the integration of its business strategies with information technology to boost its growth. Based on its business strategies, the Company formulated its information technology planning and improved its information technology governance structure. Efforts were also made to establish IT infrastructure and other important information systems for ensuring stable operation of information systems, efficient control of the Group and better business innovation.

Information Technology Governance

The Company established Information technology coordination and supervision departments under the Senior Management, and formed a daily IT decision-making mechanism.

Information Technology Planning

Based on its corporate strategic goals and the successful experiences of domestic and foreign financial institutions, the Group formulated its information technology planning. From 2013 to 2015, we place emphasis on establishing the platform comprised of information systems, such as the management and control system, the capital and accounting management system, the asset management system and the customer relationship management system of the Group, to support product innovation, strengthen management and control and improve operation efficiency.

Establishment of Information Systems

In 2013, in accordance with the needs of management, business development and customer service of the Group, the Company established information systems particularly for business innovation, financial management, risk management and information disclosure. We continued to improve the business systems of the three principal business segments of the Group, namely distressed asset management, financial investment and asset management and financial services, in order to facilitate business expansion. The Company carried out comprehensive research and development for the capital and accounting platforms of the Group. Version 1.0 of the platforms was adopted in the Company and gradually promoted in the subsidiaries upon the completion of its research and development. An internal rating system was also established to strengthen risk control. The website of the Group came into operation, transformed to be a market-oriented website with a focus on customer services and business product introduction, providing support for customer and investors.

Establishment of IT Infrastructure

The Group established its IT infrastructure based on the resources integration strategies of its middle and back offices. The construction of the Cinda (Hefei) disaster recovery and support base was completed in 2013 and received the titles of "Third Batch of National Green Construction Model Projects in the Construction Industry" (第三批全國建築業綠色施工示範工程) and "Green Construction Model Project of Anhui Province" (安徽省綠色建築示範工程). The Cinda (Beijing) Data Center (信達 (北京) 數據中心) launched the extension project of virtual application server to ensure resources security for the information systems of the Group.

Information Technology Management

In 2013, the information systems of the Group continued to operate in a secured and stable manner. The Group further improved its information technology research and development and operation services. It also put emphasis on the integration of business needs, effective risk control and quality management, and extensive application of system configuration for different products. The information security and the technology service management system of the Company with the standards of ISO27001 and ISO20000 was effectively integrated with its quality management system with the standard of ISO9001, satisfying the needs of its management and internal control.

Human resources management

During the Reporting Period, with the development strategies, the Company further implemented the reform of the human resources management mechanism to improve systematic, standardized and competitive human resources management. The Company also expanded the career path for the employees, attracted a number of high-end professionals and strengthened middle management training and team building.

Employees

As at December 31, 2013, the Group had 17,980 employees (excluding those employees through labour dispatch agent), of which 17,746 were in Mainland China and 234 were in Hong Kong and Macau. In the Company and its tier-one subsidiaries, employees with master's degree or above, with bachelor's degree or aged 45 and below accounted for 39%, 46% and 76% of the total employees, respectively.

Remuneration Policy

Committed to operation efficiency, the Company unified the remuneration management system and optimized the "performance-based" remuneration mechanism of the Group to achieve its operation targets. Salaries were determined according to the respective positions, duties, competence and contributions of employees under the employee remuneration management mechanism with the principles of "position-based salary and performance-based bonus." The incentive mechanism based on profit contribution was further optimized. Through matching revenue with risks and maintaining the consistency between long-term and short-term incentives, the Company established a healthy and competitive remuneration management system which is consistent with its operating results and is fair to all.

Education and Training

In the staff training perspective, the Company aims to support the strategic development of the Company and the career development of employees. Innovative training methods and all-round and multi-level training programs were carried out in line with its business development and competence enhancement. In 2013, over 800 training programs were held by the Company with more than 32,000 participants. By strengthening staff training of all levels, the overall quality and competence of employees were enhanced, providing sufficient human resources support for the sound and sustainable development of the Company.

Risk management

We regard risk management as a cornerstone and a core focus of the management and business operation of the Group, and have developed a comprehensive risk management system covering all business segments and lines.

The primary objectives of risk management of the Group 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.

In 2013, in order to achieve the strategic targets and primary objectives of risk management, the Company further improved its comprehensive risk management system and strengthened the supervision of major risks. Adhering to the risk management concept of "protecting the bottom-line by managing risks proactively" with an aim to prevent systemic and significant risks and to avoid moral hazards, the various risks of the Company were managed within limits acceptable to the Company.

Structure of risk management

The Company has developed an integrated risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the Risk Management Department and relevant functional departments at the Head Office, and our branches and subsidiaries, and the three lines of defense comprised of the business operation departments, the functional departments of risk management and the internal audit departments. We established various systems covering organizations, specific policies, and supervision and evaluation, reporting and information.

The Board assumes ultimate responsibility for the effectiveness of overall risk management. Its Risk Management Committee supervises and evaluates the Group's risk management, and the Audit Committee supervises the Group's internal control and internal audit. The Board of Supervisors supervises the risk management and internal control of the Company and makes suggestions and proposals accordingly. The Senior Management, including the Chief Risk Officer, is accountable to the Board for the overall effectiveness of our comprehensive risk management.

Our risk management organizations primarily consist of: (1) the Board and its Risk Management Committee and Audit Committee; (2) the Board of Supervisors; (3) the Senior Management; (4) the Risk Management Department and other functional departments of risk management at the Head Office; and (5) the Branch Risk Management Positions and Subsidiary Risk Management Departments.

In 2013, the Company further refined the relevant policies of risk management according to the requirement of comprehensive risk management system. The Provisional Accountability Policy of Significant Risk Events (《重大風險事件責任追究暫行辦法》) was issued to assign accountability for significant risk events. The Rules on the Work of Chief Risk Officers at Subsidiaries (《子公司風險總監工作規則》) was formulated to regulate the works of Chief Risk Officers at subsidiaries so as to strengthen the supervision on risk control of subsidiaries by the Head Office. The Provisional Rules on Risk Classification of Assets (《資產風險分類管理暫行辦法》) were introduced as the allocation basis of the reserve for general risks of the Company to reflect the updated asset quality in an accurate and complete manner. The Company also revised the Administrative Measures of Connected Transactions (《關聯交易管理辦法》) and Provisional Administrative Measures of Intra-Group Transactions (《集團內部交易管理暫行辦法》) to fulfill the requirements of the administrative and regulatory authorities and capital market in Hong Kong regarding the management of its connected transactions and intra-group transactions.

With the continuous efforts in enhancing the risk management framework, the risk management of the Company improved significantly. By implementing supervision and control on major risks including the credit risks, market risks, compliance risks and concentration risks, monitoring the risk management of subsidiaries and adopting various risk management measures such as risk alerts on identified and potential risks discovered through risk supervision, the Company was alerted with relevant risks timely and was able to respond to and resolve the risk events more efficiently. The risk management awareness of the Company improved significantly and the effectiveness and responsiveness of risk reporting were further enhanced.

In 2013, the Company focused on the development of risk management team by strengthening business training to reinforce the professional competence of the Company on risk management and control.

Management of credit risk

Credit risk refers to the risk of business losses resulting from an obligor or counterparty's failure or unwillingness to timely perform its repayment obligations or the deterioration of its financial conditions. Credit risk of our Group 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 exposures to credit risk on- and off-balance sheet.

The Company strictly complies with the regulatory requirements of the CBRC including relevant management guidelines on credit risks. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has implemented the strategies and optimized the system of credit risk management by focusing on the risk control of major areas to control and reduce credit risks.

In 2013, the Company refined its credit risk management policies in response to the changes in the general economy and financial regulatory requirements: (1) asset structures were adjusted to diversify the industry concentration risks. According to the requirements on customer concentration under the Regulations on Core Regulatory Ratios with respect to Risk Supervision for the PRC Commercial Banks (Provisional) (商業銀行風險監管核心指標 (試行)) issued by the CBRC, the specific limits were established on the concentration of our customers as a group or an individual; (2) the Provisional Rules on Risk Classification of Assets (資產風險分類管理暫行辦法) was published to reflect the real risk exposures of our assets through risk classification of assets.

Management of Market Risk

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

The market risk management of the Group includes identifying, measuring, supervising, monitoring and reporting of market risk with an aim to establish and refine the management system for the control and prevention of market risk, so as to improve the management of market risk.

The management of market risk of the Group aims to control market risk within acceptable range according to the risk tolerance of the Group, so as to maximize the risk-adjusted returns.

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.

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.

The Group is subject to the risk of losses incurred by changes in exchange rate and interest rate. As the Company's operation are mainly denominated in RMB, we are of the view that the Company's foreign exchange risk is insignificant. The Company will strength its capital management through various measures, such as speeding up foreign exchange settlement, engaging in foreign exchange forward to manage the foreign exchange risk. In the face of the fluctuating interest rates due to interest rate liberalization, the Company will use the Interest Rate Swaps (IRS) and other derivative instruments to hedge the potential interest rate risk.

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 formulate and adjust our equity management and disposal strategies accordingly. We seek professional analysis from Cinda Securities with respect to management of the market value of our public equities and closely monitor market movements.

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 regularly.

In 2013, we were dedicated to reforming the management system for market risk, establishing market risk management policies and exploring the quantitative indicators of market risk assessment, and our capability of market risk management was enhanced.

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 conditions; 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, insufficient financing to support business development, delay in collection of distressed assets or any loss incurred therefrom as well as risks related to our subsidiaries.

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 strived to improve our management on liquidity risks through optimizing the capital management system and the rolling forecast system for changes in cash flow. With our sound capital management, supervision, decision-making and forecast systems, we closely monitored and forecasted the market fluctuations and trends, formulated, adjusted and implemented plans for prevention of liquidity risks, and accurately restructured and wielded the liquidity portfolios, so as to effectively cope with the liquidity fluctuations.

In addition, we further consolidated and expanded corporation with banks and other financial institutions to diversify the fund-raising channels. By closely following the financing trend and establishing corresponding financing strategies, we matched the duration of assets and liabilities to ensure sufficient liquidity of the Company. Furthermore, we captured appropriate fund-raising opportunities and expanded the capital operation approaches to effectively control the financing costs.

Management of Operational Risk and Anti-money Laundering

Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events. In 2013, we refined the advanced measure approach for operational risk and further strengthened the management of operational risks by conducting assessment and supervision of operational risks for all business lines and establishing modern operational system.

Our operational risk management focuses on strengthening internal control, enhancing staff training and implementing strict accountability schemes to ensure compliance with relevant policies and processes. The operational risk management framework covers the Board, the Senior Management and all departments of the Head Office and our branches and subsidiaries and consists of “three lines of defenses” comprised of the business department, risk management department and audit department with respective responsibilities and focuses as well as cooperation, forming an effective operational risk management system. In order to control operational risk, we have further refined the comprehensive internal policy and regulation system covering all business processes complying with the standards of ISO9001. We have formulated and established systems and procedures to supervise the conduct of employees, and 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 IT service. We have also devised an information technology development plan for the Group covering business application, data management, information infrastructure and information governance, and we have finished a related report; we also strictly 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.

In addition, we put a great emphasis on the training of operational technique of employees and encouraged them to embrace a proper risk management philosophy and culture.

Anti-money Laundering

We have strictly complied with the relevant anti-money laundering laws and regulations and imposed requirements of anti-money laundering with focus on risk prevention. We also performed social responsibility of anti-money laundering and continued to enhance the management of compliance of anti-money laundering.

Management of Reputation Risk and Supervision on Financial Statement Consolidation

Management of Reputation Risk

We put a great emphasis on the monitoring of reputation risk. An operating mechanism for monitoring, handling and reporting public sentiment has been set up in our daily management in order to maintain a smooth communication of risk information. In addition, we promote the establishment of the management system of reputation risk to improve the management standard of the Company.

Supervision on Financial Statement Consolidation

Supervision on financial statement consolidation refers to the all-round and continuous supervision over the capital and risks of the group as an individual legal entity in order to identify, measure, monitor and evaluate the general risk conditions of the group. Supervision on financial statement consolidation includes the management of capital adequacy and leverage of the group, as well as intra-group transaction, large-sum risk exposure, liquidity risk and strategic and reputation risk, so as to identify, measure, monitor and analyze such risks and thereby having a quantitative evaluation of the risk conditions of the group based on the consolidation.

In 2013, we enhanced the supervision on financial statement consolidation through improving the organizational structure, imposing stricter capital constraint, strengthening management of large-sum risk exposure and intra-group transaction, and establishing a risk management system covering all affiliated entities.

We improved the capital management system and enhanced the management of capital adequacy. The Rules for Capital Management (《資本管理規程》) was formulated to ensure strict compliance with regulatory requirements, optimize the allocation of capital within the Group and improve the efficiency of the use of capital. In such ways, the capital of the Group was able to satisfy the internal and external management requirements.

We refined the supervision on financial statement consolidation with large-sum risk exposure and set limits for concentration risk. We strengthened the supervision on the clients with large-sum risk exposure and monitored the concentration of the top ten clients of the Group regularly. We also defined specific indicators for the concentration of our clients as a group and an individual.

We strengthened the management of intra-group transactions. We established strict approval procedures and stuck to them to ensure the fairness and enhance the management of the intra-group transactions.

Internal Audit

The Company implements internal audit system and engages professional auditor team to conduct supervision, inspection and evaluation on the income and expenditure, operating activities, risk exposure and internal control of the Company. Such professional auditors are also responsible to report the material deficiencies found in audit to the Board or the Audit Committee under the Board as well as the Board of Supervisors.

In 2013, we carried out selective and special inspection and internal control assessment in order to enhance our internal audit and management system. We diligently performed the audit functions by carrying out comprehensive audit and supervision activities and completed the annual audit plan. Furthermore, comprehensive evaluation was strengthened and great emphasis was placed on education and training with an aim to further improve the capability of the audit team.

We conducted specified inspection for our operation. In order to further standardize the management of our operation and strengthen the internal control mechanism for the sound development of the Company, we conducted a specified inspection in the Group to identify potential risks in our operation and minimize such risks. We also established an effective risk control mechanism. Through such inspection, our operation management was further standardized, which laid a solid foundation for our development.

We carried out evaluation on our internal control. Through self-evaluation of all departments of the Head Office, all branches and subsidiaries, onsite inspection of major departments and inspection of key sectors, we evaluated the effectiveness and sufficiency of internal control in various aspects, including development strategies, risk management, internal supervision, financial management, business operation and information, and made recommendations for improvement.

We carried out regular and special audits. We carried out regular and special audits for branches and subsidiaries in respect of major projects, key businesses and financial, and internal control. We also carried out economic responsibility auditing for the performance of Senior Management during their term of offices.

We further refined audit system. We refined our constitutional documents, including the Articles and policies for internal audit based on the research on internal audit management of state-owned banks and listed financial institutions and by reference of recommendation on internal audit system from professional third-party advisors.

For more details on the risk management of the Company, please see Note V.69 "Financial risk management" to the consolidated financial statements.

Capital Management

Based on the latest regulatory requirement in relation to capital and in line with our development strategies, we further strengthened capital management and formulated and implemented capital management measures, so as to further restructure the assets in on- and off-balance sheet. Furthermore, we managed the increase in off-balance sheet assets, strictly controlled the scale of assets with high risk weighting, monitored the capital investment and return of all businesses and product lines from time to time, and strengthened the industry benchmark management for timely review of our weakness so as to fulfill our strategic objectives.

As at December 31, 2012 and 2013, the capital adequacy ratio of the Company were 20.96% and 21.58% and the leverage ratio was 2.5:1 and 2.9:1. The increase in leverage ratio was mainly due to higher growth in borrowings in our interest-bearing liabilities. The Company strived to increase capital returns and shareholders' value in compliance with regulatory requirements.

Prospects

In 2014, China will face a complicated development environment with both favorable and adverse conditions. The global economic recovery remains unstable and uncertain as adjustments in overall policies of certain countries may lead to fluctuations and emerging economies are experiencing new difficulties and challenges. Substantial adjustments of global economic landscape intensify international competition. The significant changes in driving forces for the economic growth of China may result in unsynchronized development. During the current challenging period of economic restructuring, China will see a change in its growth rate as the downward pressure of the economic growth lingers. However, China remains in an important strategic development period with opportunities. Continuous industrialization and urbanization will also boost regional development. In the near future, China will be capable of maintaining a rapid economic growth based on its existing foundations.

Furthermore, the 2014 Government Work Report points out that innovation should be the supporting and driving force of economic structure optimization and upgrades. In making industrial structural adjustment, the government will rely on reform and support growth in some sectors while curbing excess and outdated production capacity in others. The government will support growth more vigorously and will curb excess and outdated production capacity in a more proactive and orderly manner. The government will let market competition determine which businesses survive, and encourage business acquisitions and reorganizations. In industries with severe overcapacity, the government will abolish preferential policies; absorb some excess production capacity and strictly control increases in production capacity. The government will ensure that the target for reducing outdated production capacity set in the Twelfth Five-Year Plan is met one year ahead of schedule, and make sure that these reductions are permanent and such production capacity does not increase again.

In the face of national economic restructuring, the Company will capitalize on its unique competitive edges to provide professional services for elimination of excess capacity and optimization of industrial structure so as to support the healthy development of the real economy. In particular, the transformation and development of economic structure in China will create opportunities for the distressed asset business of the Company in the following five aspects: firstly, with rising aggregate amount of loans in the banking industry of China, the scale of the non-performing loans from the banks may maintain the growth trend of the past two years, resulting in potential supply for the distressed asset markets; secondly, the share of the rapid-growing non-banking financial institutions, including trusts and financial leasing, in the gross social financing amount has been increasing. The scale of distressed assets of non-banking financial institutions may increase as they are exposed to certain industry risks, which may contribute to the source of the traditional distressed assets of the Group; thirdly, moderate slowdown in economic growth of China may result in temporary liquidity problems and increased receivables of certain enterprises with solid business foundation. The Company would capture these new opportunities through acquisition of restructured distressed assets and special situations investments; fourthly, the liberalization of interest rate allows the Company to adopt a more flexible cooperation method for its financial service segment to support its distressed asset business; fifthly, industry restructuring will bring about business opportunities, such as mergers and acquisitions of enterprises, industry restructuring, custody and liquidation. As a result, the Company will be able to further capitalize on its extensive experience in enterprise and industry restructuring.

Social Responsibility

In 2013, the Company continuously reformed its systems and mechanisms to promote the transformation of business and profit models. We made significant efforts and contributed to support the development of real economy, facilitate healthy growth of enterprises, resolve the financial risks effectively and protect and improve public welfare. We actively performed our social responsibilities in response to the concerns from different parties in a timely manner.

Applying financial services functions to support the development of real economy. As the financial industry is the cornerstone of the modern economy, the Company insists on providing financial services to serve the real economy. It has further strengthened and expanded the distressed asset management business by enhancing its innovation and enriching the product line. The Company also played an important role in guiding the structural realignment and transformation of the industry through provision of financial services in response to the industrial policies of the government.

Enhancing functions of financial services to facilitate healthy growth of enterprises. In response to the demands of the market and clients, the Company actively explored new modes and designed flexible transaction structures to offer customized financial service solutions. The Company developed businesses matching various development stages during the business cycles of enterprise, and conducted in-depth analysis and study to develop financial services for different types of distressed enterprises which fitted their needs so as to facilitate their healthy growth.

Expanding and strengthening cooperation to promote regional economic development. The Company insisted on supporting regional development by using financial leverage, and integrating financial services into regional development. We took full advantage of our professional experience in asset management and financial services to provide various specific solutions by utilizing different types of financial instruments.

Participating in disaster relief and poverty alleviation to contribute to the society. The Company is committed to fulfilling more social responsibilities. It has organized various charity campaigns including earthquake relief and poverty alleviation activities for specific regions. After the outbreak of Ya'an Earthquake in Sichuan on April 20, 2013, the Company actively provided support to the affected areas. The Company also implemented poverty alleviation programs in specific areas by taking a series of education, technology and industry relief measures to support the county economic development.

Devoting to charity and donations. The Company made donations to schools and education institutions having difficulties in order to improve their basic facilities and teaching environment. The Company also supported local development, and organized employees to participate in various kinds of voluntary work including giving assistance to the border areas and education industry, maintaining social security and stability, fully manifesting its love and support and contributing to the well-being of the society.

Establishing career development platform for employees to improve professionalism. The Company has established innovative training platform and promotion path for employees to optimize the human resources allocation and improve the capability of staff. A wide range of trainings was organized to build a team of high-quality and energetic employees, encouraging and motivating the employees to fulfill their duties and responsibilities with diligence and passion.

Supporting energy-saving and emission-reduction for better China. According to the principles of saving resources for sustainable development, and protecting ecology for a beautiful environment, the Company promoted the concept of frugality among its employees by implementing “paperless office” policy and video (or telephone) conference and reducing on-site meetings and documents. The Company also organized employees to participate in eco-charity activities such as afforestation, low-carbon transportation, waste recycling and promotion campaigns for environmental protection.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Share Capital

The share capital of the Company as at December 31, 2013 was as follows:

Name of shareholder	Class	Number of shares	Approximate percentage to the issued share capital of the Company
MOF	Domestic Shares	24,669,736,396	69.57%
Holders of H shares	H shares	10,789,127,639	30.43%
Total		35,458,864,035	100.00%

Note: On January 7, 2014, the Company issued an additional 797,826,000 H shares and 72,804,080 domestic shares were converted into H shares upon the full exercise of over-allotment option as described in the prospectus of the Company dated November 28, 2013 and the announcement of the Company dated December 30, 2013. As at the date of this report, the total share capital of the Company after such changes was 36,256,690,035 shares (including 11,659,757,719 H shares and 24,596,932,316 domestic shares).

Issue and Listing of Securities

As approved by domestic and overseas regulatory authorities, the Company was listed on the Hong Kong Stock Exchange on December 12, 2013. The Company issued approximately 6,117,000,000 H shares (including 798,000,000 H shares issued pursuant to the exercise of the over-allotment option) under the initial public offering, representing 16.87% of the total share capital after the issue, at an offer price of HK$3.58 per share. The total amount of issue was RMB6,117 million. The proceeds of approximately USD2,800 million was used to replenish the capital of the Company to further strengthen its distressed asset management business and develop its investment and asset management business and its financial service business. The over-allotment option of the Company was exercised in full on December 30, 2013. The over-allotment shares and H shares so converted were listed and commenced trading on the Hong Kong Stock Exchange on January 7, 2014. Following the completion of the initial public offering and the exercise of over-allotment option, as at the date of this report, the total share capital of the Company increased from 30,140,024,035 shares before its listing to 36,256,690,035 shares, including 24,596,932,316 shares (representing 67.84% of the total share capital) held by the MOF.

Substantial Shareholders and De Facto Controller

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

The Company had 3,231 shareholders as at December 31, 2013. So far as the our directors and supervisors are aware, the following persons had, or were deemed to have, an interest or short position in our shares, underlying shares and debentures which have been recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of share	Nature of interest	Approximate percentage to the total issued share capital	Approximate percentage to the relevant class of shares
Minister of Finance of the People's Republic of China	Beneficial owner	24,669,736,396	Domestic shares	Long position	69.57%	100%
The National Council for Social Security Fund of the PRC	Beneficial owner	2,911,595,294	H shares	Long position	8.21%	26.99%
UBS AG	Beneficial owner	1,637,711,839	H shares	Long position	4.62%	15.18%
	Beneficial owner	2,168,353,199	H shares	Short position	6.12%	20.10%
	Person holding a security interest in shares	255,775,000	H shares	Long position	0.72%	2.37%
	Interest of controlled corporation	1,295,104,199	H shares	Long position	3.65%	12.00%
Central Huijin Investment Ltd. (1)	Interest of controlled corporation	797,826,000	H shares	Long position	2.25%	7.39%
		797,826,000	H shares	Short position	2.25%	7.39%
Bank of China Limited (2)	Interest of controlled corporation	797,826,000	H shares	Long position	2.25%	7.39%
		797,826,000	H shares	Short position	2.25%	7.39%
BOC International Holdings Limited(3)	Interest of controlled corporation	797,826,000	H shares	Long position	2.25%	7.39%
		797,826,000	H shares	Short position	2.25%	7.39%
BOCI Asia Limited	Beneficial owner	797,826,000	H shares	Long position	2.25%	7.39%
		797,826,000	H shares	Short position	2.25%	7.39%
JP Morgan Chase & Co.	Beneficial owner	4,687,000	H shares	Long position	0.01%	0.04%
	Investment manager	162,283,000	H shares	Long position	0.46%	1.50%
	Custodian corporation/ approved lending agent	501,989,400	H shares	Long position/ lending pool	1.42%	4.65%

Notes:

(1) Central Huijin Investment Ltd. holds 67.77% equity interest in Bank of China Limited and is deemed to be interested in 797,826,000 H shares.

(2) Bank of China Limited holds the entire equity interest in BOC International Holdings Limited and is deemed to be interested in 797,826,000 H shares.

(3) BOC International Limited holds the entire equity interest in BOCI Asia Limited and is deemed to be interested in 797,826,000 H shares.

Major Shareholders

During the Reporting Period, the Major shareholder and de facto controller of the Company remained unchanged. Details of the Major shareholder of the Company are as follows:

MOF

MOF was established in October 1949 as a department under the State Council responsible for the administration of revenue and expenditures and taxation policies of the PRC.

Directors, Supervisors and Senior Management

Directors

No.	Name	Gender	Age	Position	Commencement of term of office
1	Hou Jianhang	Male	57	Chairman of the Board Executive Director	June 2013
2	Zang Jingfan	Male	58	Executive Director	June 2013
3	Xu Zhichao	Male	54	Executive Director	June 2013
4	Wang Shurong	Female	58	Non-executive Director	June 2013
5	Yin Boqin	Male	57	Non-executive Director	June 2013
6	Xiao Yuping	Female	53	Non-executive Director	June 2013
7	Yuan Hong	Female	49	Non-executive Director	June 2013
8	Lu Shengliang	Male	46	Non-executive Director	June 2013
9	Li Xikui	Male	69	Independent non-executive Director	June 2013
10	Qiu Dong	Male	56	Independent non-executive Director	June 2013
11	Chang Tso Tung, Stephen	Male	65	Independent non-executive Director	June 2013
12	Xu Dingbo	Male	50	Independent non-executive Director	June 2013

Executive Directors

Mr. Hou Jianhang, aged 57, 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 did not hold any directorship in any other listed companies in the last three years. 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 58, 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 did not hold any directorship in any other listed companies in the last three years. 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.

Mr. Xu Zhichao, aged 54, has been Vice President of the Company since March 2008, and executive Director and Vice President of the Company since June 2010. He was accredited as a senior economist by the Company in December 2002, and also receives special allowance from the State Council. Mr. Xu successively served as an officer and deputy director of the Macro-economy Research Institute of the China Society of Economic Reform from July 1987 to May 1991. From November 1993 to August 1995, he was the chief economist of Beijing Vantone Holdings Co., Ltd. (北京萬通實業股份有限公司) and the vice president of Vantone Group. From August 1995 to February 2000, he worked successively as standing deputy general manager, acting general manager and general manager of Wuhan International Trust and Investment Co. Ltd. Mr. Xu joined the Company in February 2000 and had held various positions successively, including Vice Chairman of the Executive Committee from February 2000 to November 2000, Director of the Legal Department from November 2000 to March 2003, General Counsel and Director of the Legal Department from March 2003 to February 2005, General Counsel and Director of the Market Development Department from February 2005 to September 2005, General Counsel (Assistant to President level) and Chairman of the Asset Disposal Review Committee from September 2005 to February 2006, General Counsel (Assistant to President level) from February 2006 to March 2008, and Board Secretary from June 2010 to February 2011. Mr. Xu did not hold any directorship in any other listed companies in the last three years. Mr. Xu graduated from the Finance Department of Renmin University of China in July 1984 and July 1987, with a bachelor's degree and a master's degree in economics, respectively. He studied in the Department of Economics at Aarhus University of Denmark from September 1991 to July 1993, and graduated from Huazhong University of Science & Technology in December 2003 with a doctoral degree in management.

Non-executive Directors

Ms. Wang Shurong, aged 58, has been non-executive Director of the Company since June 2010. She was accredited as an economist and a senior accountant by the MOF in March 1989 and May 2003, respectively. Ms. Wang worked in the MOF successively as deputy director of the Control Office of the Budget Department, researcher of the Investment Division and Enterprise Division of the Capital Construction Department, director of the Enterprise Division and Investment Division of Capital Construction Department, director of the Investment Planning Division of the Economic Construction Department and deputy director of the Investment Review Centre from August 1985 to June 2010. Ms. Wang did not hold any directorship in any other listed companies in the last three years. Ms. Wang graduated from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in February 1980 with a major in public finance.

Mr. Yin Boqin, aged 57, has been non-executive Director of the Company since June 2010. Mr. Yin served successively as deputy director of Foreign-related Taxation Division, and director of Income Tax Division of the Department of Taxation in MOF from August 1989 to March 1997. From March 1997 to March 1998, he was the Vice Mayor of Longkou City, Shandong Province. From March 1998 to September 2008, he served successively as director of the Local Tax Division, director of the Agricultural Tax Division and director of the Circulating Tax Division of the MOF. From September 2008 to June 2010, he was a deputy inspector of the Department of Taxation of the MOF. Mr. Yin did not hold any directorship in any other listed companies in the last three years. Mr. Yin graduated from Shanghai College of Finance and Economics (currently known as Shanghai University of Finance and Economics) in January 1983 with a bachelor's degree in economics.

Ms. Xiao Yuping, aged 53, 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 did not hold any directorship in any other listed companies in the last three years. 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 49, 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 ADBC 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 did not hold any directorship in any other listed companies in the last three years. Ms. Yuan graduated from Nankai University in July 1987 with a bachelor's degree in economics.

Mr. Lu Shengliang, aged 46, 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 since January 2010, and non-executive director of China UnionPay Company Limited since February 2011. Mr. Lu did not hold any directorship in any other listed companies in the last three years. 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 69, 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 (listed on SSE, stock code: 600015) from January 1994 to February 2000. He served as vice president of China Galaxy Securities Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 06881) from February 2000 to February 2006 and, served as chairman of the board of directors of Galaxy Fund Management Co., Ltd from February 2006 to April 2010. Mr. Li has also served as independent non-executive director of Chiho-Tiande Group Limited (listed on Hong Kong Stock Exchange, stock code: 00976) since July 2010. Mr. Li graduated from Liaoning College of Finance and Economics (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 56, 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 ABC (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 (Applied Economics), 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 65, 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. He 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. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement at the end of 2003. He 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 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, and independent director of China World Trade Center Co., Ltd (listed on the SSE, stock code: 600007) from December 2004 to November 2010. Mr. Chang graduated from the University of London in August 1973 with a bachelor's degree in science.

Mr. Xu Dingbo, aged 50, 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 school's Essilor Chair Professor of Accounting, Associate Dean and member of Management Committee, and has also served as a member of Financial Budget Committee from October 2009. Mr. Xu has been appointed as Independent Non-executive Director and the 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 SSE, stock code: 601116). Mr. Xu has served as Independent Director and Chairman of the Audit Committee of DongyiRisheng Home Decoration Group Limited Company (listed on Shenzhen Stock Exchange, stock code: 002713) 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 SSE, stock code: 600420). Mr. Xu has served as Independent Director of Sany Heavy Industry Co., Ltd (listed on the SSE, stock code: 600031) since January 2013 and as the 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 also graduated from the University of Minnesota in October 1996 with a doctoral degree in accounting.

Supervisors

No.	Name	Gender	Age	Position	Commencement of term of office
1	Chen Weizhong	Male	59	Chairman of the Board of Supervisors Shareholder Representative Supervisor	June 2013
2	Dong Juan	Female	61	External Supervisor	June 2013
3	Liu Xianghui	Male	59	External Supervisor	June 2013
4	Lin Jian	Male	57	Employee Representative Supervisor	June 2013
5	Wei Jianhui	Male	51	Employee Representative Supervisor	June 2013

Mr. Chen Weizhong, aged 59, has been Chairman of the Board of Supervisors of the Company since May 2011. He was accredited as a senior accountant by CCB in January 1993 and obtained the qualification of PRC certified public accountant in May 1994. Mr. Chen had held various positions successively in CCB, including deputy director and director of the Accounting Division of Finance Department from September 1986 to January 1992, deputy director of Finance Department from January 1992 to January 1996, deputy branch general manager of CCB's Zhejiang Branch from January 1996 to October 1998 (during which he also served as branch manager of CCB's Hangzhou Branch from July 1996 to April 1997) and general manager of Auditing Department from October 1998 to April 1999. Mr. Chen joined the Company in April 1999 as Director of the Capital and Finance Department until September 2005. He served as Vice President of the Company from September 2005 to May 2011. Mr. Chen did not hold any directorship in any other listed companies in the last three years. Mr. Chen graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in January 1982 majoring in finance and credit facilities, and graduated from Dongbei University of Finance and Economics in November 1999 with a master's degree in economics.

Ms. Dong Juan, aged 61, has been External Supervisor of the Company since June 2010. She obtained the qualification of PRC Certified Public Accountants in 1994. Ms. Dong had served as deputy director and director of the Foreign Trade Division in the Commerce and Trade Department of MOF from 1984 to 1994. She worked as director of the Enterprise Department of the National State-owned Assets Supervision and Administration Bureau from 1994 to 1998, director of the Assessment Department of MOF from 1998 to 2000, and has served as chairman of the board of directors of Grandchina International Consulting Co., Ltd. since 2000. She also served as independent non-executive director of Shanghai Qiangsheng Holdings Co., Ltd. (listed on the SSE, stock code: 600662) from May 2004 to May 2007 and June 2007 to March 2011, independent non-executive director of Baocheng Investment Co., Ltd. (listed on the SSE, stock code: 600892) from June 2006 to March 2011, independent non-executive director of Ming An (Holdings) Company Limited from September 2006 to November 2009, and independent non-executive director of Sinotex Investment & Development Co., Ltd (listed on the SSE, stock code: 600061) from September 2003 to September 2006, December 2006 to December 2009, and August 2011 to March 2013. Ms. Dong is currently also an external supervisor of ICBC (listed on the Hong Kong Stock Exchange, stock code: 01398, and the SSE, stock code: 601398). Ms. Dong graduated from Shanxi Finance and Economics College in July 1978, and graduated from Dongbei University of Finance and Economics in August 1997 with a master's degree in economics.

Mr. Liu Xianghui, aged 59, has been External Supervisor of the Company since June 2013. He was appointed as a senior economist by the PBOC in November 2013. Mr. Liu joined the State Economic Commission in September 1978, and served as officer and deputy director until May 1988. He served as deputy director and director of Department of State Planning and Regional Economy of State Planning Commission from May 1988 to May 1994, during which he interned at the United States Environmental Agency from June to December 1993. Mr. Liu served successively as director of the Industrial and Transportation Group and associate counsel (deputy director level) and counsel (director level) of Economic and Trading Group under the Office of Central Financial Work Leading Group from May 1994 to September 2004, director of CCB (listed on Hong Kong Stock Exchange, stock code: 00939; and the SSE, stock code: 601939) from September 2004 to June 2010, and non-executive Director of the Company from June 2010 to June 2013. Mr. Liu did not hold any directorship in any other listed companies in the last three years. Mr. Liu graduated from Liaoning University in August 1978. He studied advanced curriculum in national economic planning in Central School of Planning and Statistics in Poland from October 1989 to February 1990, and studied modern economic management in Beijing Economics Correspondence College from April 1985 to April 1986.

Mr. Lin Jian, aged 57, has been Employee Representative Supervisor of the Company since June 2013. He was appointed as senior economist by CCB in November 1993. Mr. Lin served successively as deputy director and director of General Affairs Office of Fujian Branch of CCB from June 1989 to December 1995, general manager of Quanzhou Branch of CCB from December 1995 to January 1999, and deputy general manager of Fujian Branch of CCB from January 1999 to August 1999. Mr. Lin joined the Company in August 1999 and served as director of Fuzhou office until February 2007, director of Guangzhou office from March 2007 to July 2010 and has been general manager of Guangdong branch since July 2010. Mr. Lin did not hold any directorship in any other listed companies in the last three years. Mr. Lin graduated from Fujian Financial Institution in January 1979 majoring in finance, and graduated from Correspondence College of the Central School of the Communist Party of China with an undergraduate education certificate of foreign economic management in December 1996. He also studied postgraduate program in currency banking in the Department of Finance of Xiamen University from July 1995 to January 1997.

Mr. Wei Jianhui, aged 51, has been Employee Representative Supervisor 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 Administration Division since June 2011. Mr. Wei did not hold any directorship in any other listed companies in the last three years. 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.

Senior Management

No.	Name	Position	Gender	Age	Commencement of appointment
1	Zang Jingfan	President	Male	58	May 2011
2	Chen Xiaozhou	Member of Senior Management	Male	51	September 2000
3	Yang Junhua	Member of Senior Management	Male	57	September 2005
4	Xiao Lin	Vice President	Male	59	June 2013
5	Zhuang Enyue	Vice President	Male	53	March 2007
6	Xu Zhichao	Vice President	Male	53	March 2008
7	Li Yuejin	Vice President	Male	56	February 2011
8	Wu Songyun	Vice President	Male	49	June 2013
9	Gu Jianguo	Vice President	Male	51	June 2013
10	Zhang Weidong	Assistant to President Board Secretary	Male	47	June 2013 February 2011
11	Luo Zhenhong	Chief Risk Officer	Male	48	October 2013

Mr. Zang Jingfan, please see "— Executive Directors".

Mr. Chen Xiaozhou, aged 51, 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 and executive director of Well Kent International since April 2011. 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 its chairman of Cinda International (listed on Hong Kong Stock Exchange, stock code: 00111) since December 2008, and has been a director of China National Materials Limited (listed on Hong Kong Stock Exchange, stock code: 01893) from July 2007 to May 2011. 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 57, 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 did not hold any directorship in any other listed companies in the last three years. 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 59, has been Vice President of the Company since June 2013. Mr. Xiao was accredited as a senior political engineer 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. Since February 2007 and August 2007, Mr. Xiao has served as the secretary of Disciplinary Committee and director of Labor Union, respectively. Mr. Xiao did not hold any directorship in any other listed companies in the last three years. 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 53, 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 did not hold any directorship in any other listed companies in the last three years. 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. Xu Zhichao, please see "— Executive Directors".

Mr. Li Yuejin, aged 56, 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 did not hold any directorship in any other listed companies in the past three years. 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 49, 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 did not hold any directorship in any other listed companies in the past three years. 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 51, 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 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 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 (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 had 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. Zhang Weidong, aged 47, has been Assistant to President of the Company since June 2013. He has served as the Board Secretary of the Company since February 2011 and was appointed 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. Mr. Zhang did not hold any directorship in any other listed companies in the last three years. 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 48, 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 till April 1999. Mr. Luo joined the Company in April 1999 and 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 did not hold any directorship in any other listed companies in the last three years. 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.

Change in Directors, Supervisors and Senior Management during the Reporting Period

Change in Directors

On June 28, 2013, Ms. Yuan Hong was elected as a Non-executive Director of the Company at the annual general meeting for 2012, whose qualification was approved by the CBRC on July 15, 2013. Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo were also elected as the Independent non-executive Directors of the Company, whose qualifications were approved by the CBRC on September 16, 2013. Mr. Zhuang Enyue, Ms. Li Yanping, Mr. Liu Xianghui and Mr. Yuen Tin Fan, Francis ceased to be the Directors of the Company due to expiry of term of office.

Change in Supervisors

On June 20, 2013, Mr. Lin Jian and Mr. Wei Jianhui were elected as the Employee Representative Supervisors of the Company at the second session of staff representative assembly. Ms. Zhang Guoying and Mr. Wu Deqiao ceased to be the Employee Representative Supervisors due to expiry of term of office.

On June 28, 2013, Mr. Liu Xianghui was elected as the External Supervisors of the Company at the annual general meeting for 2012. Ms. Wang Ting ceased to be the Shareholder Representative Supervisor due to expiry of term of office.

Change in Senior Management

On June 28, 2013, Mr. Xiao Lin, Mr. Wu Songyun and Mr. Gu Jianguo were appointed as Vice Presidents of the Company, whose qualifications were approved by the CBRC on September 3, 2013, and Mr. Zhang Weidong was appointed as the Assistant to President of the Company, whose qualifications were approved by the CBRC on September 3, 2013, at the fifth meeting of the Board in 2013.

Mr. Chen Yuhua ceased to be Vice President of the Company in June 2013 due to retirement.

Mr. Wang Haijun ceased to be the Chief Risk Officer of the Company in September 2013 due to retirement.

On October 16, 2013, Mr. Luo Zhenhong was appointed as the Chief Risk Officer of the Company at the seventh meeting of the Board and the second regular meeting of the Board in 2013, whose qualification was approved by the CBRC on December 2, 2013.

Annual remuneration

Remuneration of Directors, Supervisors and Senior management

For details of the remuneration of directors, supervisors and Senior Management of the Company, please see Note V.19 "Emoluments of directors and supervisors" and Note V.20 "Key management personnel and five highest paid individuals" to the consolidated financial statements.

Highest paid individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note V.20 "Key management personnel and five highest paid individuals" to the consolidated financial statements.

Change in Senior Management from the end of the Reporting Period to the date of the annual report

Mr. Liu Ligeng, aged 49, has been the chairman of the labor union of the Company since January 2014. He was qualified as an economist by the PBOC in June 1993. Mr. Liu had served as an officer and a 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. Mr. Liu did not hold any directorship in any other listed companies in the past three years. 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 in July 1998.

Corporate Governance Report

Summary

As a pilot entity for the conversion of the AMCs into joint stock companies in China in June 2010, the Company established a corporate governance structure comprised of the shareholders' general meeting, the Board, the Board of Supervisors and the Senior Management. The Company accepted strategic investors in April 2012 before it was listed on Hong Kong Stock Exchange in December 2013. The corporate governance of the Company has been improved through the process of conversion, acceptance of strategic investors and listing. During the Reporting Period, the Company has amended its corporate governance systems, including the Articles, rules of shareholders' general meeting and Board meetings and Board of Supervisors, working procedures of special committees, independent non-executive directors and president, as well as its internal control system in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Regulation on Financial Asset Management Companies, Special Regulations of the State Council Concerning the Overseas Offering and Listing of Shares by Joint Stock Companies, Mandatory Provisions for the Articles of Association of Companies Listing Overseas, Securities and Futures Ordinance, Listing Rules and other statutory, legal and regulatory requirements. The Company has accordingly modified the responsibilities and structures of the Board, the Board of Supervisors and its special committee and the Senior Management to meet the requirements of internal management and external regulatory requirements.

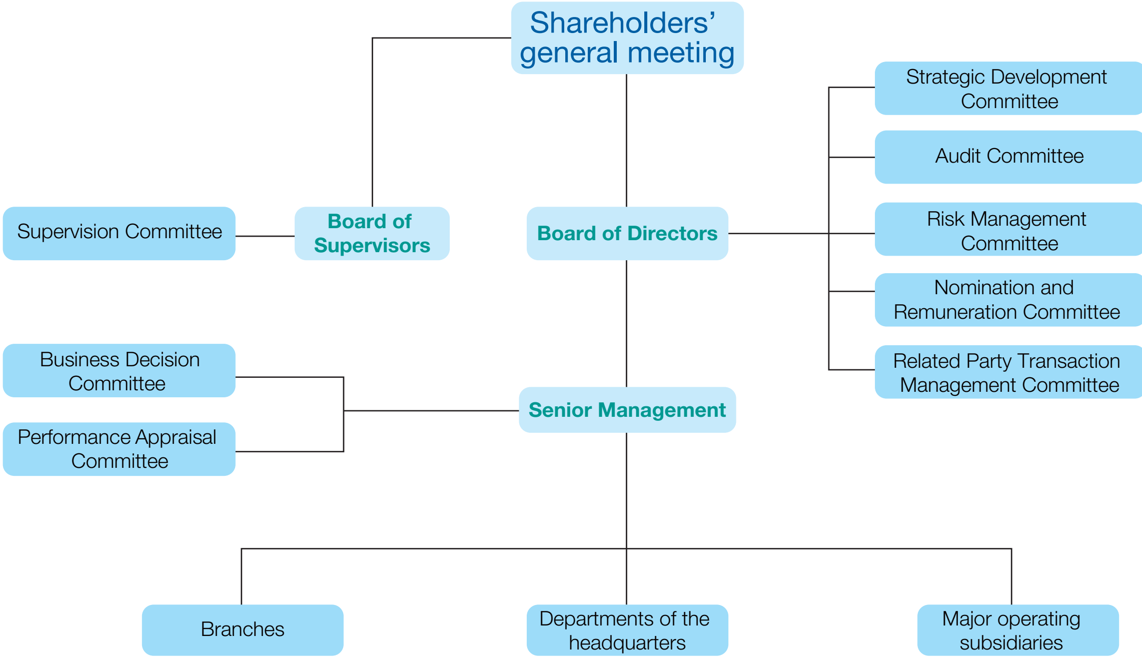
Code of Corporate Governance

During the Reporting Period, the Company complied with the Corporate Governance Code (Appendix 14 of the Hong Kong Listing Rules) and most of the recommended best practices therein.

Corporate Governance Structure

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

Corporate Governance Structure



Amendment of the Articles

To meet the corporate governance and operation requirements of the Company after listing, the Articles were amended substantially in accordance with the statutory, legal and regulatory requirements of Mainland China and Hong Kong with reference to experience of peers and the operation conditions of the Company. The Articles were significantly supplemented and the number of chapters was increased from 14 to 20 and the number of articles was increased from 185 to 287. The amended Articles became effective on December 12, 2013, the date of listing of the H Shares of the Company. The amended Articles was approved by the CBRC on March 20, 2014.

Shareholders' general meeting

Responsibilities of shareholders' general meeting

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws: (1) to decide the Company's operating policies and investment plans; (2) to elect and replace the directors and supervisors who are not representative of the employees of the Company, and to decide on matters related to the emoluments of directors and supervisors; (3) to consider and approve the reports of the Board; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve the annual financial budgets and final account plans of the Company; (6) to consider and approve the Company's profit distribution plan and loss recovery plan; (7) to resolve on any increase or reduction in the Company's registered capital; (8) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listing; (9) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company; (10) to amend the Articles, the procedural rules of the shareholders' general meeting, and the meetings of the Board and the Board of Supervisors; (11) to decide the engagement, dismissal or replacement of accounting firms of the Company; (12) to resolve on matters related to repurchase of shares of the Company; (13) to consider and approve major investments and disposals of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, write-off of assets, external donations of the Company and major decisions of legal corporations; (14) to consider and approve matters in relation to the change of use of the raised fund; (15) to consider and approve share incentive scheme; (16) to consider and approve any purchase, disposal or provision of guarantee with aggregate value of more than 30% of the total assets of the Company within a period of a year; (17) to consider and approve related party transactions required to be approved by the shareholders' general meeting under the law, regulations, regulatory documents and the securities regulatory authorities of the place where the Company's shares are listed; (18) to consider any motion raised by shareholders, individually or in aggregate, holding more than 3% of issued shares of the Company with voting rights; and (19) to consider and approve other matters which are required to be determined by the shareholders' general meeting under the laws, regulations, regulatory documents, applicable requirements of the securities regulatory authorities of the place where the Company's shares are listed and the Articles.

Details of shareholders' general meetings

During the Reporting Period, the Company had conducted five shareholders' general meetings in Beijing, including an annual general meeting and four extraordinary general meetings and had approved 25 resolutions. The Company had strictly complied with the legal procedures applicable to shareholders' general meetings which shareholders or their proxies attended for the exercise of their voting rights. The Company engaged legal counsels to attend shareholders' general meetings as scrutineers and to provide legal advices. Material matters considered and approved at the meetings include:

- the final account plan and the profit distribution plan of the Company for 2012;
- the fixed assets investment budget of the Company for 2013;
- the report of the Board and the report of the Board of Supervisors of the Company for 2012;
- the resolution on the election of Directors and Supervisors of the Company
- the proposal on the initial public offering of the H shares and the listing of the Company and relevant matters;
- the resolution on the amendments to the Articles and the procedural rules of the shareholders' general meetings, Board meetings and meetings of the Board of Supervisors of the Company; and
- the authorization to deal with matters in respect of the purchase of liability insurance of directors, supervisors and Senior Management, and the prospectus of the initial public offering.

Shareholders' rights

Right to propose to convene shareholders' general meeting

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

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

Shareholders' right to propose resolutions

Shareholders, individually or in the aggregate, holding more than 3% of the shares with voting rights of the Company shall have the right to submit proposals to the Company in writing. The Company shall place matters in the proposals within the scope of functions of the shareholders' general meeting on the agenda of such meeting.

Shareholders, individually or in the aggregate, holding more than 3% of the shares with voting rights of the Company shall have the right to submit interim proposals 10 days before the shareholders' general meeting to the convener of such meeting. The convener shall within two days upon receiving such proposals give supplemental notice to other shareholders, and place matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting on the agenda of such meeting.

Right to convene Board meetings

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

Right to propose resolutions for Board meetings

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

Shareholders' right to raise proposal and enquiry

Shareholders shall enjoy the right of supervisory management over the Company's business operations, and the right to present proposals or to raise enquires. Shareholders are entitled to inspect the Articles, the register of members, the state of Company's share capital and minutes of shareholders' general meetings of the Company. Shareholders may raise their enquiry or proposal to the Board by mail to the registered address of the Company or by email. In addition, shareholders' enquiry on shares or dividends (if any) shall be forwarded to Computershare Hong Kong Investor Services Limited, the share registrar of the H shares of the Company, whose contact information is available in "Corporate Information" in this annual report.

Other rights

Shareholders shall enjoy the right to dividends and other types of interest distributed in proportion to the number of shares held and other rights conferred by the laws, regulations, regulatory documents and the Articles.

Attendance of directors at shareholders' general meetings

Directors' attendance at shareholders' general meetings.

Members of the Board	Number of Meetings attended/ required to attend	Attendance rate
Executive directors		
Hou Jianhang	5/5	100%
Zang Jingfan	4/5	80%
Xu Zhichao	5/5	100%
Non-executive directors		
Wang Shurong	5/5	100%
Yin Boqin	5/5	100%
Xiao Yuping	5/5	100%
Yuan Hong	3/3	100%
Lu Shengliang	5/5	100%
Independent non-executive directors		
Li Xikui	5/5	100%
Qiu Dong	4/5	80%
Chang Tso Tung, Stephen	2/2	100%
Xu Dingbo	2/2	100%
Departed directors		
Zhuang Enyue	2/2	100%
Li Yanping	2/2	100%
Liu Xianghui	2/2	100%
Yuen Tin Fan, Francis	0/2	0%

Notes:

(1) Please see "Directors, Supervisors and Senior Management — Changes in directors, supervisors and Senior Management" in this annual report for changes in directors.

(2) Attendance includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(3) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Independence from controlling shareholder

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

Board of Directors

Composition and responsibilities of Board

From January 1, 2013 to June 28, 2013, the Board of the Company had 13 members, including four executive directors, namely Mr. Hou Jianhang (chairman), Mr. Zang Jingfan, Mr. Zhuang Enyue and Mr. Xu Zhichao, six non-executive directors, namely Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Li Yanping, Mr. Liu Xianghui and Mr. Lu Shengliang, and three independent non-executive directors, namely Mr. Li Xikui, Mr. Qiu Dong and Mr. Yuen Tin Fan, Francis. Directors were re-elected at the annual general meeting for 2012 on June 28, 2013. The new Board has 12 members with a term of 3 years, including three executive directors, namely Mr. Hou Jianhang (chairman), Mr. Zang Jingfan and Mr. Xu Zhichao, five non-executive directors, namely Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, and four independent non-executive directors, namely Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo. The appointment of Ms. Yuan Hong was approved by the CBRC on July 15, 2013 and the appointments of Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo were approved by the CBRC on September 16, 2013.

From the date of listing to the date of this annual report, the Board has complied with Rules 3.10 (1) and 3.10 (2) of the Listing Rules to have not less than three independent non-executive directors and not less than one of the independent non-executive directors has the requisite professional qualification in accounting or relevant financial management experience. Besides, the Company has complied with Rule 3.10A of the Listing Rules which stipulates that the number of independent non-executive directors appointed by a listed company shall not be less than one third of the Board.

The Board is accountable to the shareholders' general meeting in accordance with the Articles. The major duties of the Board include but not limited to: (1) to convene and report its work to the shareholders' general meeting; (2) to implement the resolutions of the shareholders' general meetings; (3) to determine the development strategies, operation plans and investment plans of the Company; (4) to formulate annual financial budget and final account plans of the Company; (5) to formulate profit distribution plan and loss recovery plan of the Company; (6) to formulate plans for the increase or reduction of the registered capital; (7) to formulate plans for merger, division, dissolution and change of the form of the Company; (8) to formulate plans for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing of the Company; (9) to formulate amendments to the Articles, the rules of procedures of the shareholders' general meeting and the rules of procedures of the Board; (10) to appoint or dismiss the president and the Board secretary of the Company; (11) to appoint or dismiss vice presidents, assistants to president and other Senior Management members (excluding the Board secretary) as nominated or suggested by the president; (12) to determine the chairman (other than the chairman of the strategic development committee) and members of each special committee under the Board; (13) to formulate the assessment methods and remuneration package of directors for the approval by the shareholders' general meeting; (14) to determine the remuneration, performance review and award and punishment mechanism of Senior Management members of the Company; (15) to determine the risk management, compliance and internal control policies of the Company and formulate systems in relation to the internal control and compliance management of the Company; (16) to consider and approve, or authorize the Related Party Transaction Management Committee under the Board to approve, related party transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws; (17) within the scope of approval by a shareholders' general meeting, to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations of the Company and major decisions of legal corporations; (18) to approve internal audit management system and regulations, medium-to-long term audit plan, annual working plan and internal audit system, determine or authorize the Audit Committee to determine the internal audit budget, remuneration of staff and the appointment and removal of major officers in charge, and ensure the independence of internal audit; and (19) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed and the requirements of the Articles and as authorized by the shareholders' general meeting.

Board meetings

In 2013, the Board conducted eight meetings, including two regular meetings and six extraordinary meetings. 68 resolutions were passed and six work reports were reviewed at the meetings, including six resolutions on the offering and listing of shares, 11 resolutions on management matters, seven resolutions on project approval, 25 resolutions on system establishment, 11 resolutions on personnel management, four resolutions on work report and four other resolutions. The major issues are as follows:

- considered and approved the final account plan and the profit distribution plan of the Company for 2012;

- considered and approved the annual report, report of the Board and the internal control evaluation report of the Company for 2012;

- considered and approved the fixed assets investment budget, audit working plan and appointment of accounting firm of the Company for 2013;

- considered and approved the resolution on candidates for the new session of the Board, chairman of the Board and the members of the special committees of the Board;

- considered and approved the proposal on the initial public offering of the H shares and the listing of the Company and relevant matters;

- considered and approved the resolution on authorization to deal with matters in respect of the purchase of liability insurance of directors, supervisors and Senior Management and the prospectus of the initial public offering;

- considered and approved the resolution on the amendments to the Articles and the Procedural Rules of Shareholders' General Meetings, the Procedural Rules of Board Meetings and the terms of reference of the special committees of the Board;

- considered and approved the resolution on the amendments to rules and regulations of the Company, including the Terms of Reference of the Independent Non-executive Directors (《獨立董事工作規則》), the Rules on Proposal Submission by the Board of Directors (《董事會議案提交規則》), the Terms of Reference of the President (《總裁工作規則》) and the Administrative Measures on Related Party Transaction (《關聯交易管理辦法》);

- considered and approved the resolution on the formulation of rules and regulations of the Company, including the Administrative Rules for Information Disclosure (《信息披露管理制度》), the Administrative Rules for Insider Management (《內幕消息知情人管理制度》), the Provisional Measures on Investor Relations (《投資者關係工作暫行辦法》), the Code for Securities Transactions by Directors, Supervisors and Senior Management (《董事、監事及高級管理人員証券交易守則》) and the Administrative Measures for the Preparation of Regular Information Disclosure Report (《信息披露定期報告編制管理辦法》); and

- received the reports on the risk management and new related parties of the Company for 2012.

In addition, the Board conducted self-evaluation on the effectiveness of internal control of the Group. For details, please see "Internal Control" in this annual report.

Attendance of Board Meetings

Directors' attendance at Board meetings.

Directors	Number of Meetings attended/ required to attend	Attendance rate
Executive directors		
Hou Jianhang	8/8	100%
Zang Jingfan	8/8	100%
Xu Zhichao	8/8	100%
Non-executive directors		
Wang Shurong	8/8	100%
Yin Boqin	8/8	100%
Xiao Yuping	8/8	100%
Yuan Hong	5/5	100%
Lu Shengliang	8/8	100%
Independent non-executive directors		
Li Xikui	8/8	100%
Qiu Dong	8/8	100%
Chang Tso Tung, Stephen	2/2	100%
Xu Dingbo	2/2	100%
Departed directors		
Zhuang Enyue	3/3	100%
Li Yanping	3/3	100%
Liu Xianghui	3/3	100%
Yuen Tin Fan, Francis	3/3	100%

Notes:

(1) Please see "Directors, Supervisors and Senior Management — Changes in directors, supervisors and Senior Management" in this annual report for changes in directors.

(2) Attendance includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(3) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Special Committees of the Board

The Board has five committees, namely the Strategic Development Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee and Related Party Transaction Management Committee.

Strategic Development Committee

From January 1, 2013 to June 28, 2013, the Strategic Development Committee had nine members. The chairman was acted by Mr. Hou Jianhang (Chairman of the Board). The members included an executive director, Mr. Zang Jingfan, five non-executive directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Li Yanping, Mr. Liu Xianghui and Mr. Lu Shengliang and two independent non-executive directors, Mr. Li Xikui and Mr. Yuen Tin Fan, Francis. After the re-election of directors on June 28, 2013, nine members of the Strategic Development Committee were elected at the fifth meeting of the Board for 2013. Mr. Hou Jianhang (Chairman of the Board) acts as the chairman. The members include an executive director, Mr. Zang Jingfan, and five non-executive directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang and two independent non-executive directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. The appointments of Ms. Yuan Hong and Mr. Chang Tso Tung, Stephen were effective from July 15, 2013 and September 16, 2013 when they were approved by the CBRC to act as non-executive director and independent non-executive director respectively.

The Strategic Development Committee shall perform the following duties, among others, to review the general strategic development plan of the Company and make suggestions to the Board; to consider and approve the information technology development plan and other special development plans; to review the annual operation plan and the fixed asset investment budget for approval by the Board; to review the major restructuring and adjustment proposals and make suggestions to the Board; to review major investments and financing proposals and make suggestions to the Board; to review the major merger and acquisition proposals and make suggestions to the Board; and to review and assess the comprehensiveness corporate governance of the Company and make suggestions to the Board.

During the Reporting Period, the Strategic Development Committee conducted five meetings to consider 13 resolutions, including the 2012 final accounts, 2013 fixed asset investment budget and its additional budget of the Company, the IT plan of the Group, change in the disaster contingency plan and construction recovery base and the initial public offering of the Company.

Directors' attendance at Strategic Development Committee meetings.

Members	Number of Meetings attended/ required to attend	Attendance rate
Hou Jianhang	5/5	100%
Zang Jingfan	5/5	100%
Wang Shurong	5/5	100%
Yin Boqin	5/5	100%
Xiao Yuping	3/3	100%
Yuan Hong	3/3	100%
Li Xikui	5/5	100%
Lu Shengliang	5/5	100%
Chang Tso Tung, Stephen	2/2	100%
Departed members		
Li Yanping	2/2	100%
Liu Xianghui	2/2	100%
Yuen Tin Fan, Francis	2/2	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Audit Committee

From January 1, 2013 to June 28, 2013, the Audit Committee had four members. The chairman was acted by Mr. Yin Boqin (non-executive director). The members included two non-executive directors, Ms. Xiao Yuping and Mr. Liu Xianghui and one independent non-executive director, Mr. Yuen Tin Fan, Francis. After the re-election of directors on June 28, 2013, five members of the Audit Committee were elected at the fifth Board meeting for 2013. Mr. Xu Dingbo (independent non-executive director) acts as the Chairman. The members include two non-executive directors, Ms. Wang Shurong and Mr. Yin Boqin and two independent non-executive directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. The appointments of Mr. Xu Dingbo and Mr. Chang Tso Tung, Stephen were effective from September 16, 2013 when they were approved by the CBRC to act as independent non-executive directors.

The Audit Committee shall perform the following duties, among others, to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company; to consider and approve the audit budget, remuneration of staff and appointment and removal of major officers of the Company, supervise and evaluate the internal audit work of the Company and formulate medium-to-long term audit plan, annual working plan and internal audit system setting plan of the Company in accordance with the authorization of the Board, and make proposals to the Board; to propose the appointment or dismissal of the external auditor, to supervise the work of external auditor and to review the report of the external auditor to ensure that the external auditor undertakes the audit responsibilities; to facilitate communications and monitor relationship between the internal audit department of the Company and the external auditor; and to monitor the non-compliance of the Company in respect of financial reporting and internal controls.

In 2013, the Audit Committee had conducted six meetings and two briefings to review the 2012 annual report and the 2013 audit plan of the Company; to review the internal control and internal audit systems; to review the appointment of accounting firm and the provisional internal control measures; working procedures and review reports. The committee had considered ten resolutions and received four reports from the accounting firm appointed for the annual audit.

On December 2, 2013, the Audit Committee conducted a briefing to receive the audit plan of 2013 from the accounting firm appointed for the annual audit. On March 24, 2014, the Audit Committee conducted a meeting to resolve the submission of the 2013 annual report to the Board for review. The Audit Committee cooperated with the Board and the external auditing firm in their review of the accounting standards and practise adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2013.

Directors' attendance at Audit Committee meetings.

Members	Number of Meetings attended/ required to attend	Attendance rate
Mr. Xu Dingbo	1/1	100%
Ms. Wang Shurong	2/2	100%
Mr. Yin Boqin	6/6	100%
Mr. Li Xikui	2/2	100%
Mr. Chang Tso Tung, Stephen	1/1	100%
Departed members		
Ms. Xiao Yuping	4/4	100%
Mr. Liu Xianghui	4/4	100%
Mr. Yuen Tin Fan, Francis	4/4	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Risk Management Committee

From January 1, 2013 to June 28, 2013, the Risk Management Committee had four members. The chairman was acted by Ms. Xiao Yuping (non-executive director). The members included two non-executive directors, Ms. Wang Shurong and Mr. Lu Shengliang and an independent non-executive director, Mr. Qiu Dong. After the re-election of directors on June 28, 2013, five members of the Risk Management Committee were elected at the fifth Board meeting for 2013. Ms. Xiao Yuping (non-executive director) acts as the Chairman. The members include an executive director, Mr. Xu Zhichao, two non-executive directors, Ms. Wang Shurong and Mr. Lu Shengliang and an independent non-executive director, Mr. Xu Dingbo. The appointment of Mr. Xu Dingbo was effective from September 16, 2013 when he was approved by the CBRC to act as independent non-executive director.

The Risk Management Committee shall perform the following duties, among others, to examine risk management strategy and risk management policies of the Company according to overall development strategic plan, and supervise their implementation and effectiveness; 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 to the Board on the risk management of the Company; to supervise the risk control of the Senior Management members in respect of credit, market and operation risks; and to formulate and amend the compliance policies of the Company, evaluate and supervise the compliance of the Company and make suggestions to the Board.

In 2013, the Risk Management Committee had conducted five meetings to considered six resolutions: including the review of the 2012 risk management report, quarterly risk management reports for 2013 and 2013 work report of the Risk Management Committee.

Directors' attendance at Risk Management Committee meetings

Members	Number of Meetings attended/ required to attend	Attendance rate
Xiao Yuping	5/5	100%
Xu Zhichao	3/3	100%
Wang Shurong	4/5	80%
Lu Shengliang	4/5	80%
Xu Dingbo	1/1	100%
Departed members		
Qiu Dong	2/2	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Nomination and Remuneration Committee

From January 1, 2013 to June 28, 2013, the Nomination and Remuneration Committee had three members. The chairman was acted by Mr. Li Xikui (independent non-executive director). The members included two non-executive directors, Ms. Wang Shurong and Mr. Liu Xianghui. After the re-election of directors on June 28, 2013, three members of the Nomination and Remuneration Committee were elected at the fifth Board meeting for 2013. Mr. Li Xikui (independent non-executive director) acts as the Chairman. The members include a non-executive director, Ms. Wang Shurong, and an independent non-executive director, Mr. Qiu Dong.

The Nomination and Remuneration Committee shall perform the following duties, among others, to formulate procedures and standards for the election of directors and Senior Management members and make suggestions to the Board; to make recommendations to the Board in respect of the candidates for directors, presidents and Board secretary; to preliminarily examine the eligibility of the candidates for directors and Senior Management members; to nominate the candidates for chairmen and members of the special committees of the Board (other than the chairman of the strategic development committee); to review and make recommendation on the composition of the Board; and to organize the formulation of remuneration package of directors and Senior Management members for the approval of the Board and propose remuneration distribution plan according to the performance appraisal of directors and Senior Management members for the approval of the Board.

In 2013, the Nomination and Remuneration Committee had conducted six meetings to consider 13 resolutions, including: the verification of the qualification of candidates for director, Senior Management, authorized representative, joint company secretaries; the nomination of chairmen and members of special committees (except the chairman of the Strategic Development Committee); and the payroll plan of the remuneration of directors and Senior Management.

Directors' attendance at Nomination and Remuneration Committee meetings

Members	Number of Meetings attended/ required to attend	Attendance rate
Li Xikui	6/6	100%
Wang Shurong	6/6	100%
Qiu Dong	4/4	100%
Departed members		
Liu Xianghui	2/2	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

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

1. Candidates of directors or independent non-executive directors shall be nominated by way of proposal with their detailed information including:

   - personal particulars such as education background, working experience and any part-time positions;

   - whether there is any connected relationship with the Company or the controlling shareholders and actual controller of the Company;

   - their shareholdings in the Company; and

   - whether there are any penalties or punishments imposed by the securities regulatory authorities of the State Council and other related authorities or the stock exchange.

2. A candidate of director shall, prior to the convening of the shareholders' general meeting, give a written undertaking letter that he/she agrees to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrants that he/she will duly perform his/her obligations as a director after he/she is elected. A written notice of the intention to nominate a candidate of director and the willingness of such to be elected and the written documents on the basic information of such candidate shall be given to the Company within 10 days prior to the date of the shareholders' general meeting;

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

4. The length of the period (commencing from the day immediately following the date on which the notice convening a shareholders' general meeting is given), during which the aforesaid notice and documents are submitted to the Company by the nominators and the candidates of directors may be given, will be at least seven days;

5. The shareholders' general meeting shall review and vote on the election of the candidates one by one; and

6. A candidate of director shall act as a director of the Company upon the approval of the shareholders' general meeting with his qualification verified by the regulatory authorities.

To improve the effectiveness of the Board and the standard of corporate governance, the Nomination and Remuneration Committee has adopted a policy to diversify the membership of the Board. The composition of the Board shall have requisite skills, experience and various visions to ensure an effective leadership and independent decision of the Board. The Board shall have appropriate numbers of executive directors and non-executive directors (including independent non-executive directors) so that it can make independent decision in an effective manner.

The Nomination and Remuneration Committee will consider (including but not limited to) the age, cultural and education background, professional experience, skills, knowledge, race and any quality important to the Company of a candidate which can bring benefits and contribution to the Board. The Nomination and Remuneration Committee has considered the composition diversity of the Board when selecting candidates for the new session of directors.

Related Party Transaction Management Committee

From January 1, 2013 to June 28, 2013, the Related Party Transaction Management Committee (known as the Connected Transaction Committee before the amendment of the Articles) had three members. The chairman was acted by Mr. Qiu Dong (independent non-executive director). The members included Ms. Li Yanping, a non-executive director, and Mr. Li Xikui, an independent non-executive director. After the re-election of directors on June 28, 2013, three members of the Related Party Transaction Management Committee were elected at the fifth meeting of the Board for 2013. Mr. Qiu Dong continues to act as chairman, an independent non-executive director. The members include Ms. Yuan Hong, a non-executive director, and Mr. Xu Dingbo, an independent non-executive director. The appointments of Ms. Yuan Hong and Mr. Xu Dingbo were effective from July 15, 2013 and September 16, 2013 when they were approved by the CBRC to act as non-executive director and independent non-executive director respectively.

The Related Party Transaction Management Committee shall perform the following duties, among others, to identify related parties of the Company and report to the Board and the Board of Supervisors and inform the relevant parties of the Company in a timely manner; to review management rules for related party transactions, oversee its implementation and make suggestions to the Board; 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; to consider and approve related party transactions and other matters thereof under authorization by the Board; to maintain records of related party transactions; and to consider and approve the annual management report on related party transactions to the Board.

In 2013, the Related Party Transaction Management Committee had conducted two meetings to consider six resolutions, including: the 2012 selected party transaction report and internal transaction report, the selected party transaction control regulations and internal transaction control regulations, particulars of additional related parties.

Directors' attendance at Related Party Transaction Management Committee meetings

Members	**Number of Meetings attended/ required to attend**	**Attendance rate**
Qiu Dong	2/2	100%
Yuan Hong	1/1	100%
Xu Dingbo	1/1	100%
Departed members		
Li Yanping	1/1	100%
Li Xikui	1/1	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Board of Supervisors

Duties of the Board of Supervisors

The Board of Supervisors is a supervisory entity of the Company and shall be accountable to the shareholders' general meeting. The Board of Supervisors shall perform the following duties: (1) to examine and supervise the financial condition of the Company, and review the financial information including the financial reports and the profit distribution plan of the Company; (2) to supervise the performance of the Board and Senior Management members, and to urge directors and Senior Management members to correct their acts which have impaired the interests of the Company; (3) to propose the convening of extraordinary shareholders' general meeting and to convene and preside over shareholders' general meetings when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting under laws, regulations and the Articles; (4) to submit proposals to the shareholders' general meeting; (5) to propose to convene an extraordinary meeting of the Board; (6) to monitor the risk management and internal controls of the Company and supervise the internal audit department of the Company; (7) to nominate Shareholder Representative Supervisors, External Supervisors and independent non-executive directors; and (8) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed and the requirements of the Articles.

Composition of Board of Supervisors

As at December 31, 2013, the Company had five supervisors, including a Shareholder Representative Supervisor, Mr. Chen Weizhong, and two External Supervisors, Ms. Dong Juan and Mr. Liu Xianghui, and two Employee Representative Supervisors, Mr. Lin Jian and Mr. Wei Jianhui.

The term of office of a supervisor of the Company shall be three years. Supervisors may be re-elected after the expiration of his/her term of office. The Shareholder Representative Supervisors and External Supervisors of the Company are elected at the shareholders' general meeting and the Employee Representative Supervisors of the Company are elected at the employees' general meeting.

Chairman of the Board of Supervisors

Mr. Chen Weizhong acts as the chairman of the Board of Supervisors and is responsible for the operation of the Board of Supervisors in accordance with the Articles of the Company.

Election of supervisor

Mr. Chen Weizhong was elected as a Shareholder Representative Supervisor and Ms. Dong Juan and Mr. Liu Xianghui were elected as External Supervisors of the Company at a shareholders' general meeting in June 2013.

Mr. Lin Jian and Mr. Wei Jianhui were elected as Employee Representative Supervisors at the second staff representative conference in June 2013.

Operation of the Board of Supervisors

The meetings of the Board of Supervisors are divided into regular meetings and extraordinary meetings of the Board of Supervisors. The meeting of the Board of supervisors may be held onsite or by way of correspondence. Regular meetings of the Board of Supervisors shall be convened at least once every six months informing all supervisors in writing ten days prior to the holding of meeting, and shall not be convened by way of correspondence. To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the supervisors.

Meetings of the Board of Supervisors

The Board of Supervisors had conducted six meetings in 2013 and considered and approved 15 resolutions, mainly include:

- the resolutions regarding the annual report, financial statements, profit distribution plan, social responsibility report and supervision report for 2012;

- the resolutions regarding the appraisal reports on the performance the directors and Senior Management and the internal control evaluation report;

- the resolution regarding the election of a new session of the Board of Supervisors, including the nomination of candidates for supervisors, chairman of the Board of Supervisors, chairman and members of the Supervision Committee of the Board of Supervisors; and

- the resolution on the amendments to the Procedural Rules of the Board of Supervisors (《監事會工作規則》), the Terms of Reference of the Supervision Committee (《監督委員會工作規則》) of the Board of Supervisors and the resolution on the formulation of the Provisional Measures on Evaluation and Supervision of Internal Controls of the Company by the Board of Supervisors (《監事會對公司內部控制監督評價暫行辦法》) and the Implementation Rules for the Performance Evaluation of the Special Committees of the Board of Directors by the Board of Supervisors (《監事會對董事會專門委員會履職評價實施細則》).

Furthermore, the 2013 Working Plan of the Board of Supervisors (《2013年度監事會工作計劃》) was approved in late 2012.

Supervisors attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Current members		
Chen Weizhong	6/6	100%
Dong Juan	6/6	100%
Liu Xianghui	3/3	100%
Lin Jian	4/4	100%
Wei Jianhui	4/4	100%
Departed members		
Zhang Guoying	2/2	100%
Wu Deqiao	2/2	100%
Wang Ting	3/3	100%

Notes:

(1) Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.

(2) Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Special committee of the Board of Supervisors

The Supervision Committee shall be established under the Board of Supervisors of the Company. The special committees under the Board of Supervisors shall be accountable to the Board of Supervisors, assist the Board of Supervisors to perform its obligations under the authority of the Board of Supervisors, and report its work to the Board of Supervisors.

The Supervision Committee has four members, including Ms. Dong Juan (chairman), Mr. Liu Xianghui, Mr. Lin Jian and Mr. Wei Jianhui.

The duties of the Supervision Committee primarily include: (1) to review the financial reports of the Company and give advice to the Board of the Supervisors; (2) to assess the internal controls of the Company and give advice to the Board of the Supervisors; (3) to assess the performance of the directors and Senior Management members and give advice to the Board of the Supervisors; (4) to supervise the risk management of the Company; and (5) to perform other duties as authorized by the Board of the Supervisors.

In 2013, the Supervision Committee had conducted three meetings and seven project meetings to review and approve the following:

- resolution on the performance appraisal plan for the special committees of the Board, directors and Senior Management for 2013;
- resolution on the internal control evaluation plan of the Board of Supervisors for 2013; and
- resolution on the accounts supervision plan of the Board of Supervisors for 2013.

Chairman of the Board and President

In accordance with A.2.1 of the Code of Corporate Governance Practices (Appendix 14 to the Listing Rules) and the Articles, the chairman of the Board and the president shall be acted by different individuals, and the chairman of the Board shall not be acted by the legal representative or other key management of the controlling shareholder.

Mr. Hou Jianhang acts as the chairman of the Board and the legal representative of the Company, and is responsible for leading the Board to formulate and review the annual budget and final account statement, business development strategies, risk management, compliance, internal control policies and other major matters of the Company through the Board.

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

Senior Management

Composition and duties of Senior Management

The Senior Management of the Company is its execution body and is accountable to the Board. The Senior Management comprises 12 members. For details of its composition, please see “Directors, Supervisors and Senior Management — Senior Management” and “— Change in Senior Management from the end of the Reporting Period to the date of the annual report” in this annual report. The terms of reference of the Senior Management and the Board are separate. The Senior Management determines the operation management and decisions within its terms of reference as authorized by the Board. The Company regularly reviews such authorization in accordance with its needs. The Board, in turn, conducts appraisal on the Senior Management and its members in accordance with the evaluation requirements of the MOF, the results of which form the basis of their remuneration and performance arrangements.

Evaluation system of Senior Management

The Board of Supervisors of the Company conducted appraisal of the Board, Senior Management and its members based on the Provisional Measures on the Supervision of the Board of Directors, Senior Management and Its Members (《監事會對董事會、高級管理層及其成員履職監督管理辦法》). The appraisal initiatives included examination of minutes of shareholders' general meetings, Board meetings and meetings of the special committees of the Board, review of the annual performance reports of the Board, the special committees of the Board, Senior Management and its members and evaluation and site visits regarding the performance of the Board, the special committees of the Board, Senior Management and its members.

The Company has not issued any share incentives to the directors, supervisors and Senior Management.

Communication with shareholders

Investor relations and information disclosure

In accordance with the regulatory provisions and the corporate governance system, the Company formulated the information disclosure system, the administrative measures on the preparation of regular information disclosure reports, the accountability system of material errors of information disclosure in annual report, the administrative measures on the internal reporting of material information and the provisional measures of investor relations to regulate the management of the information disclosure and investor relations of the Company. These systems have become effective since the listing of H shares of the Company. Furthermore, the Company increased its communication with investors and optimized the operation of the shareholders' general meeting so as to safeguard the rights of all shareholders and facilitate the communication and interaction with shareholders. During the Reporting Period, the annual report for 2012, the first quarterly report and the interim report for 2013 of the Company were made available to its strategic investors. Upon its listing, the Company made use of various channels, including reception of visits and hotlines, to enhance its communication and interaction with shareholders and investors.

Contacts of Board of Directors' office

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

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

Insider information management

During the Reporting Period, the Company formulated the insider information management system in accordance with the relevant requirements to raise the compliance awareness of employees and regulate insider information management. We also increased efforts to keep confidentiality of insider information and implemented an insider registration system to limit the number of insiders. In 2013, there was no incident of insider trading of the shares of the Company by taking advantage of the insider information.

Auditor's Remuneration

As approved by the second board meeting and the first extraordinary general meeting of 2013, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for auditing its 2013 financial report. Pursuant to the agreement entered into between the Company and Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, the auditing fee for the 2013 financial statements and internal control auditing fee of the Company, excluding its subsidiaries, shall not exceed RMB6.7 million and RMB1.5 million, respectively, where the aggregate amount shall not exceed RMB8.2 million.

Responsibilities of Directors in respect of financial statements

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

Securities transactions by directors, supervisors and Senior Management

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

Independence of independent non-executive directors

All independent non-executive directors of the Company are independent individuals. The Company has received annual confirmation letters from each of the independent non-executive directors to confirm their independence. As at the latest practicable date prior to the issue of this annual report, the Company considered that all independent non-executive directors are independent. The independence of independent non-executive directors complied with the relevant guidelines set out in Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange.

Training for directors

In February 2013, Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao, the executive directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, the non-executive directors, and Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo, the independent non-executive directors of the Company, took part in the special training regarding the listing process and regulations held by the legal advisors as to Hong Kong law.

In August 2013, Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao, the executive directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, the non-executive directors, and Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo, took part in the special training regarding the duties of director, supervisors and Senior Management and the relevant regulations held by the legal advisors as to Hong Kong law.

During the Reporting Period, all members of the Board familiarized themselves with various regulatory information and latest regulatory requirements, including laws, regulations and regulatory documents in relation to corporate governance and listing rules, on a continual basis. The Board members facilitated the development and update of knowledge and skills of directors for better discharge of their duties to ensure that they contribute to the Board in a well-informed manner based on actual needs.

Joint company secretaries

The Board secretary and one of the joint company secretaries, Mr. Zhang Weidong (Mr. Zhang) is the employee of the Company. He is familiar with the ordinary business of the Company. In addition, the Company has appointed Mr. Ngai Wai Fung (Mr. Ngai) as another joint company secretary to cooperate with Mr. Zhang. He also assists Mr. Zhang in discharging the functions and duties of joint company secretary and acquiring relevant experience within the meaning of Rule 3.28 of the Listing Rules of the Stock Exchange. Mr. Ngai is a director and chief executive officer of SW Corporate Services Group Limited, a corporate service provider. In respect of corporate governance, the Hong Kong Listing Rules and the other applicable laws and regulations related to the Company and other matters, Mr. Ngai discusses with Mr. Zhang, the key contact person of the Company. During the Reporting Period, Mr. Zhang and Mr. Ngai participated in the relevant professional training courses for 15 hours in compliance with the requirements of Rule 3.29 of the Listing Rules.

Internal Control

Statement of the Board in relation to internal control responsibilities

The Board of the Company is responsible for the establishment and implementation of a sound and effective internal control system, and the evaluation of its effectiveness. The Company has a well-established internal control governance structure. The Board has set up the Audit Committee, Risk Management Committee and Related Party Transaction Management Committee to supervise and inspect works in respects of risk management and internal control. The Board of Supervisors oversees the internal control system established and implemented by the Board and Senior Management. Senior Management is responsible for the daily operation of internal control of the Company. Branches and subsidiaries of the Company have also set up functional departments for internal control, which are responsible for organizing and coordinating the establishment, implementation and daily operation of internal control. The internal audit department is responsible for conducting regular audits on the operation of internal control.

Pursuant to the relevant regulatory requirements set out in the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines jointly promulgated by the five ministries among which includes the MOF, the Board conducted self-evaluation on the effectiveness of internal control of the Group during the Reporting Period. No material or significant deficiencies in internal control of the Group were identified while matters to be addressed did not constitute a substantial impact on the operation and management of the Company. The Group attaches great importance to the matters to be addressed and has launched or is in the progress of launching rectification measures. According to the evaluation, the Group has maintained and effectively implemented a sound internal control system during the Reporting Period.

Basis of internal control for financial reporting

During the Reporting Period, the Board established a stringent internal control system for financial reporting in accordance with the regulatory requirements in respect of internal control as set out in the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines, the Measures on the Internal Control of Financial Asset Management Companies (《金融資產管理公司內部控制辦法》) and as provided by authorities, such as the CSRC, the CBRC and Hong Kong Stock Exchange, in line with its internal control objectives.

Establishment of internal control system

The Company established a sound internal control system to ensure the legal compliance of its operation and management, the security of assets and the completeness of its financial reports and relevant information, to improve its operational efficiency and productivity, and to facilitate the achievement of strategic goals.

During the Reporting Period, the Company formulated the Basic System of Internal Control (《內部控制基本制度》) as the basis of the implementation of internal control. Based on five elements, including environment control, risk evaluation, activity control, information exchange and internal supervision, the Company formulated the Manual on Internal Control and Management (《內部控制管理手冊》) covering the Group, setting out the principles and requirements of internal control as well as specific control measures. Based on the Manual on Internal Control and Management, the Company further established and refined various regulations and rules for internal control to strengthen the foundation of internal control system.

In order to ensure the effective implementation of internal control, the Company formulated the Provisional Rules on Internal Control Assessment (《內部控制評估暫行辦法》) and established an internal control assessment system to define the assessment methods, problem rectification and follow-up supervisions. It strived to incorporate the assessment results and rectification into the performance appraisal mechanism of the Group, established close-loop management process for internal control and enhanced the management capabilities in aspect of internal control.

The Company has established three lines of defense of internal control and nurtured internal control culture among all employees. The business departments act as the first line of defense. These departments have an internal control system that regulates self-initiated internal control, risk inspection and rectification. The internal control and compliance departments act as the second line of defense. It supervises and inspects the operation of internal control through daily and special inspections. The audit department acts as the third line of defense to conduct independent review and evaluation of the effectiveness of internal control. Internal control responsibilities of management and all staff are clearly assigned. The Company is committed to establishing a long-term internal control system.

During the Reporting Period, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP to conduct an audit on the internal control of the Company and provide independent audit opinion.

Establishment and Implementation of accountability system for material errors in annual report

The Company has formulated and implemented the accountability system for material errors in information disclosure of annual reports, specifying the accountability for material errors in information disclosure of annual reports, so as to enhance the quality and transparency of its information disclosure in the annual reports. During the Reporting Period, there were no material errors discovered in the information disclosure of annual report.

Report of the Board of Directors

Principal Business

The Company engages in distressed asset management, financial investment and asset management as well as financial services. Details of the business performance of the Company are set out in "Management Discussion and Analysis — Business Review" in this annual report. During the Reporting Period, there were no significant changes to the principal business scope of the Company.

Profit and dividend distribution

The profit and financial condition of the Company for the year ended December 31, 2013 are set out in the "Management Discussion and Analysis — Analysis of Financial Statements" in this annual report.

Upon the approval of 2012 Annual General Meeting held on May 30, 2013, the Company distributed cash dividend for the period of January 1, 2012 to December 31, 2012 amounted to RMB1,613,058,773.66 to its shareholders, representing 30% of the profit after tax of the Company. Pursuant to the respective closing dates for the settlement of capital contributions of the four strategic investors and the share subscription agreements with them, the Company distributed cash dividends to five shareholders, namely the MOF, National Council for Social Security Fund of the PRC, UBS AG, CITIC Capital Financial Holding Limited, and Standard Chartered Financial Holding.

Upon the approval of the second extraordinary shareholders meeting in 2013 held on August 5, 2013, in respect of net profit, after the required appropriations for a statutory surplus reserve and general reserve, for the special dividend period commencing from July 1, 2013, the calendar day immediately following the benchmark date of the financial statements in the H share prospectus, to November 30, 2013, the last calendar date of the month immediately before the date of the H share prospectus, the Company would distribute cash dividends to all shareholders of the Company whose names appeared on the register of members on the record date for the special dividend distribution. According to the audit result the total amount of such special dividend distribution is RMB1,202.80 million, accounting for 13.3% of the net profit attributable to equity holders of the Company recorded by the Group for 2013.

According to the requirement and commitment regarding "the payment of dividends out of our distributable profit after tax for a given year 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" set out in the Articles and the prospectus. The Board did not propose the distribution of dividend for the year ended December 31, 2013 other than the abovementioned special dividend. The remaining net profit will be retained by the Company to increase capital support for business expansion and promote sustainable development of the Company.

The 2013 profit distribution plan shall be subject to approval at the general meeting.

The Company has sound decision-making procedures and mechanisms for profit distribution, attaches great importance on shareholders' return and distributes cash dividend to shareholders regularly. When formulating the profit distribution proposal, the Board has fully considered the opinions and requests from shareholders in order to protect the legitimate interests of minority shareholders, and has submitted the profit distribution proposal to the shareholders' meeting for approval. In addition, the independent directors have duly performed their responsibilities in the decision-making process for the profit distribution proposal.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得税法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家税務總局關於印發〈非居民享受税收協定待遇管理辦法（試行）〉的通知》(國税發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)).

No tax is payable in Hong Kong in respect of dividends paid by the Company according to the current practice of the Hong Kong Inland Revenue Department.

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

Reserves

Reserves of the Group for the year ended December 31, 2013 are set out in the Consolidated Statement of Changes in Equity in the consolidated financial statements.

Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2013 are set out in the Consolidated Statement of Financial Position set out in the consolidated financial statements.

Financial Highlights

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2013 are set out in the "Financial Summary" in this annual report.

Donations

Donations made by the Company for the year ended December 31, 2013 amounted to RMB2.74 million.

Property and Equipment

Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2013 are set out in Note V.40 "property and equipment" to the consolidated financial statements.

Pension plan

According to the relevant regulations of the PRC, the employees of the Group shall participate in the social basic pension insurance implemented by the local labor and social security departments. The Group shall pay pension insurance fee to the local social basic pension insurance agency according to the base and proportion prescribed by the local regulations. Such insurance fees payable were charged to the profit or loss for the period on an accrual basis. Local labor and social security departments will pay basic social pension to the staff upon their retirement.

Besides the basic social pension insurance, the employees of the Company shall also participate in the Annuity Scheme of China Cinda Asset Management Co., Ltd. (the "Annuity Scheme") established by the Company in accordance with relevant policies of the annuity system of the PRC. The Company makes contributions to the Annuity Scheme at a certain percentage of the total wages of the employees, and the contributions are expensed as profit or loss when incurred.

Major Clients

During the Reporting Period, the combined revenue from the top five transferees (in terms of amounts of distressed assets transferred from us) to which we disposed of distressed assets did not exceed 30% of our total revenue.

Major Suppliers

During the Reporting Period, the top five entities (in terms of the amounts of distressed assets acquires) from which we acquired distressed assets combined accounted for less than 30% of total costs for distressed assets acquisition.

Share Capital and Public Float

As at December 31, 2013, the total share capital of the Company was 35,458,864,035 shares in issue and 3,231 registered shareholders. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this annual report for details. As at the latest practicable date for the purpose of the publication of this report, based on the information available to the Company and to the knowledge of the directors, the public float of the Company was 32.16%, which was in compliance with the relevant laws and regulations and the public float requirement of the listing rules of the place where the Company is listed.

Right of First Refusal

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

Purchase, Sale and Redemption of Shares

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

Material Interests and Short Positions

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

Use of Proceeds

The proceeds from the share offering were used to consolidate the capital base of the Company so as to support the sustainable growth of its businesses, which was in line with the uses and purposes disclosed in the prospectus.

Borrowings

The borrowings of the Group as of December 31, 2013 amounted to RMB173,834.7 million. Details of our borrowings are set out in Note V.50 borrowings to the consolidated financial statements.

Directors, Supervisors and Senior Management

Details of the directors, supervisors and Senior Management of the Company are set out in “Directors, Supervisors and Senior Management” in this annual report. The daily operations of the Board are set out in “Corporate Governance Report” in this annual report.

Directors’ and Supervisors’ Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2013, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, or as recorded in the register pursuant to Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules of the Hong Kong Stock Exchange.

Interests in Contracts of Significance and Service Contracts of Directors and Supervisors

None of the directors and supervisors of the Company had any beneficial interests, directly or indirectly, in any contracts of significance (except service contracts) regarding the business of the Group entered into with the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2013.

None of the directors and supervisors of the Company had entered into any service contract with the Company which was determinable by the Company within one year without payment of compensation (other than statutory compensation).

Material Contracts with Controlling Shareholders

During the Reporting Period, the Company and its subsidiaries had not entered into any contract with the controlling shareholders.

Management Contracts

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

Interests of Directors in Business Competing with the Company

None of the directors of the Company holds any interest in business which directly or indirectly competes, or is likely to compete with the business of the Company.

Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of directors, supervisors and Senior Management of the Company is in compliance with the Regulatory Measures for Examining Remuneration of Representatives of Central Financial Enterprises (the "Regulatory Measures") promulgated by the Ministry of Finance. In accordance with the Regulatory Measures and relevant requirements of the Supervisory Guidelines on Sound Compensation in Commercial Banks of the CBRC, payment of 50% of the performance-based annual salary (before tax) shall be deferred for three years with one third to be paid in each year. The remuneration policy of directors, supervisors and Senior Management consists of incentive and restriction based on their performance and the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition. The remuneration system comprises basic salary, bonus and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. The Company has not implemented any long-term incentive plan for directors, supervisors and Senior Management.

Relationship between Directors, Supervisors and Senior Management

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

Connected Transactions

During the Reporting Period, the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules. Please see Note V.68 "Related party transactions" to the consolidated financial statements for details of related party transactions as defined in the IFRS which do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Registration and Management of Insiders

In 2013, the Company formulated the Management System of Insiders (《內幕消息知情人管理制度》), which was approved by the Board. During the Reporting Period, the Company strictly implemented the inside information confidential system, regulated the information access process and strengthened the inside information management in accordance with the Management System of Insiders (《內幕消息知情人管理制度》), relevant laws and regulations as well as other relevant rules of the Company.

During the Reporting Period, the Company was not aware of dealing of shares of the Company by any insiders by taking advantage of inside information.

Auditors

The consolidated financial statements of the Group for 2013 prepared under the IFRs and PRC GAAP have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP., respectively.

Statement for Changes of Auditors in the Past Three Years

There was no change in the Auditors of the Company for the past three years.

By the Order of the Board of Directors
Hou Jianhang
Chairman
Beijing, China, March 27, 2014

Report of the Board of Supervisors

In 2013, pursuant to the national laws and regulations, Articles and regulatory requirements focusing on the long-term development of the Company, the Board of Supervisors of the Company performed its supervisory duties by conducting supervision and evaluation of duty performance, finance, internal control and risk management so as to improve the corporate governance and maintain the sustainable and sound development of the Company.

Major Jobs Accomplished

The Board of Supervisors convened meetings pursuant to laws. In 2013, the Board of Supervisors held six meetings to review and approve 15 resolutions including the reports of the Board of Supervisors and performance evaluation reports, review four special reports regarding new business development and risk management, and discuss important matters including opinions on amendments to the Articles and impacts of relevant changes in the IFRS on the business of the Company. In 2013, the Supervision Committee of Board of Supervisors held three meetings.

The Board of Supervisors implemented performance supervision and evaluation duly. It supervised the performance of the Board, Senior Management and their members through attending meetings, studying relevant information, reviewing performance reports, conducting visits and interviews and carrying out performance examination. It organized the annual performance supervision and evaluation and issued performance evaluation reports of directors and Senior Management.

The Board of Supervisors performed financial supervision by maintaining regular communication with functional departments and external auditors for the preparation, review and disclosure of regular reports to analyze major issues which may affect the truthfulness, accuracy and completeness of financial reports, conducting special investigation regarding liquidity and capital management, and providing opinions and suggestions in a timely manner. It also supervised and evaluated the independence and effectiveness of work of auditors.

The Board of Supervisors actively implemented internal supervision. It continued to improve the internal control system of the Company by reviewing reports regarding major issues identified during internal audits and internal control and compliance, overseeing the internal control of management systems, decision-making procedures and key risks of principal businesses and arranging special investigation and conducting on-site examination of internal control of the Company, so as to strengthen the supervision on the internal control system and evaluation of its effectiveness.

The Board of Supervisors strengthened risk management supervision with emphasis on the supervision of the establishment and implementation of comprehensive risk management system of the Company. It investigated and analyzed major issues regarding risk management, monitored the implementation of rectification measures based on regulatory opinions and risk control of third-party asset management business, and provided opinions and suggestions in a timely manner.

The Board of Supervisors monitored and initiated investigation on the strategic and general affairs of the Company regarding the transformation and development, corporate governance and risk management of the Company and provided opinions and suggestions to promote the implementation of researches of relevant aspects.

The Board of Supervisors continued to improve its capability. During the Reporting Period, the Board of Supervisors completed the election of the new session, further improved the supervision mechanisms, amended corporate governance documents such as the procedural rules of the meetings of the Board of Supervisors, and arranged trainings for supervisors of the Company and its subsidiaries. All members of the Board of Supervisors duly performed their duties, reviewed and studied proposals and conducted in-depth investigation and research. They also attended Board meetings and its special committees and meetings of the Senior Management to perform their duties.

Independent opinions on relevant matters

Lawful operation

During the Reporting Period, operation of the Company was in compliance with laws and regulations, and its decision-making procedures conformed to relevant laws, regulations and the Articles. The Board of Supervisors is not aware of any breach of laws and regulations or any act detrimental to the interests of the Company by any of the directors or Senior Management in performing their duties.

Financial reports

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

Opinions on the performance evaluation of directors and Senior Management of the Company

The results of the performance evaluation of all directors and Senior Management for 2013 were satisfactory.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no objection to the evaluation opinions on internal control of the Company for 2013.

Implementation of resolutions adopted at shareholders' general meetings

During the Reporting Period, the Board of Supervisors had no objection to the matters submitted to shareholders' general meetings for review. The Board had seriously implemented the resolutions approved at the shareholders' general meetings.

By order of the Board of Supervisors
Chen Weizhong
Chairman of the Board of Supervisors
Beijing, the PRC, March 27, 2014

Significant Events

Material Litigation and Arbitration

During the Reporting Period, save as those disclosed in the prospectus and the announcement dated December 27, 2013 in relation to the litigation brought by Beijing Junefield Real Estate Development Co., Ltd., the Company was not involved in any litigation and arbitration which was material to our operation in the year.

Those litigations do not have material adverse effect on the operating results and financing condition of the Company.

Major Acquisition and Disposal of Assets and Merger

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

Use of funds by the Controlling Shareholder and other Related Parties

The controlling shareholders and other related parties have not used the funds of the Company.

Implementation of Share Incentive Plan

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

Major Related Party Transactions

The Company did not conduct any related party transaction or continuing related party transaction which were required to be disclosed or approved by independent shareholders in accordance with Chapter 14A of the Hong Kong Listing Rules during the Reporting Period.

Major Contracts and their Implementation

Major Custodies, Underwriting and Leasings

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

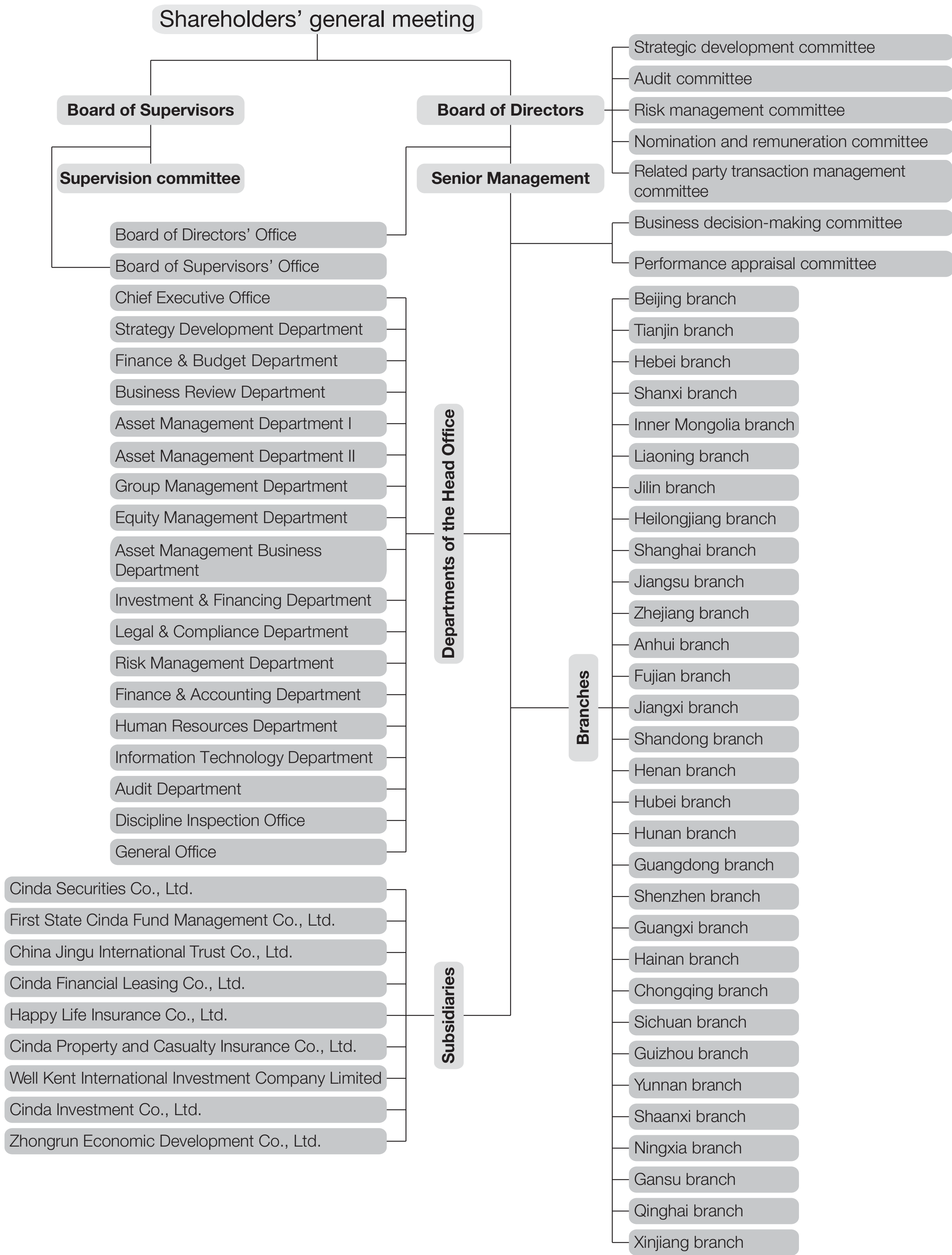
Material Guarantees

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

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

During the Reporting Period, none of the Company or any of the directors, supervisors and Senior Management was subject to any investigation or administrative punishment by regulatory authorities, reprimanded by any stock exchange, or prosecuted for criminal liabilities by the judicial authority.

Organizational Chart



Audit Report and Financial Statements

Independent Auditor's Report

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)

	Note V	Year ended December 31, **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

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

		Year ended December 31,	
	Notes	**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

		As at December 31,	
	Notes	**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**	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	2013 Collectively assessed allowance	2013 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	2012 Collectively assessed allowance	2012 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[8]	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:

Name of entity	Place of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2013 (In '000)	Proportion of equity interests held by the Group As at December 31, 2013 %	2012 %	Proportion of voting power held by the Group As at December 31, 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.

Branches and Subsidiaries

1. Head Office

China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: 86-10-63080000
Fax No.: 86-10-63080513
Website: www.cinda.com.cn

2. Subsidiaries

▲ China Cinda Asset Management Co., Ltd. Beijing Branch
Address: No. 18 Building, Area 2, Anhua Xili, Chaoyang District, Beijing
Postal code: 100011
Tel. No.: (010) 84241513
Fax No.: (010) 64269951

▲ China Cinda Asset Management Co., Ltd. Tianjin Branch
Address: No. 901, Tower B3, Junlong Plaza, 2 Xi'an Street, Heping District, Tianjin
Postal code: 300050
Tel. No.: (022) 83122600
Fax No.: (022) 23947732

▲ China Cinda Asset Management Co., Ltd. Hebei Branch
Address: Wanlong Building, 30 Ping'an South Street, Shijiazhuang, Hebei
Postal code: 050011
Tel. No.: (0311) 86963003
Fax No.: (0311) 86967008

▲ China Cinda Asset Management Co., Ltd. Shanxi Branch
Address: 4/F, Lihua Building, 1 Changfeng West Street, Wanbolin District, Taiyuan, Shanxi
Postal code: 030021
Tel. No.: (0351) 6068338
Fax No.: (0351) 6068211

▲ China Cinda Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch
Address: 59 Xinhua Avenue, Xincheng District, Hohhot, Inner Mongolia Autonomous Region
Postal code: 010010
Tel. No.: (0471) 2830300
Fax No.: (0471) 2830345

▲ China Cinda Asset Management Co., Ltd. Liaoning Branch
Address: 12–16/F, 56 Huigong Street, Shenhe District, Shenyang, Liaoning
Postal code: 110013
Tel. No.: (024) 22518919
Fax No.: (024) 22518921

▲ China Cinda Asset Management Co., Ltd. Jilin Branch
Address: 4/F, Cosco Tower, 1197 Changchun Avenue, Nanguan District, Changchun, Jilin
Postal code: 130041
Tel. No.: (0431) 88401641
Fax No.: (0431) 88922428

▲ China Cinda Asset Management Co., Ltd. Heilongjiang Branch
Address: Makewei Building, 16-1 Zhongxuan Street, Nangang District, Harbin, Heilongjiang
Postal code: 150001
Tel. No.: (0451) 82665290
Fax No.: (0451) 82665080

▲ China Cinda Asset Management Co., Ltd. Shanghai Branch
Address: 24–25/F, Cinda Building, 1399 Beijing West Road, Jing'an District, Shanghai
Postal code: 200040
Tel. No.: (021) 52000808
Fax No.: (021) 52000990, (021) 52000800

▲ China Cinda Asset Management Co., Ltd. Jiangsu Branch
Address: 3/F, 23 Hongwu Road, Baixia District, Nanjing, Jiangsu
Postal code: 210005
Tel. No.: (025) 52680863
Fax No.: (025) 52680852

▲ China Cinda Asset Management Co., Ltd. Zhejiang Branch
Address: 11–12/F, Tower B, Biaoli Building, 528 Yan'an Road, Hangzhou, Zhejiang
Postal code: 310006
Tel. No.: (0571) 85774693, 85774793
Fax No.: (0571) 85774800

▲ China Cinda Asset Management Co., Ltd. Anhui Branch
Address: 15–17/F, Tower A, Runan Building, 166 Funan Road, Luyang District, Hefei, Anhui
Postal code: 230061
Tel. No.: (0551) 62836130
Fax No.: (0551) 62835625

▲ China Cinda Asset Management Co., Ltd. Fujian Branch
Address: 10–11/F, Sino International Plaza, 137 Wusi Road, Gulou District, Fuzhou, Fujian
Postal code: 350003
Tel. No.: (0591) 87805243
Fax No.: (0591) 87805150

▲ China Cinda Asset Management Co., Ltd. Jiangxi Branch
Address: 9/F, Cinda Building, 15 Yongshu Road, Nanchang, Jiangxi
Postal code: 330003
Tel. No.: (0791) 86387011, 86382827
Fax No.: (0791) 86387011

▲ China Cinda Asset Management Co., Ltd. Shandong Branch
Address: 293 Jingsan Road, Huaiyin District, Jinan, Shandong
Postal code: 250021
Tel. No.: (0531) 87080300
Fax No.: (0531) 87080293

▲ China Cinda Asset Management Co., Ltd. Henan Branch
Address: 28 Fengchan Road, Jinshui District, Zhengzhou, Henan
Postal code: 450002
Tel. No.: (0371) 63865600
Fax No.: (0371) 63865600

▲ China Cinda Asset Management Co., Ltd. Hubei Branch
Address: 1 Zhongnan Road, Wuchang District, Wuhan, Hubei
Postal code: 430071
Tel. No.: (027) 87832741
Fax No.: (027) 87813704

▲ China Cinda Asset Management Co., Ltd. Hunan Branch
Address: 186 Jiefang East Road, Changsha, Hunan
Postal code: 410001
Tel. No.: (0731) 84121860
Fax No.: (0731) 84121860

▲ China Cinda Asset Management Co., Ltd. Guangdong Branch
Address: 25/F, Jianhe Centre, 111 Tiyu West Road, Tianhe District, Guangzhou, Guangdong
Postal code: 510620
Tel. No.: (020) 38791678, 38791679
Fax No.: (020) 38791820

▲ China Cinda Asset Management Co., Ltd. Shenzhen Branch
Address: 29/F, Tower A, United Plaza, 5022 Binhe Road North, Futian District, Shenzhen, Guangdong
Postal code: 518033
Tel. No.: (0755) 82900004
Fax No.: (0755) 82910608

▲ China Cinda Asset Management Co., Ltd. Guangxi Zhuang Autonomous Region Branch
Address: 13/F, Bogong International Centre, 127 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Postal code: 530028
Tel. No.: (0771) 5758678
Fax No.: (0771) 5758600

▲ China Cinda Asset Management Co., Ltd. Hainan Branch
Address: 1–6/F, Hong Kong-Macau Industrial Building, Xiuying Yongwan Industrial Development Zone, Haikou, Hainan
Postal code: 570314
Tel. No.: (0898) 68623128
Fax No.: (0898) 68666962

▲ China Cinda Asset Management Co., Ltd. Chongqing Branch
Address: 5/F, The Podium, Peninsula International Building, 50 Zourong Road, Yuzhong District, Chongqing
Postal code: 400010
Tel. No.: (023) 63763613
Fax No.: (023) 63763600

▲ China Cinda Asset Management Co., Ltd. Sichuan Branch
Address: 8/F, East Building, La Defense, 1480 North Tianfu Avenue, Chengdu High-tech Zone, Sichuan
Postal code: 610042
Tel. No.: (028) 65009811
Fax No.: (028) 65009818

▲ China Cinda Asset Management Co., Ltd. Guizhou Branch
Address: 13–14/F, Wengfu International Building, 57 Shinan Road, Nanming District, Guiyang, Guizhou
Postal code: 550002
Tel. No.: (0851) 5252839, 5254513
Fax No.: (0851) 5251483

▲ China Cinda Asset Management Co., Ltd. Yunnan Branch
Address: 19/F, Yinjia Building, 59 Xiangyun Street, Kunming, Yunnan
Postal code: 650021
Tel. No.: (0871) 63638666
Fax No.: (0871) 63638666

▲ China Cinda Asset Management Co., Ltd. Shaanxi Branch
Address: No. 10 Building, South Street, Beilin District, Xi'an, Shaanxi
Postal code: 710002
Tel. No.: (029) 87280910
Fax No.: (029) 87266917

▲ China Cinda Asset Management Co., Ltd. Ningxia Hui Autonomous Region Branch
Address: 15/F, Block C, Ruiyin Caifu Center, 51 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Postal code: 750002
Tel. No.: (0951) 6029053
Fax No.: (0951) 6021407

▲ China Cinda Asset Management Co., Ltd. Gansu Branch
Address: No. 2 Building, General Office, 77 Guangchang South Road, Chengguan District, Lanzhou, Gansu
Postal code: 730030
Tel. No.: (0931) 8869100
Fax No.: (0931) 8869100

▲ China Cinda Asset Management Co., Ltd. Qinghai Branch
Address: 4–6/F, No. 1 Building, 8 East Street, Chengzhong District, Xining, Qinghai
Postal code: 810000
Tel. No.: (0971) 8229375
Fax No.: (0971) 8229375

▲ China Cinda Asset Management Co., Ltd. Xinjiang Uygur Autonomous Region Branch
Address: 127 Xiheba Front Street, Tianshan District, Urumqi, Xinjiang
Postal code: 830004
Tel. No.: (0991) 2327772
Fax No.: (0991) 2325171

3. Platform for financial service and asset management businesses

▲ Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 400-800-8899 (010) 63081000
Fax No.: (010) 6308918
Website: www.cindasc.com

● Cinda Futures Co., Ltd.
Address: 12 and 16/F, Zhejiang Logistics Publishing House Building, 108 Wenhui Road, Hangzhou, Zhejiang
Postal code: 310004
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132544
Fax No.: (0571) 28132689
Website: www.cindaqh.com

▲ First State Cinda Fund Management Co., Ltd.
Address: 24/F, China Merchants Bank Building, 7088 Shen Nan Road, Futian District, Shenzhen, Guangdong
Postal code: 518040
National customer service hotline: 400-8888-118 (0755) 83160160
Tel. No.: (0755) 83172666
Fax No.: (0755) 83196151
Website: www.fscinda.com

▲ China Jingu International Trust Co., Ltd.
Address: 10/F, Block C, Tong Tai Mansion, 33 Jinrong Avenue, Xicheng District, Beijing
Postal code: 100140
Tel. No.: (010) 88086816
Fax No.: (010) 88086546
Website: www.jingutrust.com

▲ Cinda Financial Leasing Co., Ltd.
Address: 2/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 64198100
Fax No.: (010) 64159400

▲ Happy Life Insurance Co., Ltd.
Address: 8/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
National customer service hotline: 95560 4006-688-688
Tel. No.: (010) 66271800
Fax No.: (010) 66271700
Website: www.happyinsurance.com.cn

▲ Cinda Property and Casualty Insurance Co., Ltd.
Address: 3/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
National customer service hotline: 4008-667788
Tel. No.: (010) 64185000
Fax No.: (010) 64185300
Website: www.cindapcic.com

▲ Well Kent International Investment Company Limited
Address: 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Tel. No.: (00852) 25276686
Fax No.: (00852) 28042135

● Cinda International Holdings Limited
Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Tel. No.: (00852) 22357888
Fax No.: (00852) 22357878
Website: www.cinda.com.hk

▲ Cinda Investment Co., Ltd.
Address: 17–19/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 62157271
Fax No.: (010) 62157301

● Cinda Real Estate Co., Ltd.
Address: 16/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 82190995
Fax No.: (010) 82190933

● Cinda Capital Management Co., Ltd.
Address: 5/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 56314200
Fax No.: (010) 56314222

▲ Zhongrun Economic Development Co., Ltd.
Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing
Postal code: 100045
Tel. No.: (010) 68535376
Fax No.: (010) 68535110

Note: "▲" represents a branch or a tier-one subsidiary and "●" represents a subsidiary of a tier-one subsidiary.

By Order of the Board
China Cinda Asset Management Co., Ltd.
HOU Jianhang
Chairman

Beijing, China
March 27, 2014

As at the date of this announcement, the Board of the Company consists of Mr. HOU Jianhang, Mr. ZANG Jingfan, Mr. XU Zhichao as executive Directors, Ms. WANG Shurong, Mr. YIN Boqin, Ms. XIAO Yuping, Ms. YUAN Hong, Mr. LU Shengliang as non-executive Directors, and Mr. LI Xikui, Mr. QIU Dong, Mr. CHANG Tso Tung, Stephen, Mr. XU Dingbo as independent non-executive Directors.