



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

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

Stock Code: 01359 Preference Shares Stock Code: 04607

2017 Interim Report



Contents

Definitions	2	Changes in Share Capital and Information on Substantial Shareholders	80
Corporate Information	6	Directors, Supervisors and Senior Management	83
Financial Summary	8	Significant Events	84
Management Discussion and Analysis	11	Review Report and Interim Condensed Consolidated Financial Statements	91
Economic and Regulatory Environment	11		
Analysis of Financial Statements	12		
Business Overview	43		
Risk Management	73		
Capital Management	77		
Prospects	78		



Definitions

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

“AMC(s)”	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd., China Great Wall Asset Management Co., Ltd. and China Orient Asset Management Co., Ltd.
“Articles”	the current articles of association of China Cinda Asset Management Co., Ltd.
“Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“CBRC”	China Banking Regulatory Commission
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macao and Taiwan region
“Cinda Capital”	Cinda Capital Management Co., Ltd., a subsidiary of the Company
“Cinda Futures”	Cinda Futures Co., Ltd., a subsidiary of the Company
“Cinda Hong Kong”	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
“Cinda International”	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on Hong Kong Stock Exchange, stock code: 00111)
“Cinda Investment”	Cinda Investment Co., Ltd., a subsidiary of the Company

“Cinda Leasing”	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
“Cinda P&C”	Cinda Property and Casualty Insurance Co., Ltd., originally a subsidiary of the Company, as approved by the 2016 second extraordinary general meeting of the Company and China Insurance Regulatory Commission, the Company has transferred 1.23 billion shares held in Cinda P&C. As of June 30, 2017, the above share transfer was completed, and the Company currently still holds 10% of equity interests in Cinda P&C
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on Shanghai Stock Exchange, stock code: 600657)
“Cinda Securities”	Cinda Securities Co., Ltd., a subsidiary of the Company
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
“First State Cinda Fund”	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
“H Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Happy Life”	Happy Life Insurance Co., Ltd., a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board

Definitions

“Jingu Trust”	China Jingu International Trust Co., Ltd., a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the PRC
“NCB”	NCB Hong Kong and its subsidiaries
“NCB China”	Nanyang Commercial Bank (China) Limited, a company incorporated in the PRC and a subsidiary of NCB Hong Kong
“NCB Hong Kong”	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
“NSSF”	National Council for Social Security Fund of the PRC
“Offshore Preference Shares”	160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016 pursuant to the issuance plan considered and approved at the 2015 annual general meeting, the 2016 first class meeting for Domestic Shareholders, and the 2016 first class meeting for H Shareholders, respectively, and are listed and traded on Hong Kong Stock Exchange (stock code: 04607)
“(our) Company”	China Cinda Asset Management Co., Ltd.
“(our) Group”	China Cinda Asset Management Co., Ltd. and its subsidiaries
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations

Definitions

“Reporting Period”	the six months ended June 30, 2017
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	the State Council of the People’s Republic of China
“subsidiary(ies)”	has the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

Corporate Information

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

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

Financial Summary

The financial information contained in this interim report was prepared in accordance with the IFRS. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB.

	As at and for the six months ended		As at and for the year ended December 31,			
	June 30,					
	2017	2016	2016	2015	2014	2013
	(in millions of RMB)					
Income from distressed debt						
assets classified as receivables	8,644.6	8,424.4	15,539.2	18,883.9	18,113.6	10,144.2
Fair value changes on distressed debt assets	4,169.9	2,236.3	5,716.2	4,420.1	4,077.5	4,617.6
Fair value changes on other financial assets	2,001.7	458.7	2,656.3	1,971.2	2,180.5	539.0
Investment income	7,415.7	10,454.8	17,991.3	13,552.2	9,116.5	7,043.8
Net insurance premiums earned	17,514.3	12,333.6	16,635.8	12,912.2	7,443.0	5,771.9
Interest income	9,811.7	6,163.8	14,506.5	13,516.5	8,810.5	5,059.2
Revenue from sale of inventories	5,787.9	2,834.9	10,954.6	7,637.0	4,340.5	4,321.9
Other income and other net gains or losses	5,264.6	2,599.0	7,657.3	5,851.0	5,708.0	4,915.5
Total income	60,610.3	45,505.5	91,657.2	78,744.1	59,790.1	42,413.2
Impairment losses on assets	(3,941.6)	(1,920.4)	(4,813.7)	(4,376.5)	(5,438.1)	(6,153.3)
Interest expense	(15,635.3)	(10,520.1)	(23,223.8)	(20,185.3)	(15,961.1)	(7,803.8)
Insurance costs	(18,139.7)	(12,782.0)	(17,549.0)	(13,766.9)	(6,865.3)	(5,018.8)
Purchases and changes in inventories	(4,441.3)	(2,270.3)	(8,455.8)	(5,587.1)	(2,824.0)	(2,720.3)
Other costs and expenses	(6,517.2)	(6,051.7)	(14,315.4)	(13,285.6)	(10,945.1)	(8,904.8)
Total costs and expenses	(48,675.1)	(33,544.4)	(68,357.7)	(57,201.4)	(42,033.6)	(30,600.9)
Change in net assets attributable to other						
holders of consolidated structured entities	(777.3)	(1,135.2)	(2,331.7)	(2,557.0)	(1,909.9)	(540.5)
Share of results of associates and joint ventures	899.9	(103.7)	797.7	312.2	460.2	500.3
Profit before tax	12,057.8	10,722.1	21,765.5	19,297.9	16,306.7	11,772.1
Income tax expense	(3,495.3)	(2,938.8)	(5,783.5)	(4,594.0)	(4,164.0)	(2,671.0)
Profit for the period/year	8,562.4	7,783.3	15,982.0	14,703.9	12,142.7	9,101.0
Profit attributable to:						
– Equity holders of the Company	8,882.3	8,008.8	15,512.2	14,027.5	11,896.2	9,027.3
– Non-controlling interests	(319.9)	(225.5)	469.8	676.4	246.5	73.7

	As at and for the six months ended		As at and for the year ended December 31,			
	June 30,					
	2017	2016	2016	2015	2014	2013
	(in millions of RMB)					
Assets						
Cash and balances with central banks	14,261.6	18,256.2	17,368.0	46.8	3.3	3.4
Deposits with banks and financial institutions	87,608.0	67,232.8	75,801.3	64,590.9	49,033.1	58,763.6
Financial assets at fair value through profit or loss	164,740.0	134,123.8	149,045.5	117,287.4	57,220.5	25,178.5
Available-for-sale financial assets	254,153.1	186,652.7	212,495.9	120,604.3	85,794.6	72,747.2
Financial assets classified as receivables	214,583.7	157,553.0	198,787.2	181,058.3	180,913.1	116,662.7
Loans and advances to customers	296,340.4	245,259.9	294,936.6	104,738.5	80,224.7	48,636.4
Other assets	263,879.6	199,753.6	226,046.4	125,648.5	91,238.1	61,793.6
Total assets	1,295,566.4	1,008,832.0	1,174,480.9	713,974.7	544,427.4	383,785.4
Liabilities						
Borrowings from central bank	986.1	986.1	986.1	986.1	986.1	4,913.0
Due to customers	211,044.8	195,791.3	204,629.0	–	–	–
Accounts payable to brokerage clients	14,411.1	17,555.0	16,272.1	21,533.2	11,663.3	6,480.8
Borrowings	512,316.0	349,185.3	450,514.8	317,070.7	263,452.4	173,834.7
Accounts payable	2,976.7	2,181.6	3,053.9	4,970.8	13,891.2	22,814.1
Bonds issued	200,057.2	136,489.7	152,497.6	111,773.4	43,694.9	13,285.0
Other liabilities	192,179.2	193,893.4	198,557.4	146,746.5	108,876.3	79,695.7
Total liabilities	1,133,971.0	896,082.3	1,026,510.9	603,080.7	442,564.1	301,023.3
Equity						
Equity attributable to equity holders of the Company	142,989.5	104,341.6	139,216.7	101,710.2	93,368.9	75,998.3
Non-controlling interests	18,605.9	8,408.1	8,753.3	9,183.7	8,494.4	6,763.8
Total equity	161,595.4	112,749.7	147,970.0	110,893.9	101,863.3	82,762.1
Total equity and liabilities	1,295,566.4	1,008,832.0	1,174,480.9	713,974.7	544,427.4	383,785.4

Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2017	2016	2016	2015	2014	2013
	(in millions of RMB)					
Financial indicators						
Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%)	14.83	15.5	14.12	14.4	14.0	13.8
Return on average assets ⁽²⁾⁽³⁾ (%)	1.57 ⁽⁷⁾	2.1 ⁽⁷⁾	1.82 ⁽⁷⁾	2.34	2.62	2.85
Cost-to-income ratio ⁽⁴⁾ (%)	22.61	22.5	27.0	23.9	24.0	26.2
Earnings per share ⁽⁵⁾ (RMB)	0.23	0.22	0.43	0.39	0.33	0.30
Net assets per share ⁽⁶⁾ (RMB)	3.19	2.88	3.09	2.81	2.58	2.50

Notes:

- (1) Represents the percentage of net profit attributable to shareholders of ordinary shares for the period in the average balance of equity attributable to shareholders of ordinary shares of the Company as at the beginning and the end of the period.
- (2) Represents the percentage of net profit for the period (including profit attributable to non-controlling interests) in the average balance of total assets as at the beginning and the end of the period.
- (3) Return on average shareholders' equity and return on average assets for the six months ended June 30 presented above have been annualized.
- (4) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense.
- (5) Represents the net profit attributable to shareholders of ordinary shares during the period divided by the weighted average number of ordinary shares in issue.
- (6) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares at the end of the period divided by the number of ordinary shares as at the end of the period.
- (7) NCB has been consolidated into the consolidated financial statements of the Group since May 30, 2016. This figure was the return on average assets excluding the effect of the consolidation of NCB. The return on average assets in the first half of 2016 was 1.8%, the return on average assets in the first half of 2016 was 1.69%, and the return on average assets in the first half of 2017 was 1.39% if taking into account of the effect of the consolidation of NCB.

Management Discussion and Analysis

Economic and Regulatory Environment

In the first half of 2017, recovery of the global economy continued with insignificant momentum. The economic growth in the US slowed down and the momentum of economic growth in Eurozone was increasing gradually. While the economic growth in Japan was still slow, the growth of emerging economies experienced downward pressure. The Fed raised interest rates twice and there were increasing uncertainties in the global economy. Faced with the challenging domestic and global economic conditions, the PRC Government continued to enhance the supply-side structural reform. The economy was maintained within reasonable range, showing the sign of steady growth and good momentum. The tasks of cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness firmly proceeded and the policies continued to yield results. Overcapacity could be resolved in an orderly manner. Under the real estate control policies made according to local conditions and targeted policies, risk prevention in first-tier and key second-tier cities and destocking in third-and-fourth-tier cities achieved satisfactory progress. The reformation of administration streamlining, power delegation, regulation and services improving was further carried out, the entrepreneurial and innovation environment continued to optimize and the new economic growth momentum continuously enhanced. The Xiong'an New Area, the Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road construction pushed forward the regional coordinated development and served as the continuous power engine for economic growth.

Under the in-depth adjustment of the global economy and the new normal of domestic economy, the PRC Government has raised the financial safety to the level of national security. Strict supervision will be the keynote of the financial industry for a considerable period of time in the future. The monetary policy and industry regulatory policy are cooperating closely. Firstly, financial institutions are directed to go back to the fundamental purpose of serving real economy, enhance service capacity and level, and accelerate financial liberalization and innovation. Moreover, in response to the chaotic financial situations, the PRC Government formulated specific rectification to strengthen points of regulatory weakness and enhance regulatory cooperation. The sound monetary policy was established to push forward deleveraging and actively prevent systemic financial risks.

Management Discussion and Analysis

The National Financial Work Conference convened in July 2017 proposed that prevention of systemic financial risks would be the eternal focus of financial work. Government authorities at each level make a great effort to introduce a series of relevant policies, in order to promote timely disposal of financial risks, creating a sound policy atmosphere for distressed assets operation. Firstly, promoting banks to truly reflect risks of assets. Banks are required to strictly implement the classification standard and operation procedures of credit and quasi-credit assets to truly, accurately and dynamically reflect risks of assets. Secondly, enriching market participants of distressed assets. Local asset management companies will be expanded, and banks are allowed to prepare for setting up financial asset investment subsidiaries which mainly engaged in debt-to-equity swap and relevant supporting businesses. Thirdly, improving relevant policy environment. The capacity as registered mortgagee of AMCs are clarified and the threshold for batch transfer of distressed assets is lowered. Under the general principle of risk prevention and control, the AMCs, as professional institutions to prevent and resolve financial risk, will enter the critical period of transformation and development.

Analysis of Financial Statements

Operating Results of the Group

In the first half of 2017, in face of the complicated economic and financial situation, the Group focused on promoting business transformation and structural adjustment. While ensuring adequate capital and safe liquidity of the Group as well as its capabilities in business funds investment, the Company achieved stable growth in operating income and net profit through optimizing the asset structure.

In the first half of 2017, the net profit attributable to equity holders of the Company amounted to RMB8,882.3 million, representing an increase of RMB873.5 million, or 10.9%, as compared to the same period of the previous year. Annualized ROAE and ROAA were 14.83% and 1.39%, respectively. Excluding the effect of the consolidation of NCB, the annualized ROAA was 1.57%.

Management Discussion and Analysis

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	8,644.6	8,424.4	220.1	2.6
Fair value changes on distressed debt assets	4,169.9	2,236.3	1,933.6	86.5
Fair value changes on other financial assets	2,001.7	458.7	1,543.0	336.4
Investment income	7,415.7	10,454.8	(3,039.1)	(29.1)
Net insurance premiums earned	17,514.3	12,333.6	5,180.6	42.0
Interest income	9,811.7	6,163.8	3,647.9	59.2
Revenue from sale of inventories	5,787.9	2,834.9	2,953.0	104.2
Commission and fee income	2,076.5	1,532.0	544.5	35.5
Net gains on disposal of subsidiaries, associates and joint ventures	3,485.7	237.7	3,248.0	1,366.4
Other income and other net gains or losses	(297.6)	829.3	(1,126.9)	(135.9)
Total income	60,610.3	45,505.5	15,104.8	33.2
Insurance costs	(18,139.7)	(12,782.0)	(5,357.7)	41.9
Commission and fee expense	(1,389.9)	(978.3)	(411.6)	42.1
Purchases and changes in inventories	(4,441.3)	(2,270.3)	(2,171.0)	95.6
Employee benefits	(2,541.0)	(2,373.0)	(168.0)	7.1
Impairment losses on assets	(3,941.6)	(1,920.4)	(2,021.3)	105.3
Interest expense	(15,635.3)	(10,520.1)	(5,115.2)	48.6
Other expenses	(2,586.3)	(2,700.4)	114.0	(4.2)
Total costs and expenses	(48,675.1)	(33,544.4)	(15,130.7)	45.1
Change in net assets attributable to other holders of consolidated structured entities	(777.3)	(1,135.2)	357.9	(31.5)
Share of results of associates and joint ventures	899.9	(103.7)	1,003.6	(967.8)
Profit before tax	12,057.8	10,722.1	1,335.6	12.5
Income tax expense	(3,495.3)	(2,938.8)	(556.5)	18.9
Profit for the period	8,562.4	7,783.3	779.1	10.0
Profit attributable to:				
– Equity holders of the Company	8,882.3	8,008.8	873.5	10.9
– Non-controlling interests	(319.9)	(225.5)	(94.4)	41.9

Management Discussion and Analysis

Total Income

In the first half of 2017, income structure of the Group became more diversified with steady total income growth. The total income increased from RMB45,505.5 million in the first half of 2016 to RMB60,610.3 million in the first half of 2017, representing an increase of 33.2%.

Income from Distressed Assets

Distressed asset business is the core business of the Group. The income from distressed asset is classified on the basis of their nature, including: (1) income from distressed debt assets 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 joint ventures; (4) net gains on disposal of assets in satisfaction of debts; and (5) commission and fee income from custody, liquidation and restructuring services for distressed entities.

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Income from distressed debt assets classified as receivables	8,644.6	8,424.4	220.1	2.6
Fair value changes on distressed debt assets	4,169.9	2,236.3	1,933.6	86.5
Investment income from available-for-sale financial assets ⁽¹⁾	2,379.4	4,137.0	(1,757.6)	(42.5)
Net gains on disposal of assets in satisfaction of debts ⁽²⁾	55.8	62.8	(7.0)	(11.2)
Total	15,249.7	14,860.6	389.1	2.6

Notes:

- (1) Represents investment income from available-for-sale equity assets included in distressed asset management segment, comprising net gains realized on disposal of and dividend income from such equity assets, which is included as "investment income" in the consolidated income statement.
- (2) Included in "other income and other net gains or losses" in the consolidated income statement.

The income from distressed assets increased by 2.6% from RMB14,860.6 million in the first half of 2016 to RMB15,249.7 million in the first half of 2017, accounting for 32.7% and 25.2% of the total income for the respective periods.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased by 2.6% from RMB8,424.4 million in the first half of 2016 to RMB8,644.6 million in the first half of 2017, remaining stable in general, representing a slight increase as compared to the same period of the previous year, and accounting for 18.5% and 14.3% of the total income for the respective periods. In the first half of 2016 and 2017, the monthly average balance of the Company's distressed debt assets classified as receivables was RMB160,864.5 million and RMB198,601.7 million, respectively. The annualized monthly average return of the distressed debt assets classified as receivables decreased from 10.6% in the first half of 2016 to 8.7% in the first half of 2017, mainly due to the result from the Company's launching the active structural adjustment for such business.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets increased by 86.5% from RMB2,236.3 million in the first half of 2016 to RMB4,169.9 million in the first half of 2017, accounting for 4.9% and 6.9% of the total income for the respective periods. As at June 30, 2016 and 2017, the balance of distressed debt assets designated as at fair value through profit or loss was RMB85,718.4 million and RMB108,181.1 million, respectively.

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	3,216.1	1,806.6	1,409.5	78.0
Unrealized fair value changes	953.8	429.7	524.1	122.0
Total	4,169.9	2,236.3	1,933.6	86.5

Management Discussion and Analysis

The table below sets out the changes on distressed debt assets designated as at fair value through profit or loss of the Group as at the dates and for the periods indicated.

	For the six months ended June 30, (in millions of RMB)
As at December 31, 2015	84,620.7
Acquisition during the period	28,073.0
Disposal during the period	(27,405.0)
Unrealized fair value changes	429.7
As at June 30, 2016	85,718.4
As at December 31, 2016	94,458.6
Acquisition during the period	26,414.4
Disposal during the period	(13,645.7)
Unrealized fair value changes	953.8
As at June 30, 2017	108,181.1

The fair value changes on distressed debt assets of the Group increased by 86.5% in the first half of 2017 as compared to the same period in 2016, primarily due to an increase in realized fair value changes, increasing by 78.0% from RMB1,806.6 million in the first half of 2016 to RMB3,216.1 million in the first half of 2017. For traditional distressed debt assets, the Group continued to explore and implement differentiated disposal strategies, capture the pace of disposal and dispose assets at appropriate time and as appropriate. Therefore, as compared to the same period of the previous year, the acquisition size kept steady and the disposal size decreased, changing from RMB28,073.0 million and RMB27,405.0 million in the first half of 2016 to RMB26,414.4 million and RMB13,645.7 million in the first half of 2017, respectively. The annualized return of traditional distressed debt assets remained at fair level as compared to the same period in 2016 and net gains on disposal continued to increase.

Investment Income

The investment income of the Group decreased by 29.1% from RMB10,454.8 million in the first half of 2016 to RMB7,415.7 million in the first half of 2017, accounting for 23.0% and 12.2% of the total income for the respective periods.

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Available-for-sale financial assets	2,505.9	7,046.5	(4,540.6)	(64.4)
Interest income from investment				
in securities				
Available-for-sale financial assets	1,342.6	552.4	790.1	143.0
Debt instruments classified				
as receivables	540.1	825.9	(285.8)	(34.6)
Held-to-maturity investments	310.0	204.8	105.2	51.4
Dividend income				
Available-for-sale financial assets	2,394.7	1,825.2	569.6	31.2
Others	322.4	–	322.4	100.0
Total	7,415.7	10,454.8	(3,039.1)	(29.1)

In the first half of 2017, the total investment income of the Group decreased by 29.1% as compared to the first half of 2016, among which (1) the net gains from disposal of available-for-sale financial assets decreased by 64.4%, from RMB7,046.5 million in the first half of 2016 to RMB2,505.9 million in the first half of 2017, mainly due to the fact that there were incomparable factors in material equity disposal of the Group as compared to the same period of the previous year; (2) the interest income from available-for-sale financial assets increased by 143.0%, from RMB552.4 million in the first half of 2016 to RMB1,342.6 million in the first half of 2017, mainly due to the rapid growth of interest income on bonds; (3) the dividend income from available-for-sale financial assets rose by 31.2%, from RMB1,825.2 million in the first half of 2016 to RMB2,394.7 million in the first half of 2017.

Management Discussion and Analysis

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Net realized gains on disposal of available-for-sale financial assets	2,505.9	7,046.5	(4,540.6)	(64.4)
DES Assets of the Company ⁽¹⁾	2,364.6	3,623.2	(1,258.6)	(34.7)
Others	141.3	3,423.3	(3,282.0)	(95.9)
Interest income from available-for-sale financial assets	1,342.6	552.4	790.1	143.0
Dividend income from available-for-sale financial assets	2,394.7	1,825.2	569.6	31.2
DES Assets of the Company	14.8	513.8	(499.0)	(97.1)
Principal equity investment of the Company and others	2,379.9	1,311.4	1,068.5	81.5
Total	6,243.2	9,424.1	(3,180.9)	(33.8)

Note:

- (1) Represents net realized gains on disposal of DES Assets under available-for-sale financial assets and does not include net realized gains from disposal of interests in associates and joint ventures included in DES Assets.

Investment income from available-for-sale financial assets decreased by 33.8% from RMB9,424.1 million in the first half of 2016 to RMB6,243.2 million in the first half of 2017. Investment income from available-for-sale financial assets, which is the largest component of the investment income, accounted for 90.1% and 84.2% of the total investment income in the first half of 2016 and 2017, respectively. 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.

Management Discussion and Analysis

Net Insurance Premiums Earned

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	17,575.5	12,506.7	5,068.8	40.5
Less: Premiums ceded to reinsurers	44.5	74.1	(29.6)	(40.0)
Withdrawal of unearned premium reserves	16.7	98.9	(82.2)	(83.1)
Net insurance premiums earned	17,514.3	12,333.6	5,180.6	42.0

The gross written premiums of the Group increased by 40.5% from RMB12,506.7 million in the first half of 2016 to RMB17,575.5 million in the first half of 2017, primarily attributable to the significant increase in insurance income of Happy Life in the first half of 2017. The gross written premiums increased by 53.8% from RMB10,886.6 million in the first half of 2016 to RMB16,741.8 million in the first half of 2017.

The premiums ceded to reinsurers and the withdrawal of unearned premium reserves of the Group in the first half of 2017 decreased as compared to the first half of 2016, of which, the withdrawal of unearned premium reserves decreased by 83.1% from RMB98.9 million in the first half of 2016 to RMB16.7 million in the first half of 2017, mainly due to the different consolidated duration as a result of the transfer of equity of Cinda P&C in the first half of 2017.

Management Discussion and Analysis

Commission and Fee Income

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	518.6	689.4	(170.8)	(24.8)
Consultancy and financial advisory services	252.2	367.4	(115.2)	(31.4)
Fund and asset management business	352.6	188.0	164.6	87.6
Trustee services	188.8	120.9	67.9	56.2
Banking business	377.4	65.9	311.5	472.7
Agency business	266.8	53.2	213.6	401.5
Securities underwriting	80.4	14.3	66.1	462.2
Others	39.7	32.9	6.8	20.7
Total	2,076.5	1,532.0	544.5	35.5

The commission and fee income of the Group increased by 35.5% from RMB1,532.0 million in the first half of 2016 to RMB2,076.5 million in the first half of 2017, mainly due to the growth in banking business and agency business as a result of the different consolidated duration after the incorporation of NCB on May 30, 2016, which was partly offset by the decrease in the commission and fee income from securities and futures brokerage and consultancy and financial advisory services. Among which:

- (1) The commission and fee income from banking business increased by 472.7% from RMB65.9 million in the first half of 2016 to RMB377.4 million in the first half of 2017. The commission and fee income from agency business increased by 401.5% from RMB53.2 million in the first half of 2016 to RMB266.8 million in the first half of 2017. These were attributable to the different consolidated duration after the incorporation of NCB on May 30, 2016;
- (2) The commission and fee income from securities and futures brokerage was affected by the trading volume in brokerage business market and related factors, decreasing by 24.8% from RMB689.4 million in the first half of 2016 to RMB518.6 million in the first half of 2017;
- (3) The commission and fee income from consultancy and financial advisory services decreased by 31.4% from RMB367.4 million in the first half of 2016 to RMB252.2 million in the first half of 2017, mainly due to the decrease in income from investment consultancy business of Cinda Hong Kong.

Management Discussion and Analysis

Revenue from sale of inventories and purchases and changes in inventories

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sale of inventories	5,787.9	2,834.9	2,953.0	104.2
Purchases and changes in inventories	(4,441.3)	(2,270.3)	(2,171.0)	95.6
including:				
Revenue from sale of properties held for sale	5,783.5	2,810.7	2,972.8	105.8
Purchases and changes in properties held for sale	(4,437.7)	(2,248.1)	(2,189.6)	97.4
Gross profit from sale of properties held for sale	1,345.8	562.6	783.2	139.2
Gross profit margin from sale of properties held for sale (%)	23.3	20.0	3.3	16.5

The revenue from sale of inventories of the Group increased by 104.2% from RMB2,834.9 million in the first half of 2016 to RMB5,787.9 million in the first half of 2017 and the purchases and changes in inventories increased by 95.6% from RMB2,270.3 million in the first half of 2016 to RMB4,441.3 million in the first half of 2017.

The revenue from sale of properties held for sale of the Group increased by 105.8% from RMB2,810.7 million in the first half of 2016 to RMB5,783.5 million in the first half of 2017 while the purchases and changes in properties held for sale increased by 97.4% from RMB2,248.1 million in the first half of 2016 to RMB4,437.7 million in the first half of 2017. The gross profit margin from sale of properties held for sale of the Group maintained at the same level with a slight increase as compared to the same period of the previous year, increasing by 3.3 percentage points from 20.0% in the first half of 2016 to 23.3% in the first half of 2017. Revenue from sale of properties held for sale and purchases and changes in properties held for sale recorded a significant growth as compared to the same period of the previous year, mainly due to the increase in carrying area of properties and the significant growth in carrying profit resulted from the completion and delivery of property projects of Cinda Real Estate reaching the settlement conditions.

Management Discussion and Analysis

Interest Income

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Loans and advances to customers	7,380.0	4,886.0	2,494.0	51.0
Financial assets held under resale agreements	1,039.4	217.8	821.6	377.2
Deposits with banks and financial institutions	992.3	794.5	197.7	24.9
Balances with central banks	76.4	11.0	65.4	594.6
Placements with banks and financial institutions	227.9	27.5	200.4	728.7
Accounts receivable	17.9	41.3	(23.5)	(56.9)
Others ⁽¹⁾	77.9	185.7	(107.7)	(58.0)
Total	9,811.7	6,163.8	3,647.9	59.2

Note:

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

The interest income of the Group increased by 59.2% from RMB6,163.8 million in the first half of 2016 to RMB9,811.7 million in the first half of 2017, primarily due to the increase in interest income from loans and advances to customers and income from financial assets held under resale agreements.

The interest income from loans and advances to customers increased by 51.0% from RMB4,886.0 million in the first half of 2016 to RMB7,380.0 million in the first half of 2017. The interest income from loans and advances to customers includes interest income from corporate and personal loans and advances, loans to margin clients and finance lease receivables. Among which, the interest income from corporate and personal loans and advances increased accordingly due to the different consolidated duration after the incorporation of NCB the consolidated financial statements of the Group on May 30, 2016.

The interest income from financial assets held under resale agreements increased by 377.2% from RMB217.8 million in the first half of 2016 to RMB1,039.4 million in the first half of 2017, mainly due to the strengthened capabilities in operation of short-term funds resulted from the continuous optimization of liquidity management of the Group.

Net gains on disposal of subsidiaries, associates and joint ventures

Net gains on disposal of subsidiaries, associates and joint ventures of the Group increased by 1,366.4% from RMB237.7 million in the first half of 2016 to RMB3,485.7 million in the first half of 2017, mainly due to the recognition of net gain on the Company's transfer of equity in a subsidiary, Cinda P&C, in April 2017 of RMB3.37 billion. The transfer of equity in Cinda P&C was completed in the first half of 2017. Upon completion, the Company still holds 10% of Cinda P&C's equity and Cinda P&C was no longer incorporated into the consolidated financial statements as a subsidiary of the Company.

Other Income and Other Net Gains or Losses

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Revenue from hotel operation	251.9	261.7	(9.9)	(3.8)
Rental income	178.6	155.8	22.8	14.7
Government grants and compensation	51.4	125.5	(74.1)	(59.0)
Revenue from property management business	88.6	86.4	2.2	2.6
Net gains on disposal of other assets	55.8	62.8	(7.0)	(11.2)
Net gains/(losses) on exchange differences	(1,091.5)	5.9	(1,097.4)	(18,600.0)
Others	167.5	131.1	36.4	27.7
Total	(297.6)	829.3	(1,126.9)	(135.9)

The other income and other net gains or losses of the Group decreased by 135.9% from net gain of RMB829.3 million in the first half of 2016 to net loss of RMB297.6 million in the first half of 2017, mainly due to the impact of appreciation of RMB exchange rate in the first half of 2017. Significant exchange losses were recorded in the USD3.2 billion raised by issuing Offshore Preference Shares and the HKD6.2 billion raised through H-share placing under general mandate in 2016 by the Company, leading to a decrease in net gains or losses on exchange differences from net gain of RMB5.9 million in the first half of 2016 to net loss of RMB1,091.5 million in the first half of 2017.

Management Discussion and Analysis

Total Costs and Expenses

Costs and expenses of the Group experienced a moderate increase as compared to the first half of 2016, which was in line with the income growth of the Group.

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Insurance costs	(18,139.7)	(12,782.0)	(5,357.7)	41.9
Commission and fee expense	(1,389.9)	(978.3)	(411.6)	42.1
Purchases and changes in inventories	(4,441.3)	(2,270.3)	(2,171.0)	95.6
Employee benefits	(2,541.0)	(2,373.0)	(168.0)	7.1
Tax and surcharges	(378.8)	(816.0)	437.2	(53.6)
Business depreciation and amortization	(468.4)	(234.3)	(234.1)	99.9
Impairment losses on assets	(3,941.6)	(1,920.4)	(2,021.3)	105.3
Interest expense	(15,635.3)	(10,520.1)	(5,115.2)	48.6
Other expenses	(1,739.1)	(1,650.1)	(89.1)	5.4
Total	(48,675.1)	(33,544.4)	(15,130.7)	45.1

The total costs and expenses of the Group increased by 45.1% from RMB33,544.4 million in the first half of 2016 to RMB48,675.1 million in the first half of 2017, mainly due to the increases in insurance costs, interest expense, impairment losses on assets and purchases and changes in inventories.

Management Discussion and Analysis

Insurance Costs

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	(10,490.3)	(5,567.7)	(4,922.6)	88.4
Interests credited and policyholder dividends	(755.3)	(1,216.3)	461.0	(37.9)
Refund of reinsurance premiums	29.4	83.6	(54.2)	(64.8)
Other insurance expenses ⁽¹⁾	(6,923.5)	(6,081.6)	(841.9)	13.8
Total	(18,139.7)	(12,782.0)	(5,357.7)	41.9

Note:

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

The insurance costs of the Group increased by 41.9% from RMB12,782.0 million in the first half of 2016 to RMB18,139.7 million in the first half of 2017, primarily due to the rapid growth in insurance business of Happy Life and accordingly a larger increase in reserves for insurance contracts.

Management Discussion and Analysis

Impairment Losses on Assets

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
				(%)
Distressed debt assets classified as receivables	(2,223.5)	223.0	(2,446.6)	(1,097.0)
Available-for-sale financial assets	(830.6)	(1,513.0)	682.5	(45.1)
Loans and advances to customers	(834.6)	(431.9)	(402.7)	93.3
Accounts receivable	(1.2)	(2.4)	1.2	(50.0)
Other assets	(51.7)	(196.1)	144.4	(73.6)
Total	(3,941.6)	(1,920.4)	(2,021.3)	105.3

The impairment losses on assets increased by 105.3% from RMB1,920.4 million in the first half of 2016 to RMB3,941.6 million in the first half of 2017, primarily due to the increase in provision for distressed debt assets classified as receivables and loans and advances to customers, which were partially offset by the decrease in the provision for impairment losses on available-for-sale financial assets.

The impairment losses on distressed debt assets classified as receivables increased by 1,097.0% from reversal of RMB223.0 million in the first half of 2016 to provision of RMB2,223.5 million in the first half of 2017, primarily due to the increase in total distressed debt assets classified as receivables from RMB191,440.5 million as at December 31, 2016 to RMB204,009.4 million as at June 30, 2017, as well as the small periodical increase in the impaired distressed debt assets ratio, resulting in the increase in the provision for distressed debt assets classified as receivables.

The impairment loss on loans and advances to customers increased by 93.3% from RMB431.9 million in the first half of 2016 to RMB834.6 million in the first half of 2017, mainly due to the increase in provisions for NCB loans and loan items on consolidated private funds of the Group.

The impairment losses on available-for-sale financial assets decreased by 45.1% from RMB1,513.0 million in the first half of 2016 to RMB830.6 million in the first half of 2017, primarily due to the stable stock price held by securities investment funds within the consolidation of Cinda Investment and correspondingly no impairment was recorded in the first half of 2017.

Management Discussion and Analysis

Interest Expense

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(9,833.3)	(7,537.5)	(2,295.8)	30.5
Bonds issued	(3,642.6)	(2,546.6)	(1,096.1)	43.0
Financial assets sold under repurchase agreements	(124.8)	(170.3)	45.5	(26.7)
Accounts payable to brokerage clients	(25.9)	(36.0)	10.1	(28.0)
Due to customers	(1,184.7)	(149.3)	(1,035.4)	693.4
Others	(824.0)	(80.5)	(743.4)	923.2
Total	(15,635.3)	(10,520.1)	(5,115.2)	48.6

The interest expense increased by 48.6% from RMB10,520.1 million in the first half of 2016 to RMB15,635.3 million in the first half of 2017, primarily due to (1) the increase in borrowings and bonds issued and thereby the increase in interest expense resulted from the increase in financing needs of the Group for the core business development; (2) the increase in due to customers as a result of the different consolidated duration after the incorporating of NCB on May 30, 2016.

The interest expenses on the borrowings increased by 30.5% from RMB7,537.5 million in the first half of 2016 to RMB9,833.3 million in the first half of 2017, primarily due to (1) the increase in borrowings and thereby the increase in respective interest expenses resulted from the development of distressed asset management by the Company; (2) the increase in interest expenses resulted from the financing expansion of Cinda Real Estate; (3) the increase in borrowings and thereby the increase in interest expenses of borrowings resulted from overseas investment business expansion of Cinda Hong Kong.

The interest expense on bonds issued increased by 43.0% from RMB2,546.6 million in the first half of 2016 to RMB3,642.6 million in the first half of 2017, primarily because the Company and its subsidiaries such as Cinda Securities captured the financing opportunities in the market and increased the bonds issuance resulting in the increase in interest expenses on bonds issued.

Management Discussion and Analysis

Income Tax Expense

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

	For the six months ended June 30,			
	2017	2016	Change	Change in percentage
	(in millions of RMB)			
Profit before tax	12,057.8	10,722.1	1,335.6	12.5
Income tax expense	(3,495.3)	(2,938.8)	(556.5)	18.9
Effective tax rate (%)	29.0	27.4	1.6	5.8

The income tax expense increased by 18.9% from RMB2,938.8 million in the first half of 2016 to RMB3,495.3 million in the first half of 2017, primarily due to an increase in the taxable income. In the first half of 2016 and 2017, the effective tax rates were 27.4% and 29.0%, respectively.

Segment Results of Operations

We report the financial results in three segments: (1) distressed asset management business, such as traditional distressed debt asset management, management of restructured distressed assets, management of DES Assets, and restructuring, custody and liquidation services for distressed entities; (2) financial investment and asset management business, such as principal investment, asset management and the consulting and financial advisory services; (3) financial services business such as banking, securities, futures, fund management, trusts, financial leasing and insurance.

Management Discussion and Analysis

The following table sets forth the segment financial results and positions of the Group as at the dates and for the periods indicated.

	For the six months ended June 30,											
	2017		2016		2017		2016		2017		2016	
	Distressed asset management ⁽¹⁾		Financial investment and asset management		Financial services (in millions of RMB)		Elimination		Consolidation			
Total income	17,596.9	16,413.1	16,055.2	10,874.0	27,936.2	18,644.3	(977.9)	(426.0)	60,610.3	45,505.5		
Percentage of total (%)	29.0	36.1	26.5	23.9	46.1	41.0						
Total costs and expenses	(12,109.4)	(7,591.2)	(9,725.0)	(8,038.7)	(27,477.5)	(18,236.7)	636.8	322.1	(48,675.1)	(33,544.4)		
Profit before tax	5,557.7	8,815.7	6,561.7	1,747.7	279.5	264.5	(341.1)	(105.8)	12,057.8	10,722.1		
Percentage of total(%)	46.1	82.2	54.4	16.3	2.3	2.5						
Profit margin (%)	31.6	53.7	40.9	16.1	1.0	1.4			19.9	23.6		
Return on net assets before tax ⁽²⁾ (%)	14.4	30.0	26.0	10.8	1.7	2.0			15.6	19.2		

	As at		As at		As at		As at		As at		As at	
	June 30, 2017		December 31, 2016		June 30, 2017		December 31, 2016		June 30, 2017		December 31, 2016	
	Distressed asset management ⁽¹⁾		Financial investment and asset management		Financial services (in millions of RMB)		Elimination and unallocated part ⁽³⁾		Consolidation			
Total assets	531,520.7	457,606.7	275,156.1	269,186.6	532,475.7	493,780.1	(43,586.1)	(46,092.4)	1,295,566.4	1,174,480.9		
Percentage of total (%)	41.0	39.0	21.2	22.9	41.1	42.0						
Net assets	78,194.5	76,387.2	50,273.3	50,679.8	39,051.8	27,846.0	(5,924.2)	(6,943.0)	161,595.4	147,970.0		
Percentage of total (%)	48.4	51.6	31.1	34.3	24.2	18.8						

Note:

- (1) In order to facilitate investors to understand the Group's operating results more accurately, since 2016, the distressed asset management business carried out in cooperative way were adjusted from the financial investment and asset management segment to the distressed asset management segment. This interim report has restated the data of the first half of 2016 according to the above mentioned method, which has no significant impact on the data of the business segments of the Group.
- (2) Refers to the annualized percentage calculated by dividing the profit before tax by the average of net assets at the beginning and end of the period.
- (3) Represents primarily income tax payable and deferred tax assets and liabilities which were not allocated to each business segment.

Management Discussion and Analysis

Distressed asset management is our core business and one of our principal income contributors. In the first half of 2016 and 2017, the income generated from distressed asset management accounted for 36.1% and 29.0% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 82.2% and 46.1% of our total profit before tax, respectively. As at December 31, 2016 and June 30, 2017, the total assets of our distressed asset management accounted for 39.0% and 41.0% of our total assets and the net assets of our distressed asset management accounted for 51.6% and 48.4% of our net assets, respectively.

Financial investment and asset management services are extension of the core business of distressed asset management and also an important functional platform serving for the maximization of distressed asset management value. In the first half of 2017, the profit contribution from the financial investment and asset management services segment increased significantly as compared to the same period of the previous year, accounting for 16.3% and 54.4% of the profit before tax in the first half of 2016 and the first half of 2017, respectively. In the first half of 2016 and 2017, the profit margin before tax of this segment accounted for 16.1% and 40.9%, respectively, and average annualized return on net asset before tax were 10.8% and 26.0%, respectively. In the first half of 2017, profit contribution from financial investment and asset management business significantly increased, mainly due to the recognition of net gain of RMB3.37 billion from transfer of equity of Cinda P&C by the Group.

As a key component of the business of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The total income of the financial services segment in the first half of 2017 increased continuously by 49.8%, as compared to the same period of 2016, mainly due to the significant increase in premium income from insurance business of Happy Life and the remarkable growth of income from banking business resulting from significant enhancement of synergy effects of the Group after the consolidation of NCB.

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

Summary of Financial Position of the Group

In the first half of 2017, the Group's assets, liabilities and equity maintained steady growth. As at December 31, 2016 and June 30, 2017, the total assets of the Group amounted to RMB1,174,480.9 million and RMB1,295,566.4 million, respectively, representing an increase of 10.3%; total liabilities of the Group amounted to RMB1,026,510.9 million and RMB1,133,971.0 million, respectively, representing an increase of 10.5%; total equity amounted to RMB147,970.0 million and RMB161,595.4 million, respectively, representing an increase of 9.2%.

Excluding the effect of consolidation of NCB, as at December 31, 2016 and June 30, 2017, the total assets of the Group amounted to RMB928,484.8 million and RMB1,034,788.4 million, respectively, representing an increase of 11.5%; and total liabilities of the Group amounted to RMB780,514.8 million and RMB873,193.0 million, respectively, representing an increase of 11.9%.

Management Discussion and Analysis

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and balances with central banks	14,261.6	1.1	17,368.0	1.5
Deposits with banks and financial institutions	87,608.0	6.8	75,801.3	6.5
Financial assets at fair value through profit or loss	164,740.0	12.7	149,045.5	12.7
Available-for-sale financial assets	254,153.1	19.6	212,495.9	18.1
Financial assets classified as receivables	214,583.7	16.5	198,787.2	16.9
Loans and advances to customers	296,340.4	22.9	294,936.6	25.1
Other assets	263,879.6	20.4	226,046.4	19.2
Total assets	1,295,566.4	100.0	1,174,480.9	100.0
Liabilities				
Borrowings from central bank	986.1	0.1	986.1	0.1
Accounts payable to brokerage clients	14,411.1	1.3	16,272.1	1.6
Due to customers	211,044.8	18.6	204,629.0	19.9
Borrowings	512,316.0	45.2	450,514.8	43.9
Accounts payable	2,976.7	0.3	3,053.9	0.3
Bonds issued	200,057.2	17.6	152,497.6	14.9
Other liabilities	192,179.2	16.9	198,557.4	19.3
Total liabilities	1,133,971.0	100.0	1,026,510.9	100.0
Equity				
Equity attributable to equity holders of the Company	142,989.5	88.5	139,216.7	94.1
Non-controlling interests	18,605.9	11.5	8,753.3	5.9
Total equity	161,595.4	100.0	147,970.0	100.0
Total equity and liabilities	1,295,566.4		1,174,480.9	

Management Discussion and Analysis

Assets

Monetary Capital

Monetary capital primarily consists of cash, our bank deposits, balances with central banks, clearing settlement funds and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2016 and June 30, 2017, monetary capital amounted to RMB93,169.3 million and RMB101,869.6 million, respectively, representing an increase of 9.3%, mainly due to an increase in bank deposits and balances with interbank deposits.

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage (%)
(in millions of RMB)				
Held-for-trading financial assets				
Listed investment				
Debt securities	15,437.5	14,483.5	954.0	6.6
Equity instruments	9,312.1	8,720.0	592.1	6.8
Funds	1,524.3	1,278.7	245.6	19.2
Unlisted investment				
Funds	2,382.6	3,175.8	(793.2)	(25.0)
Derivative financial assets	386.9	820.8	(433.9)	(52.9)
Debt securities	775.7	–	775.7	100.0
Subtotal	29,819.3	28,478.8	1,340.4	4.7
Financial assets designated as at fair value through profit or loss				
Listed investment				
Corporate convertible bonds	289.1	293.2	(4.1)	(1.4)
Unlisted investment				
Distressed debt assets	108,181.1	94,458.6	13,722.6	14.5
Corporate convertible bonds	107.7	71.0	36.7	51.6
Asset management plans	471.7	–	471.7	100.0
Wealth management products	2,115.1	3,984.9	(1,869.8)	(46.9)
Equity instruments	22,674.4	20,646.5	2,027.9	9.8
Assets-backed securities	56.3	58.0	(1.7)	(3.0)
Embedded derivatives bonds	166.6	171.7	(5.1)	(3.0)
Other	858.7	882.8	(24.0)	(2.7)
Subtotal	134,920.7	120,566.7	14,354.1	11.9
Total	164,740.0	149,045.5	15,694.5	10.5

Management Discussion and Analysis

As at December 31, 2016 and June 30, 2017, held-for-trading financial assets amounted to RMB28,478.8 million and RMB29,819.3 million, respectively, representing an increase of 4.7%. The increase was mainly due to (1) the increase in the restricted shares held by the Company; (2) the decrease in the amount of derivative financial assets resulting from the fair value changes on foreign exchange forward, foreign exchange swap and commodity contracts of NCB; (3) the decrease in held-for-trading funds held by the consolidated structured entities of the Group.

As at December 31, 2016 and June 30, 2017, financial assets designated as at fair value through profit or loss amounted to RMB120,566.7 million and RMB134,920.7 million, respectively, representing an increase of 11.9%, mainly due to (1) the increase in traditional distressed debt assets acquired by the Company; (2) the increase in fair value changes on unlisted equity instruments of Cinda Hong Kong; and (3) the decrease in the size of investment in wealth management products of Cinda Investment. In particular, distressed debt assets designated as at fair value through profit or loss increased by 14.5% from RMB94,458.6 million as at December 31, 2016 to RMB108,181.1 million as at June 30, 2017.

Available-for-sale Financial Assets

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage
	(in millions of RMB)			
				(%)
Debt securities	59,195.4	53,609.7	5,585.7	10.4
Equity instruments	39,179.4	40,362.4	(1,183.0)	(2.9)
Certificates of deposit	25,675.8	14,235.7	11,440.1	80.4
Funds	88,477.1	65,072.6	23,404.5	36.0
Trust products and right to trust assets	17,471.5	16,486.8	984.7	6.0
Asset management plans	14,134.5	12,719.6	1,414.8	11.1
Wealth management products	8,380.0	6,500.0	1,880.0	28.9
Asset-backed securities	934.3	1,061.3	(127.0)	(12.0)
Others	705.2	2,447.7	(1,742.6)	(71.2)
Total	254,153.1	212,495.9	41,657.3	19.6

Management Discussion and Analysis

As at December 31, 2016 and June 30, 2017, available-for-sale financial assets amounted to RMB212,495.9 million and RMB254,153.1 million, respectively, representing an increase of 19.6%, mainly attributable to the increase in debt securities, certificates of deposit and fund investment.

Funds are the largest component of available-for-sale financial assets of the Group. As at December 31, 2016 and June 30, 2017, available-for-sale funds amounted to RMB65,072.6 million and RMB88,477.1 million, respectively, representing an increase of 36.0%. The increase was mainly due to the increase of private funds investment as a result of the continuous development of the asset management business of the Company.

Certificates of deposit significantly increased during the first half of 2017. As at December 31, 2016 and June 30, 2017, the balance amounted to RMB14,235.7 million and RMB25,675.8 million, respectively, representing an increase of 80.4%, mainly due to the fact that the Company continued to improve its liquidity management, which boosted the profitability of short-term funds.

Debt securities are important component of available-for-sale financial assets of the Group. As at December 31, 2016 and June 30, 2017, available-for-sale debt securities amounted to RMB53,609.7 million and RMB59,195.4 million, respectively, representing an increase of 10.4%. In particular, the significant increase of investment in government bonds in the first half of 2017 was partially offset by the decrease of investment in other debt securities.

The table below sets forth the principal components of debt securities in available-for-sale financial assets of the Group by issuers as at the dates indicated.

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage (%)
(in millions of RMB)				
Issuers				
Government bonds	25,873.0	14,148.5	11,724.5	82.9
Public sector and quasi-government bonds	9,461.1	10,258.9	(797.8)	(7.8)
Financial institution bonds	15,302.7	16,639.2	(1,336.5)	(8.0)
Corporate bonds	8,558.6	12,563.2	(4,004.6)	(31.9)
Total	59,195.4	53,609.7	5,585.7	10.4

Equity instruments decreased by 2.9%, from RMB40,362.4 million as at December 31, 2016 to RMB39,179.4 million as at June 30, 2017.

Management Discussion and Analysis

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage
(in millions of RMB)				
(%)				
The Group				
Listed	6,374.2	6,303.2	71.0	1.0
Unlisted	32,805.2	34,059.2	(1,254.0)	(3.7)
Total	39,179.4	40,362.4	(1,183.0)	(2.9)
The Company				
Listed	2,403.7	2,673.1	(269.4)	(10.1)
Unlisted	30,439.9	30,646.6	(206.7)	(0.7)
Sub-total	32,843.6	33,319.7	(476.1)	(1.4)
Including:				
DES Assets ⁽¹⁾	31,181.8	31,556.1	(374.3)	(1.2)
Financial equity investments ⁽²⁾	1,661.8	1,763.6	(101.8)	(5.8)
Sub-total	32,843.6	33,319.7	(476.1)	(1.4)

Note:

- (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.

The Group assessed the impairment of the available-for-sale financial assets and made provisions for the impairment losses and recognized the impairment losses of such assets.

Management Discussion and Analysis

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

	For the six months ended June 30, (in millions of RMB)
As at December 31, 2015	(2,900.6)
Provisions for impairment losses	(1,513.0)
Disposal	17.9
As at June 30, 2016	(4,395.7)
As at December 31, 2016	(4,946.5)
Provisions for impairment losses	(830.6)
Reversal of impairment	0.1
Disposal	168.2
As at June 30, 2017	(5,608.8)

In the first half of 2016 and 2017, provisions for impairment losses of available-for-sale financial assets of the Group amounted to RMB1,513.0 million and RMB830.6 million, respectively. The decrease in provisions for impairment losses was mainly due to the stable price of the stocks held by the securities investment funds within the consolidation scope of Cinda Investment, and thus no impairment was recorded in the first half of 2017.

Financial Assets Classified as Receivables

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage
(in millions of RMB)				
(%)				
Distressed debt assets				
Loans acquired from financial institutions	33,585.7	31,297.7	2,288.0	7.3
Accounts receivable acquired from non-financial institutions	170,423.7	160,142.8	10,280.9	6.4
Subtotal	204,009.4	191,440.5	12,568.9	6.6
Allowance for impairment losses	(8,851.9)	(6,993.5)	(1,858.4)	26.6
Net balance	195,157.6	184,447.0	10,710.6	5.8
Other financial assets classified as receivables				
Trust products	13,698.0	7,075.7	6,622.3	93.6
Asset management plans	3,222.5	3,832.5	(610.0)	(15.9)
Structured debt arrangements	481.7	1,232.0	(750.3)	(60.9)
Bonds	1,083.2	1,109.5	(26.3)	(2.4)
Other debt instruments	1,270.4	1,442.5	(172.1)	(11.9)
Subtotal	19,755.8	14,692.2	5,063.6	34.5
Allowance for impairment losses	(329.7)	(351.9)	22.2	(6.3)
Net balance	19,426.1	14,340.3	5,085.8	35.5
Total	214,583.7	198,787.2	15,796.5	7.9

As at December 31, 2016 and June 30, 2017, the balance of financial assets classified as receivables amounted to RMB198,787.2 million and RMB214,583.7 million, respectively, representing an increase of 7.9%.

As at December 31, 2016 and June 30, 2017, the total distressed debt assets classified as receivables amounted to RMB191,440.5 million and RMB204,009.4 million, respectively, representing an increase of 6.6%.

As at December 31, 2016 and June 30, 2017, the impaired distressed debt assets classified as receivables of the Company were RMB3,415.8 million and RMB4,353.4 million, accounting for 1.78% and 2.13% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2016 and June 30, 2017, the allowance for impairment losses on distressed debt assets classified as receivables of the Company was RMB7,009.9 million and RMB8,853.1 million, the coverage ratio of the impaired distressed debt assets classified as receivables was 205.2% and 203.4%, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 3.66% and 4.34%, respectively.

Management Discussion and Analysis

Loans and Advances to Customers

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage (%)
(in millions of RMB)				
By business type				
Corporate and personal loans and advances	254,788.6	249,963.8	4,824.8	1.9
Loans to margin clients	6,894.4	7,655.9	(761.5)	(9.9)
Finance lease receivables	40,996.8	42,847.7	(1,850.9)	(4.3)
Subtotal	302,679.8	300,467.4	2,212.4	0.7
By security type				
Mortgaged	82,816.4	96,415.6	(13,599.2)	(14.1)
Pledged	55,917.6	52,906.3	3,011.3	5.7
Guaranteed	39,551.2	48,178.5	(8,627.3)	(17.9)
Unsecured	124,394.6	102,967.0	21,427.6	20.8
Subtotal	302,679.8	300,467.4	2,212.4	0.7
Allowance for impairment losses	(6,339.4)	(5,530.8)	(808.6)	14.6
Net balance	296,340.4	294,936.6	1,403.8	0.5

As at December 31, 2016 and June 30, 2017, net balance of loans and advances to customers amounted to RMB294,936.6 million and RMB296,340.4 million, respectively, representing an increase of 0.5%, mainly due to the significant enhancement of synergy effect of the Group after the consolidation of NCB, resulting in the continuous increase in the scale of bank loans of NCB.

Management Discussion and Analysis

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage (%)
(in millions of RMB)				
Corporate loans and advances				
Loans and advances	218,406.4	213,346.6	5,059.8	2.4
Discount	879.8	2,419.0	(1,539.2)	(63.6)
Subtotal	219,286.2	215,765.6	3,520.6	1.6
Personal loans and advances				
Mortgage loans	25,544.0	24,840.1	703.9	2.8
Personal consumption loans	9,958.4	9,358.1	600.3	6.4
Subtotal	35,502.4	34,198.2	1,304.2	3.8
Total	254,788.6	249,963.8	4,824.8	1.9

Net finance lease receivables (before allowance for impairment losses) decreased by 4.3% from RMB42,847.7 million as at December 31, 2016 to RMB40,996.8 million as at June 30, 2017, mainly because (1) capital demand decreased and the pressure on investments in new projects increased as China's real economy has faced adjustment and upgrading requirements resulting from the accelerating implementation of supply-side structural reform; (2) new investments and the balance of leased assets slightly decreased in the first half of 2017 as a result of the dual effects of a possible increase in credit risks and tightened risk control on new projects under the macroeconomic circumstances.

Management Discussion and Analysis

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage (%)
(in millions of RMB)				
Gross investment in finance leases	44,728.7	46,858.1	(2,129.4)	(4.5)
Less: Unearned finance income	3,731.9	4,010.4	(278.5)	(6.9)
Net finance lease receivables	40,996.8	42,847.7	(1,850.9)	(4.3)
Within 1 year (inclusive)	17,155.2	16,462.8	692.4	4.2
1 year to 5 years (inclusive)	22,885.7	25,498.8	(2,613.1)	(10.2)
Over 5 years	955.9	886.0	69.9	7.9
Allowance for impairment losses	(1,382.7)	(1,216.0)	(166.7)	13.7
Net amount of finance leases	39,614.1	41,631.6	(2,017.5)	(4.8)

Liabilities

Liabilities of the Group mainly consist of borrowings from financial institutions, due to customers and bonds issued, accounting for 45.2%, 18.6% and 17.6% of the total liabilities of the Group as at June 30, 2017, respectively.

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
(in millions of RMB)				
Borrowings	512,316.0	52.2	450,514.8	51.9
Due to customers	211,044.8	21.5	204,629.0	23.6
Deposits from financial institutions	23,301.3	2.4	13,304.8	1.5
Accounts payable to brokerage clients	14,411.1	1.5	16,272.1	1.9
Financial assets sold under repurchase agreements	6,137.7	0.6	7,872.2	0.9
Placements from banks and financial institution	13,990.1	1.4	23,581.2	2.7
Bonds issued	200,057.2	20.4	152,497.6	17.6
Total	981,258.2	100.0	868,671.7	100.0

Borrowings

As at December 31, 2016 and June 30, 2017, the balance of borrowings of the Group amounted to RMB450,514.8 million and RMB512,316.0 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings to support the development of distressed asset operation; (2) the increase of Cinda Real Estate's long-term borrowings to foster the development of its core business; and (3) the increase of Cinda Hong Kong's borrowings to support the growth of overseas investment business.

Due to customers

As at December 31, 2016 and June 30, 2017, the balance of due to customers of the Group amounted to RMB204,629.0 million and RMB211,044.8 million, respectively. The due to customers of the Group comprised of due to customers of NCB after the consolidation of NCB on May 30, 2016.

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

	As at June 30, 2017	As at December 31, 2016	Change	Change in Percentage
(in millions of RMB)				
Demand Deposits	67,425.1	78,029.0	(10,603.9)	(13.6)
Corporate Customers	28,176.1	39,055.8	(10,879.7)	(27.9)
Individual Customers	39,249.0	38,973.2	275.8	0.7
Time Deposits	136,391.5	117,195.6	19,195.9	16.4
Corporate Customers	87,974.9	72,207.7	15,767.2	21.8
Individual Customers	48,416.6	44,987.9	3,428.7	7.6
Guarantee Deposits	7,228.2	9,404.5	(2,176.3)	(23.1)
Total	211,044.8	204,629.0	6,415.7	3.1

Management Discussion and Analysis

Bonds Issued

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

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Subordinated Bonds	12,198.1	6,281.4
HKD Bonds	75.0	80.7
Corporate Bonds	23,807.6	23,816.0
Financial Bonds	90,117.2	67,818.6
USD Guaranteed Senior Notes	54,394.5	34,760.1
Beneficiary Certificates	2,006.4	3,006.3
Mid-term Notes	3,073.6	3,076.3
Capital Supplement Bonds	3,061.0	3,001.0
Tier-2 Capital Bonds	9,988.1	10,170.4
Certificates of Deposit	1,335.8	486.8
Total	200,057.2	152,497.6

As at December 31, 2016 and June 30, 2017, the balance of bonds issued by the Group amounted to RMB152,497.6 million and RMB200,057.2 million, respectively. Bonds issued in the first half of 2017 further increased mainly because the Group actively refined the structure of assets and liabilities by carrying out direct financing with focus on bond financing while reinforcing the inter-bank financing business. Bonds issued in the first half of 2017 mainly consist of (1) subordinated bonds of RMB6.0 billion issued by Cinda Securities; (2) financial bonds of RMB30.0 billion issued by the Company; (3) guaranteed senior notes of USD3.0 billion issued by a subsidiary of Cinda Hong Kong; and (4) certificates of deposit of RMB850 million issued by NCB China.

Contingent Liabilities

Due to the nature of our business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Group makes provisions, as appropriate, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings based on the advice of legal counsel. The Group does not make provisions for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management believes that the probability of loss is remote or that any resulting liabilities will not have a material and adverse effect on the financial condition or operating results of the Group.

As at December 31, 2016 and June 30, 2017, the claims of pending litigations of which the Group was defendant were RMB1,608.4 million and RMB1,503.8 million, and provision of RMB90.5 million and RMB88.9 million were made for the periods ended on the dates based on court judgments or the advice of legal counsel, respectively. The Directors believe that the final results of these lawsuits will not have material impacts on the financial position or operation results of the Group.

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

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

Business Overview

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

The table below sets out the total income of each of the business segments for the periods indicated.

	For the six months ended June 30,			
	2017		2016	
	Total income	% of total (in millions of RMB)	Total income	% of total
Distressed Asset Management	17,596.9	29.0	16,413.1	36.1
Financial Investment and Asset Management	16,055.2	26.5	10,874.0	23.9
Financial Services	27,936.2	46.1	18,644.3	41.0
Elimination	(977.9)	(1.6)	(426.0)	(0.9)
Total	60,610.3	100.0	45,505.5	100.0

Management Discussion and Analysis

The table below sets out the profit before tax of each of the business segments for the periods indicated.

	For the six months ended June 30,			
	2017		2016	
	Profit before tax	% of total (in millions of RMB)	Profit before tax	% of total
Distressed Asset Management	5,557.7	46.1	8,815.7	82.2
Financial Investment and Asset Management	6,561.7	54.4	1,747.7	16.3
Financial Services	279.5	2.3	264.5	2.5
Elimination	(341.1)	(2.8)	(105.8)	(1.0)
Total	12,057.8	100.0	10,722.1	100.0

Note:

In order to facilitate investors to understand the Group's operating results more accurately, since 2016, the distressed asset management business carried out in cooperative way were adjusted from the financial investment and asset management segment to the distressed asset management segment. This interim report has restated the data of the first half of 2016 according to the above mentioned method which has no significant impact on the data of the business segments of the Group.

In the first half of 2017, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 29.0%, 26.5% and 46.1% of the total income of the Group, respectively, and these segments' profit before tax represented 46.1%, 54.4% and 2.3% of the total profit before tax of the Group, respectively.

Distressed Asset Management

The scope of the Group'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) operation and disposal of distressed assets, merger and acquisition, restructuring, custody, and liquidation for distressed entities and provision of integrated solutions for the strategic customers through collaborative and comprehensive solutions within the Group.

Distressed asset management is the core business of the Group and is the primary source of income and profit. In the first half of 2016 and the first half of 2017, income from the distressed asset management business accounted for 36.1% and 29.0% of the total income of the Group, respectively, and profit before tax from the distressed asset management business accounted for 82.2% and 46.1% of the profit before tax of the Group, respectively.

Management Discussion and Analysis

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

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Net balance of distressed debt assets ⁽¹⁾	302,790.1	278,237.6
Balance of entrusted distressed assets	15,994.1	35,713.0
Book value of DES Assets	45,496.3	40,479.6
	For the six months ended June 30, 2017	2016
(in millions of RMB)		
Acquisition and disposal of distressed debt assets		
Acquisition cost of distressed debt assets	72,851.3	69,193.1
Income from distressed debt assets ⁽²⁾	12,856.8	10,780.7
Management and disposal of DES Assets		
Dividend income from DES Assets	26.8	513.8
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	920.2	1,282.5
Net gain from the disposal of DES Assets	2,379.1	3,623.2

Notes:

- (1) Equivalent to the sum of 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 interim condensed 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 interim condensed consolidated financial statements.

Management Discussion and Analysis

Classification by Source of Acquisition¹

The Company classifies its distressed debt assets into two main categories depending on the source of acquisition of the distressed assets: (1) non-performing loans and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions (“FI Distressed Assets”); and (2) receivables of nonfinancial 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 periods indicated.

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	129,029.8	42.6	117,676.4	42.3
NFE Distressed Assets	173,760.3	57.4	160,561.2	57.7
Total	302,790.1	100.0	278,237.6	100.0

¹ The Traditional Model and Restructuring Model can both be utilized for the management of distressed assets acquired from financial institutions (FI Distressed Assets) and distressed assets acquired from non-financial enterprises (NFE Distressed Assets). Accounting treatment of distressed assets 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” in the Statement of Financial Position.

Management Discussion and Analysis

	For the six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	28,092.3	38.6	32,638.4	47.2
NFE Distressed Assets	44,759.0	61.4	36,554.7	52.8
Total	72,851.3	100.0	69,193.1	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	5,287.3	41.1	3,864.7	35.8
NFE Distressed Assets	7,569.5	58.9	6,916.0	64.2
Total	12,856.8	100.0	10,780.7	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 interim condensed consolidated financial statements.
- (2) Represents the carrying amounts of distressed debt assets acquired during the periods indicated.
- (3) 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 interim condensed consolidated financial statements.

Management Discussion and Analysis

FI Distressed Assets

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

	For the six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	15,808.8	56.3	15,144.2	46.3
Joint-stock commercial banks	5,911.5	21.0	14,349.3	44.0
City and rural commercial banks	128.9	0.5	2,580.5	7.9
Other banks ⁽¹⁾	–	–	279.4	0.9
Non-bank financial institutions ⁽²⁾	6,243.1	22.2	285.0	0.9
Total	28,092.3	100.0	32,638.4	100.0

Notes:

- (1) Includes policy banks, the Postal Savings Bank of China and foreign banks.
 (2) Mainly includes non-banking financial institutions such as finance companies.

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.

Management Discussion and Analysis

Classification by Business Model

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 the details of 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 periods indicated.

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total (in millions of RMB)	Amount	% of total
Net balance of distressed debt assets				
Traditional Distressed Assets ⁽¹⁾	107,606.3	35.5	93,763.8	33.7
Restructured Distressed Assets ⁽²⁾	195,183.8	64.5	184,473.8	66.3
Total	302,790.1	100.0	278,237.6	100.0

	For the six months ended June 30,			
	2017		2016	
	Amount	% of total (in millions of RMB)	Amount	% of total
Acquisition cost of distressed debt assets⁽³⁾				
Traditional Distressed Assets	26,414.4	36.3	28,073.0	40.6
Restructured Distressed Assets	46,436.9	63.7	41,120.1	59.4
Total	72,851.3	100.0	69,193.1	100.0
Income from distressed debt assets				
Traditional Distressed Assets ⁽⁴⁾	4,212.3	32.8	2,221.8	20.6
Restructured Distressed Assets ⁽⁵⁾	8,644.5	67.2	8,558.9	79.4
Total	12,856.8	100.0	10,780.7	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 interim condensed consolidated financial statements.
- (2) Equivalent to the Company's "distressed debt assets classified as receivables" as appeared in the interim condensed consolidated financial statements.
- (3) Equivalent to the carrying amount of distressed debt assets acquired for the periods indicated.
- (4) Equivalent to the realized and unrealized "fair value changes on distressed debt assets" of the Company, as appeared in the interim condensed consolidated financial statements.
- (5) Equivalent to the Company's "income from distressed debt assets classified as receivables" as appeared in the interim condensed consolidated financial statements.

Management Discussion and Analysis

Traditional Distressed Assets

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

The table below sets forth certain of the Company's acquisition and disposal of Traditional Distressed Assets as at the dates and for the periods indicated.

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Net balance of Traditional Distressed Assets	107,606.3	93,763.8

	For the six months ended June 30,	
	2017	2016
(in millions of RMB)		
Acquisition cost of Traditional Distressed Assets	26,414.4	28,073.0
Carrying amount of Traditional Distressed Assets disposed ⁽¹⁾	13,304.2	26,660.4
Unrealized fair value changes	1,072.2	468.4
Net income from Traditional Distressed Assets	4,212.3	2,221.8
Internal rate of return ⁽²⁾ (%)	16.7	16.2

Notes:

- (1) Represents the amounts of Traditional Distressed Assets disposed in a given period.
- (2) Represents the return that equates the present value of all capital invested in the Traditional Distressed Assets to the present value of all returns of capital, the discount rate that will provide a net present value of all cash flows equal to zero.

In the first half of 2017, for acquisition of traditional assets, the Company grasped the pace of gradual marketization and standardization of distressed assets disposal by banks and other financial institutions, formulated flexible business expansion strategies, took advantages of its professional strengths in traditional distressed asset management and actively participated in tendering with reasonable quotation, we continued to maintain leading position in public market. For disposal of traditional assets, by enhancing the classification management on assets, the Company started with distressed assets and entities with restructured value, meanwhile seizing the regional opportunities of active transactions and asset prices rebound in the Yangtze River Delta and other regional markets to dispose assets at an appropriate timing in favorable conditions, thereby effectively enhancing the efficiency of assets disposal, and resulting in an increase of 89.6% in disposal gains compared with the same period of the last year.

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 acquiring debts, the company would enter into a tripartite agreement with creditor and debtor. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment amount, repayment method, repayment schedule, and any collateral and guarantee agreements, with the ultimate goal of recovering the debt in full and achieving target gains.

The table below sets forth certain details of our Company's acquisition and disposal of Restructured Distressed Assets as at the dates and for the periods indicated.

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Net balance of Restructured Distressed Assets	195,183.8	184,473.8
Balance of impaired Restructured Distressed Assets	4,353.4	3,415.8
Impaired Restructured Distressed Assets ratio ⁽¹⁾ (%)	2.13	1.78
Allowance for impairment losses	8,853.1	7,009.9
Impaired Restructured Distressed Assets coverage ratio ⁽²⁾ (%)	203.4	205.2

Management Discussion and Analysis

	For the six months ended June 30,	
	2017	2016
(in millions of RMB)		
Acquisition cost of Restructured Distressed Assets	46,436.9	41,120.1
Income from Restructured Distressed Assets	8,644.5	8,558.9
Annualized return on monthly average balance ⁽³⁾ (%)	8.7	10.6

Notes:

- (1) Equals impaired Restructured Distressed Assets divided by gross balance of Restructured Distressed Assets.
- (2) Equals balance of allowance for impairment losses divided by balance of Impaired Restructured Distressed Assets.
- (3) Equals income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets.

In the first half of 2017, the Company actively explored the opportunities from the supply-side structural reform for resources integration, increased our efforts in industry research, strengthened the management of active allocation of assets, accelerated its adjustments on asset allocation, improved the matching between risks and income and, through continuously enhancing and optimizing its internal management and information system construction, we consolidated the foundation of sustainable business development. In the first half of 2017, the quality and efficiency of restructured distressed assets business was further improved. The scale of new acquired assets has increased significantly compared to the same period last year. The asset structure significantly optimized, in which the concentration of real estate industry was decreasing steadily and the regional distribution of real estate industry was mainly concentrated in the first and second tier cities and high quality customers. The proportion in non-real estate sector steadily increased. Meanwhile, the Company focused on exploring customer potential and enhanced integrated service value, further enhancing the ability to serve the real economy.

Entrusted Distressed Asset Management

The Company also manages and disposes of distressed assets entrusted by financial institutions, non-financial enterprises and local government authorities, and our income is primarily derived from commissions based on the cash recovery. As at December 31, 2016 and June 30, 2017, the balance of the entrusted distressed assets was RMB35.71 billion and RMB15.99 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 held by us can be classified as unlisted shares of DES Companies (“Unlisted DES Assets”) and listed shares of DES Companies (“Listed DES Assets”). As at December 31, 2016 and June 30, 2017, the total book value of our Unlisted DES Assets in 152 and 146 DES Companies amounted to RMB29,410.4 million and RMB29,149.0 million, respectively, and Listed DES Assets in 13 and 18 DES Companies, with total book value of RMB11,069.2 million and RMB16,347.3 million, respectively.

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

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB, except number of DES Companies)		
Number of DES Companies	164	165
Unlisted	146	152
Listed	18	13
Total book value	45,496.3	40,479.6
Unlisted	29,149.0	29,410.4
Listed	16,347.3	11,069.2

DES Assets Disposal Gain

In the first half of 2016 and the first half of 2017, the Company disposed of the investments in 8 and 11 DES Companies, respectively, with total acquisition cost (net of provisions for impairment, if any) of RMB1,282.5 million and RMB920.2 million, respectively, realizing net gain of RMB3,623.2 million and RMB2,379.1 million, respectively. The dividend income amounted to RMB513.8 million and RMB26.8 million, respectively. In this first half of 2017, the exit multiple of the DES Assets disposed of by the Company¹ was 3.6, and 4.3 for the unlisted ones.

Management Discussion and Analysis

The table below sets forth details of disposal of DES Assets by the Company for the periods indicated.

	For the six months ended June 30,	
	2017	2016
(in millions of RMB, except number of DES Companies)		
Number of DES Companies disposed	11	8
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	920.2	1,282.5
Net gain on disposal of DES Assets ⁽¹⁾	2,379.1	3,623.2
Dividend income	26.8	513.8

Note:

(1) Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB9.7 million from DES receivables.

Through years of operations and disposals of DES Assets, the Company accumulated a wealth of professional advantages and industry experience. In the first half of 2017, focusing on the supply-side structural reform, after studying the relevant policies and regulations and investigating the situation of the DES industry, the Company improved stock operation and expanded incremental market. The Company adhered to the case-by-case policy and adopted the operation strategy of planning as a whole, breaking through key points and step by step implementation resulting in the enhancement of the value of DES Assets and achieving a good result. On the other hand, the Company sought and seized opportunities to develop marketized DES business actively.

Integrated Collaborative Platform of Distressed Assets Management

The Group adopts a comprehensive and cooperative approach to perform centralized management, disposal, merger and acquisition, restructuring, custody, and liquidation on certain distressed assets or distressed entities and provide integrated solutions for strategic customers. Among which, as at December 31, 2016 and June 30, 2017, the asset balance of distressed assets management of Zhongrun Development amounted to RMB1,196.1 million and RMB1,110.6 million, respectively.

Financial Investment and Asset Management

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

In the first half of 2016 and the first half of 2017, the income from financial investment and asset management business accounted for 23.9% and 26.5% of the total income, respectively, and the profit before tax accounted for 16.3% and 54.4% of the profit before tax of the Group, respectively.

In the first half of 2017, in terms of principal investment, the Group continued to play the core strengths of distressed assets business, focusing on distressed entities and distressed assets, building special situation investment brand, allocating of medium and long-term equity asset in a reasonable way and adjusting and improving the assets and income structure of the Group. In terms of asset management business, the Group continued to develop the mezzanine fund asset management business steadily, which generating fixed income, and increased efforts to raise funds from third parties.

Principal Investment

Our Group's 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; (3) other investments, including investments in funds, debt securities, trust products and wealth management products. As at December 31, 2016 and June 30, 2017, balance of the principal investment of the Group totalled RMB139.13 billion and RMB168.21 billion, respectively. In the first half of 2016 and the first half of 2017, income from the principal investment of the Group, primarily including investment income, net income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totalled RMB5.09 billion and RMB8.18 billion, respectively.

Management Discussion and Analysis

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments				
– by investment type				
Equity investments ⁽¹⁾	29,204.1	17.4	31,762.6	22.8
Real estate investments ⁽²⁾	1,469.4	0.9	1,720.9	1.2
Fund investments	97,966.4	58.1	72,869.0	52.5
Debt securities investments	3,246.9	1.9	3,188.3	2.3
Trust products investments	10,213.1	6.1	9,524.6	6.8
Wealth management products	3,619.3	2.2	4,062.2	2.9
Other investment ⁽³⁾	22,493.8	13.4	16,003.8	11.5
Total	168,213.0	100.0	139,131.4	100.0
Balance of principal investments				
– by investments entities				
The Company	121,506.1	72.3	91,342.1	65.7
Cinda Investment	25,319.1	15.1	23,391.7	16.8
Cinda Hong Kong	30,139.2	17.9	30,203.9	21.7
Zhongrun Development	1,092.4	0.6	1,129.7	0.8
(Elimination)	(9,843.8)	(5.9)	(6,936.0)	(5.0)
Total	168,213.0	100.0	139,131.4	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 and joint ventures” as appeared in the interim condensed consolidated financial statements attributable to financial investment and asset management business segment.
- (2) Equivalent to “investment properties” as appeared in the interim condensed consolidated financial statements.
- (3) Include primarily investment in asset management plan and large interbank deposits.

Equity Investment

The Company, Cinda Investment, Cinda Hong Kong 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 in companies those belong to energy, construction and environmental protection industries. We also expanded our investments in industries of “extended culture”, “extended health”, “extended consumption”, new energy and new material, and focused on the strategical investment opportunities brought by mixed ownership reform of state-owned enterprises and the Belt and Road. Cinda Investment mainly invests in domestic mergers and acquisitions, securities market investment and direct equity investment relying on the capital market. Cinda Hong Kong mainly engages equity investments outside of the PRC and provides financing services for mainland companies and high-end customers in demand.

Equity Investments by the Company

The Company is engaged in financial investments and receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2016 and June 30, 2017, 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 and joint ventures in the consolidated financial statements, were RMB1.80 billion and RMB1.92 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2016 and June 30, 2016, 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 and joint ventures in the consolidated financial statements were RMB5.06 billion and RMB6.00 billion, respectively.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its subsidiaries serve as the Group's business platform outside of mainland China. As at December 31, 2016 and June 30, 2017, the balance of Cinda Hong Kong's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements were RMB24.41 billion and RMB20.45 billion, respectively.

Management Discussion and Analysis

Real Estate Investment and Development

Cinda Investment, together with its certain 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 Group. In the first half of 2017, as the regulation policy of real estate and external financing environment have been tightening, Cinda Real Estate managed to limit expenses in accordance with its income and made accurate investments, accelerated the collection of sales proceeds, continued to display group synergy to expand its projects via multiple channels and maintained stable business development. As at December 31, 2016 and June 30, 2017, the balance of our investment properties amounted to RMB1.72 billion and RMB1.47 billion, respectively. In the first half of 2016 and the first half of 2017, the real estate development business generated real estate sales revenue of RMB2.81 billion and RMB5.78 billion, respectively.

Funds, Debt Securities, Trusts, Wealth Management Products and Other Investments

The Group conducts funds, debt securities, trusts, wealth management products and other principal investments through the Company, Cinda Investment and Cinda Hong Kong etc. As at December 31, 2016 and June 30, 2017, the balance of the investments in all types of funds was RMB72.87 billion and RMB97.97 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2016 and June 30, 2017, the balance of the debt securities investments was RMB3.19 billion and RMB3.25 billion, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products, to earn investment income. As at December 31, 2016 and June 30, 2017, the balance of the investments in wealth management and trust products totalled RMB13.59 billion and RMB13.83 billion, respectively.

Asset Management Business

The asset management business consists of (1) the private fund business included in the financial investment and asset management segment; and (2) the securities investment management, trust and mutual fund businesses included in the financial services segment. In the first half of 2017, the private fund business of the Group grew steadily. It expanded the committed capital and increased the number of investment through various external fund raising channels and innovative transaction structure design, to build up a Cinda's specialised private fund brand.

As at June 30, 2017, we have established 167 private 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 fund business of the Group as at the dates and for the periods indicated.

	As at June 30, 2017	As at December 31, 2016
Number of funds ⁽¹⁾	167	137
Total committed capital (AUM) (in billions of RMB)	296.7	267.3
Total paid-in capital (in billions of RMB)	187.1	179.5
Paid-in capital from third parties ⁽²⁾ (in billions of RMB)	41.8	72.9
Total number of projects invested	328	289

	For the six months ended June 30,	
	2017	2016
Fund management income (in millions of RMB)	139.5	276.8

Notes:

- (1) Includes funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager).
- (2) Represents paid-in capital contributed by investors not affiliated with Group.

Other Businesses

In the first half of 2016 and the first half of 2017, the commission and fee income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totalled RMB290 million and RMB180 million, respectively.

Financial Services

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

In the first half of 2016 and the first half of 2017, income from financial services represented 41.0% and 46.1%, respectively, of the total income of the Group, while the profit before tax from financial services accounted for 2.5% and 2.3%, respectively, of the total profit before tax of the Group.

Management Discussion and Analysis

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

	For the six months ended June 30,				As at June 30,		As at December 31,	
	2017		2016		2017		2016	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(in millions of RMB)							
NCB ⁽¹⁾	5,453.5	1,619.2	2,605.5	1,291.1	349,492.6	43,312.1	312,723.0	34,598.1
Securities, Futures and Fund Management ⁽²⁾	1,819.4	159.1	1,976.7	293.3	56,457.7	9,697.6	57,081.1	9,610.4
Jingu Trust	240.9	112.7	226.4	93.2	4,601.4	3,648.2	4,742.0	3,564.3
Cinda Leasing	1,255.7	412.9	1,339.5	459.1	44,322.1	6,877.3	45,383.7	6,669.5
Happy Life	18,318.7	(1,082.7)	12,688.1	(595.7)	76,054.0	8,336.9	67,036.7	2,517.6

Notes:

- (1) The data of NCB contained in this chapter includes the financial data before and after the consolidation of NCB by the Company on May 30, 2016.
- (2) Includes Cinda Securities, Cinda Futures, First State Cinda Fund and Cinda International.

Banking Business

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

The Progress of NCB's Consolidation Work

As of June 30, 2017, it has been a year since the Company acquired NCB. During the year, the Company had attached great importance to the integration work, put forward the practical goal of integration, that is, developing NCB into a leading commercial bank mainly engaging in asset management and inter bank businesses with cross border financial services and corporate financial services as the key products based on the synergetic comprehensive financial group. Under the guidance of such goal, NCB effectively utilized its highly complementary products and customer channels with the Group, fully implemented the transformation strategy, actively promoted multi-coordination, continued to strengthen risk prevention and control, achieved sustained and stable development and realized continuously improving overall performance. The total operating income increased by over 10% compared to the average of 2013-2015; total asset, total deposits and loans increased by over 31%, 34% and 26% respectively as compared to the same period of the previous year. Meanwhile, business synergy with the Group has become an important support for the growth in performance.

Business strategy: Firstly, taking the advantages of solid foundation in enterprise financial business and strong synergy effect, NCB has given full play to promote the marketing to large blue-chip enterprise customers and institutional customers so as to optimize the customer structure gradually and effectively enhanced the capacity of professional services and market competitiveness through the targeted integrated solution; secondly, NCB has focused on wealth management and has continuously improved service quality and optimized product design according to customers' differentiated needs. NCB has also provided the asset allocation of high-end customers with personalized and customized integrated wealth management solutions; thirdly, with the effective use of the characteristics of cross-border business and its unique advantages of cross-border services, NCB has constantly consolidated its internal and external channel construction to expand sustainable partners and create the platform of integrated financial services in cross-border business.

IT construction: NCB has launched the overall planning of IT system construction, which included planning with one principle, carrying out step by step, starting from NCB China, and integrating with the Group, to support the further development of the businesses in the future.

Risk management and control: The risk management of NCB has been included in the Group's overall framework of the risk management. The Group has monitored and guided the risk management of NCB through the establishment of risk information reporting mechanism, adoption of the risk assessment indicator system for regular testing and evaluation and through field inspection, risk inspection, management meetings and others for the purpose of achieving effective linkage of the risk management with NCB.

NCB

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

As at December 31, 2016 and June 30, 2017, NCB had total assets of RMB312.72 billion and RMB349.63 billion, respectively, total loans of RMB168.85 billion and RMB182.61 billion, respectively, and total deposits of RMB231.57 billion and RMB261.56 billion, respectively. In the first half of 2016 and the first half of 2017, its net interest income was RMB1.83 billion and RMB2.48 billion, respectively, and the net commission and fee income was RMB0.65 billion and RMB0.76 billion, respectively.

Management Discussion and Analysis

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

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Asset quality indicators (%)		
Non-performing loan ratio ⁽¹⁾	0.57	0.39
Capital Adequacy ratio indicators (%)		
Total debt-to-capital ratio ⁽²⁾	18.59	16.19
Tier-1 capital ratio ⁽³⁾	16.83	14.31
Tier-1 capital ratio of common equities ⁽⁴⁾	13.06	14.31
Other indicators (%)		
Liquidity coverage ratio ⁽⁵⁾	171.71	141.78

	For the six months ended June 30, 2017	2016
(in millions of RMB)		
Profitability indicators (%)		
Annualized return on average assets ⁽⁶⁾	0.82	0.82
Annualized return on average shareholder's equity ⁽⁷⁾	7.78	6.70
Net interest margin ⁽⁸⁾	1.55	1.56
Cost-to-income ratio ⁽⁹⁾	35.42	41.94

Notes:

- (1) Equals the sum of loans classified as substandard, doubtful and loss divided by total loans to customers.
- (2) Equals the sum of tier-1 capital and tier-2 capital divided by net risk-weighted assets.
- (3) Equals tier-1 capital divided by net risk-weighted assets.
- (4) Equals tier-1 capital of common equities divided by net risk-weighted assets.
- (5) Equals high-quality liquid asset reserves divided by the difference between cash outflows over the next 30 days and cash inflows over the next 30 days.
- (6) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period, which is annualized.
- (7) Equals net profit attributable to equity holders for the period divided by the average of equity attributable to equity holders as at the beginning and the end of the period, which is annualized.
- (8) Equals net interest income divided by daily average balance of interest-generating assets, which is annualized.
- (9) Equals operating expenses divided by operating income.

NCB Hong Kong

NCB Hong Kong is well-known for its personal wealth management and corporate banking services.

In respect of retail banking business, NCB Hong Kong serves individual customers with a wide range of wealth management products. Its key wealth management products include various types of deposits and investment products, such as deposits of different currencies or investment-linked deposits, foreign exchange, trading of securities, funds and bonds, and life insurance. As at December 31, 2016 and June 30, 2017, personal deposits in Hong Kong amounted to RMB75.27 billion and RMB78.82 billion, accounting for 47.4% and 45.3% of the total deposits of NCB Hong Kong, respectively. NCB Hong Kong also provides a series of personal loan products, including mortgage, tax and various personal loans. As at December 31, 2016 and June 30, 2017, total personal loans amounted to RMB21.03 billion and RMB21.00 billion, accounting for 18.0% and 16.6% of the total loans to customers of NCB Hong Kong, respectively. Cooperating with its subsidiaries in Mainland China and taking advantage of its cross-border business, NCB Hong Kong has provided credit plans for cross-border customers, using their properties in Mainland China as security. In the first half of 2016 and the first half of 2017, net interest income from personal customers amounted to RMB230 million and RMB290 million, respectively. Net commission and fee income from personal customers amounted to RMB280 million and RMB260 million, respectively.

In respect of corporate banking business, NCB Hong Kong provides local industrial and commercial customers in Hong Kong with a range of credit financing products, such as import and export bills, trade financing, overdraft, industrial and commercial loans, project loans, syndicate loans and other services, and provides financing channels for all types of small-to-medium-sized enterprises. NCB Hong Kong has promoted a number of cross-border products to meet the financing needs of cross-border enterprises. As at December 31, 2016 and June 30, 2017, deposits from corporate customers amounted to RMB83.41 billion and RMB95.02 billion, accounting for 52.6% and 54.7% of the total deposits from customers of NCB Hong Kong, respectively. Loans to corporate customers amounted to RMB95.61 billion and RMB105.66 billion, accounting for 82.0% and 83.4% of the total loans to customers of NCB Hong Kong, respectively. In the first half of 2016 and the first half of 2017, net interest income from corporate customers amounted to RMB670 million and RMB920 million, and net commission and fee income amounted to RMB250 million and RMB280 million, respectively.

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

Management Discussion and Analysis

NCB China

As of June 30, 2017, the major operating indicators of NCB China were better than the average of foreign owned banks in Shanghai.

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

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Asset quality indicators (%)		
Non-performing loan ratio	1.15	0.87
Provision coverage ratio	167.09	151.21
Capital Adequacy ratio indicators (%)		
Core tier-1 capital adequacy ratio	13.32	12.77
Tier-1 capital adequacy ratio	13.32	12.77
Capital adequacy ratio	13.95	13.11
(in millions of RMB)		
	For the six months ended June 30, 2017	2016
(in millions of RMB)		
Profitability indicators (%)		
Annualized return on average assets	0.44	0.34
Annualized return on average shareholder's equity	6.07	3.86

As at December 31, 2016 and June 30, 2017, NCB China had total assets of RMB121.74 billion and RMB130.69 billion, respectively, total loans of RMB54.62 billion and RMB57.01 billion, respectively, and total deposits of RMB77.35 billion and RMB81.01 billion, respectively. In the first half of 2016 and the first half of 2017, its net interest income were RMB0.68 billion and RMB0.69 billion, respectively, and the net commission and fee income were RMB0.18 billion and RMB0.23 billion, respectively.

Based on the types of products and services provided, business of NCB China divides into three segments, namely retail banking, corporate banking and treasury services.

Retail banking services mainly include deposits, credit and debit cards, consumption loans, mortgage loans and personal asset management and other banking services to individual customers. As at December 31, 2016 and June 30, 2017, the total retail loans amounted to RMB13.36 billion and RMB14.59 billion, accounting for 24.5% and 25.6% of the total balance of loans, respectively. The total retail deposits were RMB9.26 billion and RMB9.04 billion, accounting for 12.0% and 11.2% of the total balance of deposits, respectively.

Corporate banking services mainly include deposits, loans, settlement, trade-related products and other banking services to corporate customers. As at December 31, 2016 and June 30, 2017, the total corporate loans amounted to RMB41.26 billion and RMB42.42 billion, accounting for 75.5% and 74.4% of the total balance of loans, respectively. Total corporate deposits amounted to RMB68.09 billion and RMB71.97 billion, accounting for 88.0% and 88.8% of the total balance of deposits, respectively.

Treasury services mainly include: (1) foreign exchange market business, which primarily consists of spot, forward and swap foreign exchange trading; (2) monetary market business, which primarily consists of inter-bank deposits or borrowings and repurchase and reverse-repurchase agreements; (3) derivative products business, which primarily consists of interest rate swap and structural wealth management on behalf of customers; (4) fixed income market business, which primarily includes bonds (including large negotiable certificate of deposit); (5) commodity business, which primarily includes Au (T+D) and Ag (T+D) business, gold forward and gold swap business.

Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures. The Group also conducts mutual fund management business and other asset management business in Mainland China through First State Cinda Fund and cross-border securities brokerage, financial product transactions, investment banking and asset management business in Hong Kong through Cinda International. In the first half of 2016 and 2017, the revenue of Cinda Securities amounted to RMB1,158.6 million and RMB807.8 million.

Management Discussion and Analysis

Cinda Securities

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

	For the six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	415.5	51.4	622.9	53.8
Futures	103.9	12.9	81.4	7.0
Investment banking	249.3	30.9	103.2	8.9
Asset management and other business	39.1	4.8	351.1	30.3
Total	807.8	100.0	1,158.6	100.0

Securities brokerage: As at December 31, 2016 and June 30, 2017, the number of clients of Cinda Securities' securities brokerage business amounted to 1.471 million and 1.563 million, the total value of its AUM amounted to RMB172.16 billion and RMB161.74 billion, respectively. In the first half of 2016 and the first half of 2017, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB1,001.47 billion and RMB794.07 billion, respectively.

Investment banking: In the first half of 2016 and the first half of 2017, Cinda Securities' underwriting fee and commission income amounted to RMB80.3 million and RMB225.6 million, respectively.

Asset management: As at December 31, 2016 and June 30, 2017, the AUM balance of Cinda Securities amounted to RMB71.30 billion and RMB77.87 billion, respectively. In the first half of 2016 and the first half of 2017, commission and fee income from Cinda Securities' asset management business amounted to RMB93.9 million and RMB77.8 million, respectively.

Innovative businesses and other businesses: As at December 31, 2016 and June 30, 2017, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB7.29 billion and RMB6.64 billion, respectively.

Cinda Futures

In the first half of 2016 and the first half of 2017, income from the futures business of Cinda Futures amounted to RMB81.4 million and RMB103.9 million, respectively, and the revenue of Cinda Futures amounted to RMB31.6 million and RMB56.1 million, respectively.

First State Cinda Fund

The Group conducts mutual fund business through First State Cinda Fund and those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which invest in equity assets and fixed income assets mainly. As at December 31, 2016 and June 30, 2017, the Group had 16 and 16 mutual securities investment funds with the AUM amounted to RMB65.88 billion and RMB62.65 billion, respectively. In the first half of 2016 and the first half of 2017, management fee income from such funds amounted to RMB59.1 million and RMB73.8 million, respectively.

Cinda International

In the first half of 2016 and the first half of 2017, Cinda International generated revenue of RMB81.9 million and RMB106.8 million, respectively.

Trusts

The Group conducts trust business through Jingu Trust. In the first half of 2017, Jingu Trust achieved breakthroughs in securitization of distressed assets and assets-backed securities. As at December 31, 2016 and June 30, 2017, the existing trust AUM amounted to RMB124.50 billion and RMB110.31 billion, respectively, and the Group managed 128 and 137 existing trust projects, respectively. In the first half of 2016 and the first half of 2017, the fees and commission incomes generated from trust business were RMB0.14 billion and RMB0.19 billion, respectively, accounting for 74.9% and 87.3% of Jingu Trust's total revenue in respective periods.

Management Discussion and Analysis

Products

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

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Individual trust schemes	63,011.0	57.1	78,760.0	63.2
Collective trust schemes	47,301.0	42.9	45,766.0	36.8
Total	110,312.0	100.0	124,526.0	100.0

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

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Financing	19,939.0	18.1	19,099.0	15.3
Investment	27,352.0	24.8	25,931.0	20.8
Non-discretionary	63,021.0	57.1	79,496.0	63.9
Total	110,312.0	100.0	124,526.0	100.0

Management Discussion and Analysis

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Infrastructure	15,573.0	14.1	15,375.0	12.3
Real estate	14,031.0	12.7	13,416.0	10.8
Industry and commerce	14,920.0	13.5	6,100.0	4.9
Financial institutions	3,059.0	2.8	3,061.0	2.5
Asset-backed securitization	22,412.0	20.3	39,185.0	31.5
Others	40,317.0	36.6	47,389.0	38.0
Total	110,312.0	100.0	124,526.0	100.0

Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. In the first half of 2017, through restructuring the profit model and promoting business innovation, Cinda Leasing achieved breakthroughs in aircraft leasing and new energy sectors. As at December 31, 2016 and June 30, 2017, the net finance lease receivables of the Group was RMB41.63 billion and RMB39.61 billion, respectively. In the first half of 2016 and the first half of 2017, the net revenue generated by the financial leasing business was RMB709.4 million and RMB671.1 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB342.9 million and RMB309.6 million, respectively.

Products

In the first half of 2017, the total income from specialized products and non-specialized products was RMB102.9 million and RMB1,152.8 million, respectively, representing 8.2% and 91.8%, respectively, of Cinda Leasing's total income for the period.

Clients

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

Management Discussion and Analysis

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

	As at June 30, 2017		As at December 31, 2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	17,643.4	42.1	19,615.8	45.1
Ming	3,797.9	9.1	4,455.5	10.2
Water conservancy, environment and public utilities management	7,542.9	18.0	9,368.8	21.5
Construction	185.8	0.4	269.5	0.6
Transportation, logistics and postal services	3,008.0	7.2	3,122.2	7.2
Others	9,702.0	23.2	6,714.7	15.4
Total	41,880.0	100.0	43,546.5	100.0

Insurance Business

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

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

	For the six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Life insurance	16,159.5	96.5	10,506.4	96.5
Ordinary life insurance	14,976.2	89.5	9,457.3	86.9
Participating life insurance	1,176.3	6.9	1,042.1	9.6
Others	7.0	0.1	7.0	0.1
Health insurance	460.5	2.8	260.6	2.4
Accidental injury insurance	121.8	0.7	119.6	1.1
Total	16,741.8	100.0	10,886.6	100.0

Business Synergy

In the first half of 2017, the Group continued to promote business synergy among the distressed asset management business of the Group and various platforms by improving the collaboration system and optimizing the incentive mechanism and adopting measures to reinforce the market coordination.

In respect of cooperation methods, the Group emphasized sharing of business opportunities among its branches and subsidiaries. Branches brought into play their strengths of customer channel in the regions, further explored customer needs, connected cooperative platforms and enhanced its capability to provide customized integrated financial services for key customers. Subsidiaries gave play to its functional advantages and provided resources and services for main business. In the first half of 2017, collaborative operating income and the amount of deposits and loans with NCB continued to increase and income derived from collaborative business amounted to RMB330 million. Among which the balance of collaborative deposits with NCB Hong Kong was HKD45.61 billion and the balance of collaborative loans was HKD8.82 billion. The balance of collaborative deposits with NCB China was RMB31.08 billion and the balance of collaborative loans was RMB8.69 billion. Cinda Real Estate gave play to its professional advantages and provided professional consultation and project regulatory services for the Group. In the first half of 2017, the number of cooperation projects amounted to 39. Cinda Securities provided assistance for the Group and some subsidiaries in the issuance of bonds and offered investment banking and consultation services and other specialized services. In the first half of 2017, collaborative scale accumulated to RMB85.86 billion.

In the first half of 2017, through business cooperation among its subsidiaries and branch companies, the Group recorded revenue from cross-selling of RMB1.75 billion from 1,201 customers in relation to 1,183 projects, with an aggregate business scale of RMB182.33 billion. Among which the financial leasing business volume from cross-selling was RMB21.31 billion, income derived from these projects amounted to RMB290 million. Income derived from banking business amounted to RMB330 million while the collaborative scale under the real estate business of the Group was RMB8.93 billion with its income amounted to RMB80 million.

Material Investment and Acquisition

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

Management Discussion and Analysis

Human Resources Management

In the first half of 2017, the Company closely adhered to the main line of reform, innovation and development. Following the second Five-Year Plan, the Company continued to broaden the vision and scope of talents introduction and enhanced open competitive recruitment to create an atmosphere of innovation pioneer in contesting excellence within the company through the guidance of quantitative indicators. The Company optimized the rotation system to provide management talents and professional talents with training and development channels. With the theme of compliance construction and the main line of capacity initiatives, the Company enhanced penetration of integrated training and expansion as well as cross infiltration of training for professional capabilities.

Employees

As at June 30, 2017, the Group had 20,958 employees, of which 19,235 were in Mainland China and 1,723 were in Hong Kong and Macao. Within the Company and its tier-one subsidiaries (headquarters), employees with postgraduate degrees or above, and with undergraduate degrees accounted for 64% and 28% of the total employees, respectively, and employees aged 45 or below accounted for 70% of the total employees.

Remuneration Policy

Consistent with the strategies, business development and talent recruitment of the Group, the Company put emphasis on efficiency while maintaining fairness. The Company promoted and encouraged the enhancement of performance and contribution of employees through optimizing the incentive and restriction mechanism, and increased incentives to key positions and outstanding contributions. Through matching the assessment standards and the incentive mechanism, the guiding effect of remuneration incentives would be fully leveraged.

No Material Changes

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

Risk Management

In the first half of 2017, the Company adhered strictly to its risk management concept of “protecting the bottom-line by managing risks proactively”. Through steady promotion of comprehensive risk management system matching the Company’s development strategy, the Company further enhanced risk management instruments and risk solution measures to proactively overcome the challenges and difficulties arising from the adverse changes in external markets and maintain the quality of assets. The overall risks were managed within an acceptable level and a solid foundation was laid for the realization of the Company’s strategic targets and operating plans.

The Company further optimized the unified risk management policy of the Group. In the first half of 2017, it completed the preparation of Risk Appetite Statement of the Group for 2017 and formed the annual risk management target. The management mechanism with a balance between risks, revenue and capital was initially formed. While fulfilling the regulatory requirements, it promoted the sound operation and healthy development of the Company. The Company prudently implemented the risk appetite transmission, with an attempt to strengthen the guidance in risk asset allocation. In addition, the ground work of adjusting indicators was further improved through monitoring and analysis.

The Company continued to strengthen monitoring and management of major risks such as credit risk, market risk, operational risk and concentration risk and further strengthen the risk management process. In the first half of 2017, the Company further improved the scientific indicators and business coverage for risk assessment, strengthened the effectiveness of assessment for designated responsible persons in charge of risk management of grass roots units and enhanced the monitoring frequency and scope of customer risk limit and concentration risks. Through risk inspection and special work arrangement, compliance management and employees’ bottom line awareness were further strengthened. The risk accountability was reinforced.

In the first half of 2017, the Company adopted various measures to actively promote project risk alleviation. Firstly, focusing on the main points. The Company centralized the management and unified the cooperation of key risk projects to timely push forward alleviation. Secondly, implementing the tasks. The Company incorporated elimination of risks into the comprehensive assessment and enhanced accountability. Thirdly, formulating various alleviation measures. With multi-pronged measures, risks were alleviated in order to ensure the overall asset quality of the Group and maintain the overall risk within an acceptable range.

The Company enhanced its informatization level of risk management through accelerating the construction of information system for risk management. With the operation of internal evaluation system and related party transaction management information system, in the first half of 2017, the Company completed the development of risk alert information system and collateral management information system, which entered the commissioning, greatly enhancing proactive risk information management capabilities of the Company.

Management Discussion and Analysis

Management of Credit Risk

Credit risk refers to the risk of business losses of the Group resulting from an obligor or counterparty's failure or unwillingness to perform its repayment obligations in a timely manner, or the deterioration of its financial conditions. Credit risk of the Group is primarily related to its distressed debt asset portfolio, the corporate and individual loans and fixed-income investment portfolio of its financial subsidiaries, the finance lease receivables of its financial leasing business and other on- and off-balance sheet exposures to credit risk.

The Company has strictly complied 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 optimized the policies and system of credit risk management and focused on the risk control of major areas to implement the strategies of the Company and control and reduce credit risks.

In the first half of 2017, the Company continued to refine its credit risk management policies in active response to the changes in the macroeconomy and financial regulatory requirements. In particular, regulations were refined including the Measures on Internal Rating Management, the Interim Measures on Management of Concentration Risk, the Interim Measures on Risk Management of Significant Projects and Key Clients, the Interim Measures on Collateral Management, the Measures on Credit Reference Management, the Administrative Measures on Designated Responsible Persons in Charge of Risk Management of Grass Roots Units and Persons in Charge of Risk Management Departments (Provisional).

Meanwhile, the Company developed the collateral management information system to enhance collateral management standard and effectively prevent credit risks.

Management of Market Risk

Market risk refers to the risk of loss, in respect of the Company's on- and off-balance sheet activities, arising from adverse movements in market rates including interest rates, exchange rates and market prices such as stock and commodity prices. Market risk exists in the Company's trading and non-trading businesses, including interest rate risk, exchange rate risk, risk of stock price and risk of commodity price. The current market risks of the Group are mainly interest rate risk and exchange rate risk.

With respect to interest rate risks of the Group, the Company has managed interest rate risks arising from interest rate fluctuation mainly by optimizing project repayment plans, continuously improving internal funds pricing system and strengthening the matching of assets and liabilities of different maturities. With respect to exchange rate risks, the Group has controlled exchange rate risk by maintaining appropriate foreign exchange exposure, strengthening research and analysis on foreign exchange market, and enhancing the matching management of assets and liabilities.

With respect to market risks of shares in listed companies held by the Company, the Company has closely monitored factors such as the trend of macroeconomy, abundance of market liquidity and the latest regulations and requirements that will affect the value of the enterprises in which the Company owns equities, while strengthening research and analysis in order to set out and adjust the management strategies of shares in listed companies properly.

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

Management of Liquidity Risk

The liquidity of the Group reflects the ability of the Group to obtain funds at reasonable cost to repay debts or increase assets within a certain period, and the basic elements include time, cost and quantity. Liquidity risks of the Group can be divided into financing liquidity risk and market liquidity risk. The Group implements the following liquidity risk control measures:

Firstly, the Group has further expanded financing channels and sources, further reduced the corporate financing costs and reduced the gap of mismatching of assets and liabilities. In the first half of 2017, the Group has fully leveraged domestic and international markets and issued RMB30 billion of financial bonds and USD3 billion of guaranteed senior notes to expand its sources of direct financing and reduce financing cost. Meanwhile, the Group has further strengthened cooperation with domestic commercial banks and insurance companies to expand the scope of counterparties as well as adopted diversified financing approaches to actively raise funds, so as to ensure the liquidity security and main business development of the Company.

Secondly, the Group has built three liquidity pools and two systems to establish the full-process capital management of the Group. The Group has completed the construction of domestic liquidity pool, cross-border liquidity pool and offshore liquidity pool as well as capital management system and cash management system of the Group to achieve liquidity integration and flow among the parent company, branches and subsidiaries. The three liquidity pools and two systems built with Nanyang Commercial Bank as the hub greatly promoted onshore and offshore fund linkages, achieved the full-process onshore and offshore capital management of the Group and enhanced synergy effects of the Group, strongly supporting the development of domestic and overseas businesses of the Group.

Thirdly, the Group has continued to enhance the establishment of its systems so as to promote its management. The Group has promoted the liquidity risk management system, capital management system and capital operation system of the Group and enhanced timeliness and pertinency of management of liquidity risk through scientific approaches.

Management Discussion and Analysis

Management of Operational Risk

Operational risk refers to the risk of losses resulting from a failure or deficiency of internal processes, working staff and information technology systems or from external events. In the first half of 2017, the Company strengthened its control over operational risk and promoted the improvement of internal control system so as to further enhance its standard of operational risk management.

In the first half of 2017, the Company has completed comprehensive risk detection of the Group according to the Administrative Measures on Operational Risk. The scope of inspection included corporate governance, internal control mechanism, risk management, business innovation and compliance and risk management in all business segments of the Company. Compliance awareness of the Group has been further strengthened and effectiveness of long-term mechanism has been improved through special inspection. Strict investigation and effective rectification in respect of risks and hidden defects of each unit within the Group were conducted to timely resolve some business risks and operational risks. The Company continued to conduct risk detection and on-site inspection on its branches and subsidiaries. Through risk detection, risk awareness, risk response measures and quality of risk assessor were further enhanced. Through risk detection, the Company supervised the completion of system revision, process optimization and system construction on each business line, thereby further strengthening control of operational risk.

The Company has compiled case studies and organized risk management training programs and seminars to enhance the awareness of risk prevention and risk mitigation ability of all employees, promote the risk management philosophy and cultivate a proper risk management culture.

Aiming to further raise the information technology management standard, the Company has, under the guidance of an information technology management committee, pushed forward the planning of informatization, improved information security, and enhanced the prevention and control of information technology risk. In addition, the Company initiated the establishment of its risk management information system and risk warning system, and refined internal rating system, related party transaction management information system and credit reference system, thus the informationization of risk management has been enhanced.

Management of Reputation Risk

The Company has put a great emphasis on the establishment of reputation risk management system, and integrates management of reputation risk into the comprehensive risk management system. An operating mechanism for monitoring, handling and reporting public sentiment has been refined to improve its management standard of reputation risk. The Company has appointed dedicated staff to be in charge of managing public sentiment and has formulated contingency plans for reputation risk to maintain effective communication of risk information. The Company has actively responded to the issues concerned by media and conducted efficient communication with relevant stakeholders and the public. During the Reporting Period, the Company steadily enhanced reputation risk management of the Company and safeguarded the Company's positive image and reputation.

Anti-money Laundering

The Company has diligently performed its responsibility of anti-money laundering and strictly complied with the relevant anti-money laundering laws and regulations. The Company has implemented regulatory requirements of anti-money laundering with focus on risk prevention and further enhanced the compliance management of anti-money laundering. During the Reporting Period, pursuant to the Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions, the Company commenced the establishment of anti-money laundering information system. Daily anti-money laundering management and the business process of the Company are expected to be more closely related and the effectiveness of customer identity recognition of anti-money laundering will be significantly enhanced.

Capital Management

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

On February 25, 2016, the CBRC promulgated the Notice of the General Office of the CBRC on Issuing the Indicator System of Off-site Supervision Report of the Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), which became effective on March 1, 2016. The notice showed substantial adjustments to capital measurement. In particular, the capital measurement requirement was further classified into core tier-1 capital adequacy ratio of not less than 9%, tier-1 capital adequacy ratio of not less than 10% and capital adequacy ratio of not less than 12.5% from the former single capital adequacy ratio requirement of not less than 12.5% under the original indicator system. The Company calculated its capital adequacy ratio in different categories in accordance with the above new indicator system. The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated date.

Management Discussion and Analysis

	As at June 30, 2017	As at December 31, 2016
(in millions of RMB)		
Core tier-1 capital adequacy ratio (%)	10.60	11.87
Tier-1 capital adequacy ratio (%)	14.62	16.41
Capital adequacy ratio (%)	17.18	19.38
Net core tier-1 capital	56,089.4	55,572.3
Net tier-1 capital	77,367.6	76,853.5
Net capital	90,889.4	90,728.6
Risk-weighted assets	529,061.9	468,224.3

As at December 31, 2016 and June 30, 2017, the leverage ratio¹ of the Company was 5.9:1 and 6.1:1 respectively.

Prospects

In the second half of 2017, the global economy will continue to recover but it is still in the process of structural rebalancing, hence there are uncertainties and unstable factors. The endogenous growth momentum of the domestic economy has yet to be strengthened and the adjustment of economic structure is a long-term and difficult task. The PRC Government will continue to strengthen the supply-side structural reform and speed up the transformation of economic development. Domestic economic development trend improves steadily in general with accelerating transition from the conventional development motives to the new ones. However, the downward economic pressure remains.

With further promotion of the prevention and mitigation of financial risk, the focus on deleveraging will shift from the financial sector to the economic sector, further releasing local risks. The scale of non-performing loans of commercial banks maintains its growth. Risks in other non-banking financial institutions will continue to increase and default risks in the bond market will further occur. The operation conditions of the real economy enterprises differentiate with increasing size of accounts receivables and default risks are still high. The core business of the Company continues to face with good development opportunities.

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

The Company will, in line with the national 13th Five-Year Plan and the spirit of the National Financial Work Conference, firmly grasp opportunities from serving the real economy, preventing and mitigating financial risk and deepening the financial reform, as well as return to the origin and focus on its main business. The Company will continue to consolidate and leverage its core advantages in distressed assets business and commit to building a brand of featured asset management and comprehensive financial services. Firstly, the Company will further reinforce the edges of its distressed asset management business. The Company will adhere to its functional position in the financial system and focus on preventing and mitigating risks and the supply-side structural reform. By innovating solutions of distressed assets and distressed entities, and proactively promoting market-oriented debt-to-equity swap, the Company will speed up the transformation and the innovative development of major business. Secondly, the Company will optimize its business structure with a focus on the main business. By organizing the existing business scope of the Company and following the objective of emphasizing its advantages in main business, the Company will strengthen the reform of its system and mechanism and adjust the Company's business structure to continuously enhance its capabilities and efficiency in serving the real economy. Thirdly, the Company will highlight the development of specialization and characteristics of its subsidiaries and the development of differentiation of its branches. The Company will focus on its distressed asset business and fully display its comparative advantages. The Company will continue to strengthen its resources integration of customers, products, channels, funds and human resources of the Group in order to enhance synergy and integrated operation capabilities of the Group.

The Company will deepen the reforms in respect of its system and mechanism, refine its corporate governance system and enhance management and control efficiency. The Company will strengthen the construction of information systems of the Group, enhance efficiency of fund and capital allocation of the Group to promote stable operation of the Group. Focusing on the "Compliance Year" activities, the Company will thoroughly streamline its polices system and optimise procedures. The Company will attach greater emphasis on active risk prevention and strengthen the monitoring and prevention of risks to constantly raise the Group's comprehensive risk management level. The Company will strengthen the construction of corporate culture and build up a team of high quality staff, in order to ensure the Company's constant and healthy development.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Ordinary Share Capital

The ordinary share capital of the Company as at June 30, 2017 were as follows:

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

Substantial Shareholders and De Facto Controller

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

The Company had 1,820 registered Shareholders of ordinary shares as at June 30, 2017. So far as the Directors and Supervisors are aware, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares as at June 30, 2017, which was recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

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

Note:

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

Changes in Share Capital and Information on Substantial Shareholders

Substantial Shareholders

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

MOF

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.

Preference Shares

Issuance and Listing of Preference Shares

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

Number of Holders of Preference Shares and Their Shareholding

As at June 30, 2017, the Company had a total of 1 holder of preference shares (or proxy). Particulars of its shareholding of the Company are as follows:

Name of shareholder	Nature of shareholder	Class of Shares	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	160,000,000	100.0

Note:

The shareholding of the holder of preference shares was based on the information set out in the register of preference shareholders kept by the Company. Based on the information available to the Company, the register of preference shareholders presented the information on proxies of places.

Changes in Share Capital and Information on Substantial Shareholders

Dividend Distribution of Preference Shares

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

The fifth meeting and the third regular meeting of the Board for 2017 of the Company convened on August 29, 2017 considered and approved the resolution on the dividend payment of Offshore Preference Shares, approving the Company to distribute dividends of Offshore Preference Shares on October 3, 2017, at the rate of 4.45% per annum (after tax). The total amount of dividend is USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the announcement dated August 29, 2017 of the Company.

Redemption or Conversion of Preference Shares

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

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Rationale

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

Directors, Supervisors and Senior Management

General Information

Directors

As at the date of this interim report, the Board of the Company consisted of Mr. Hou Jianhang (Chairman) and Mr. Chen Xiaozhou as executive Directors, Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Zhang Guoqing and Mr. Liu Chong as non-executive Directors, and Mr. Chang Tso Tung, Stephen, Mr. Xu Dingbo, Mr. Zhu Wuxiang and Mr. Sun Baowen as independent non-executive Directors.

Supervisors

As at the date of this interim report, the Board of Supervisors of the Company consisted of Mr. Gong Jiande (Chairman of the Board of Supervisors) as shareholder representative Supervisor, Ms. Liu Yanfen, Mr. Li Chun and Mr. Zhang Zheng as external Supervisors, Ms. Gong Hongbing, Mr. Lin Dongyuan and Ms. Jia Xiuhua as employee representative Supervisors.

Senior Management

As at the date of this interim report, the senior management of the Company consisted of Mr. Chen Xiaozhou as President, Mr. Zhuang Enyue as Vice President, Mr. Li Yuejin as Vice President, Mr. Liu Ligeng as Vice President, Mr. Liang Qiang as assistant to the President, Mr. Chen Yanqing as assistant to the President, Mr. Luo Zhenhong as Chief Risk Officer, and Mr. Ai Jiuchao as Board Secretary.

Information on Changes

Directors

As elected at the first extraordinary general meeting in 2017 and approved by CBRC. Mr. Zhang Guoqing was appointed as the Company's non-executive Director since April 10, 2017.

As elected at the second extraordinary general meeting in 2017 and approved by CBRC. Mr. Liu Chong was appointed as the Company's non-executive Director since August 4, 2017.

Supervisors

During the Reporting Period, there is no change on the members of the Board of Supervisors.

Senior Management

Since February 10, 2017, Mr. Wu Songyun ceased to be Vice President of the Company due to other work arrangement.

Since February 28, 2017, Mr. Yang Junhua ceased to be the member of the senior management of the Company due to age reason.

Significant Events

Corporate Governance

The Company has strictly complied with the requirements of the Company Law of the PRC, the Listing Rules, other laws and regulations, regulatory documents and the Articles. The Company has continuously optimized its corporate governance, established scientifically reasonable and stable and efficient corporate governance system based on the changes in external regulatory environment and its operation conditions. The Company has further optimized its corporate governance mechanism in pursuit of sound corporate governance and continuously enhanced its corporate governance. By enhancing the construction of comprehensive risk management and internal control system continuously, the Company has strengthened its overall risk management and control and its capabilities in sustainable development, maintained stable operation and protected the legitimate rights and interests of investors.

During the Reporting Period, the Company continued to strive for comprehensive protection for the rights of Shareholders by focusing on information disclosure and investor relationship management. The Company strictly complied with the rules and regulations of the places where its Shares were listed with full disclosure of information related to Shareholders' interests in a timely manner to ensure equality between domestic and overseas investors and protection of the interests of all Shareholders.

Shareholders' General Meetings

The first extraordinary general meeting for 2017 of the Company was held in Beijing on January 4, 2017, at which two resolutions were considered and approved, including the election of Mr. Zhang Guoqing as non-executive Director of the Company and the subscription of the new shares issued by Happy Life. Resolution in relation to the subscription of the new shares issued by Happy Life was approved by way of special resolution.

The second extraordinary general meeting for 2017 of the Company was held in Beijing on March 15, 2017, at which four resolutions were considered and approved, including the remuneration settlement scheme of Directors for 2015, the remuneration settlement scheme of Supervisors for 2015, the fixed assets investment budget for 2017 and election of Mr. Liu Chong as non-executive Director of the Company.

The annual general meeting for 2016 of the Company was held in Beijing on June 30, 2017, at which 5 resolutions were considered and approved, including the work report of the Board for 2016, the report of the Board of Supervisors for 2016, the final financial account plan for 2016, the profit distribution plan for 2016 and the appointment of accounting firms for 2017. The work report of the independent non-executive Directors for 2016 was also received at the annual general meeting.

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

Board

As at the date of this interim report, the Board of the Company comprised 12 members, including 2 executive Directors, 6 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors accounted for one-third of the total number of the Board members.

With effect from August 1, 2017, Mr. Xu Dingbo, an independent non-executive Director of the Company, ceased to act as the independent director and chairman of the audit committee of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002713). With effect from April 27, 2017, Mr. Sun Baowen, an independent non-executive Director of the Company, began to act as the independent director of Shandong Huaruan Jindun Software Co., Ltd. (a company listed on National Equities Exchange and Quotations, stock code: 833326) and with effect from May 19, 2017, ceased to act as the independent director of Loften Environmental Technology Co., Ltd. (now renamed as Shandong Hongchuang Aluminum Industry Holding Company Limited, a company listed on the Shenzhen Stock Exchange, stock code: 002379), respectively. Saved as disclosed above, the information regarding the appointments of Directors is consistent with the information disclosed in the annual report for 2016 of the Company and the announcement of the Company dated August 8, 2017, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

During the Reporting Period, the Board convened three meetings, at which 15 resolutions were reviewed and passed, including, among others, the operation plan for 2017, the fixed assets investment budget for 2017, the annual report for 2016, the 2016 profit distribution plan, the internal audit work plan for 2017 and the internal control evaluation report for 2016.

During the Reporting Period, the Board strictly complied with relevant laws and regulations, regulatory requirements and the Articles, adhered to the overall working principle of steady progress and innovative development, performed its obligation in a diligent manner and made decisions in a scientific way. The Board continued to optimize the level of the Company's corporate governance, constantly strengthened the construction of comprehensive risk management and internal control system, optimized the strategic layout of the Company, enhanced the major business development of the Company and firmly improved the capabilities in serving real economy to ensure the stable growth in operation results of the Company.

Significant Events

Board of Supervisors

As at the date of this interim report, the Board of Supervisors of the Company comprised 7 members, including 1 shareholder representative Supervisor (Chairman of the Board of Supervisors), 3 external Supervisors and 3 employee representative Supervisors.

The information regarding the appointments of Supervisors is consistent with the information disclosed in the annual report for 2016 of the Company, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board of Supervisors of the Company duly performed its supervision duties and diligently consider and review relevant proposals. During the Reporting Period, the Supervisory Committee under the Board of Supervisors convened two meetings and the Nomination Committee convened one meeting, during which reviewed the relevant proposals to be considered and approved by the Board of Supervisors. The Board of Supervisors held one meeting and considered and approved 8 resolutions, including, among others, the report of the Board of Supervisors for 2016, the appraisal report on the performance of Directors and senior management for 2016, the final financial account plan for 2016, the profit distribution plan for 2016, the internal control evaluation report for 2016, the report on social responsibilities for 2016 and the annual report for 2016.

During the Reporting Period, the Board of Supervisors performed its duty in compliance with laws and rules to protect the interest of the Shareholders effectively. The Board of Supervisors closely focused on the operational development target of the Company, paid close attention to changes in economic situation and regulatory requirements, enhanced supervision and review on key areas of risk including credit risk, liquidity risk, concentration risk, new business risk and key branches, and presented opinions and suggestions. The supervisory work will focus on the promotion of system improvement, optimization of corporate governance and fiscal and taxation management, so as to promote the implementation of the second Five-Year Plan of the Company, ensure compliance in the operation, and enhance efficiency in supervision.

Senior Management

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

Code of Corporate Governance

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

Information of Risk Management

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

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

Internal Control

In the first half of 2017, the Company implemented regulatory requirements in respect of internal control as stipulated by relevant regulatory authorities to improve its internal control system continuously.

Firstly, the Company embarked on the policies system streamlining of "Compliance Year". With critical comparison of external regulations and based on extensive consultation, the Company carefully analyzed and consolidated to formulate the initial polices system streamlining plan. It will fully commence the streamlining project in the second half of 2017.

Secondly, the Company further promoted internal control and compliance culture, solicited articles from employees about "Compliance Year" and fully enhanced employees' understanding and awareness of compliance management, so as to consolidate the compliance awareness of all employees firmly.

Thirdly, combining with the self-inspection requirements of serial special governance activities by the CBRC, the Company conducted comprehensive detection of internal management to promote learning and understanding, and further consolidated the foundation of internal control.

During the Reporting Period, the internal control system of the Company was further optimized with higher internal control efficiency.

Significant Events

Internal Audit

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

In the first half of 2017, the Company carried out internal audit in an organized and orderly manner by focusing on risks and efficiency in accordance with the annual internal audit plan. The Company organized regular audits and special audits on certain branches and key business lines in terms of their key businesses, major projects, key control processes, as well as finance and internal control. The Company completed the evaluation and formulated report on the internal control of the Company for 2016, and relevant rectification measures were implemented. Economic responsibility audit of certain members of the middle and senior management of the Group during their term of offices was also conducted. In addition, the Company further improved the sustainable capability of its internal audit by strengthening training of audit personnel as well as improving their audit skills and efficiency.

Profit and Dividend Distribution

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

Upon the approval of the annual general meeting for 2016 held on June 30, 2017, the Company, on August 18, 2017, distributed cash dividends of RMB1.220 per 10 Shares (tax inclusive) to all Shareholders whose names appear on the register of members on July 11, 2017, representing total cash dividends of approximately RMB4,656 million. No interim dividends will be declared for 2017 and no capital reserves will be converted to the share capital of the Company.

Material Litigation and Arbitration

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

Major Acquisition and Disposal of Assets and Merger

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

Implementation of Share Incentive Plan

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

Major Connected Transactions

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

Material Contracts and their Implementation

Material Custodies, Contracting and Leasing

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

Material Guarantees

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

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

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

Purchase, Sale and Redemption of Listed Securities

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

Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the code of conduct on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules to regulate the securities transactions by Directors, Supervisors and senior management. After making enquiries to all Directors and Supervisors, the Company is satisfied all Directors and Supervisors have complied with the code of conduct and the requirements set out therein during the Reporting Period.

Significant Events

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

As at June 30, 2017, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register pursuant to Section 352 of the SFO or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules.

Review of Interim Report

The interim condensed consolidated financial statements for 2017 prepared by the Company according to IFRS have been reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

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

Statement for Changes of Auditors in the Past Three Years

In accordance with relevant requirement under the Administrative Measures of the Tendering Procedures for the Appointment of Accounting Firms by Financial Enterprises (Provisional) (Cai Jin [2010] No.169) issued by the MOF, the term of appointment of an accounting firm by a financial enterprise shall not exceed five years in principle. Since the terms of service of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, the former domestic and international auditors of the Company, respectively, have reached the maximum term stipulated in the above-mentioned regulation, the first extraordinary general meeting for 2015 held on February 10, 2015 and the annual general meeting for 2014 held on June 29, 2015 approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors of the Company for 2015, respectively, responsible for the audit of annual financial statements, review of the interim financial statements, audit of internal control and other professional services for the Company for 2015.

The annual general meeting for 2016 held on June 30, 2017 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2017, respectively, responsible for the audit of annual financial statements, review of interim financial statements, audit of internal control and other professional services for the Company for 2017.

Review Report and Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

	Page(s)
Report on Review of Interim Condensed Consolidated Financial Statements	92
Interim Condensed Consolidated Statement of Profit or Loss	93
Interim Condensed Consolidated Statement of Comprehensive Income	95
Interim Condensed Consolidated Statement of Financial Position	96
Interim Condensed Consolidated Statement of Changes In Equity	98
Interim Condensed Consolidated Statement of Cash Flows	100
Notes to the Interim Condensed Consolidated Financial Statements	103

Report on Review of Interim Condensed Consolidated Financial Statements



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

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

Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of June 30, 2017, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong

August 29, 2017

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
Income from distressed debt assets classified as receivables	1	8,644,564	8,424,445
Fair value changes on distressed debt assets	2	4,169,871	2,236,321
Fair value changes on other financial assets	3	2,001,681	458,673
Investment income	4	7,415,730	10,454,785
Net insurance premiums earned	5	17,514,288	12,333,648
Interest income	6	9,811,678	6,163,792
Revenue from sale of inventories	7	5,787,857	2,834,874
Commission and fee income	8	2,076,502	1,531,973
Net gains on disposal of subsidiaries, associates and joint ventures	9	3,485,687	237,660
Other income and other net gains or losses	10	(297,603)	829,304
Total		60,610,255	45,505,475
Interest expense	11	(15,635,266)	(10,520,095)
Insurance costs	12	(18,139,662)	(12,782,035)
Employee benefits		(2,540,979)	(2,372,958)
Purchases and changes in inventories	7	(4,441,296)	(2,270,251)
Commission and fee expense		(1,389,926)	(978,321)
Taxes and surcharges		(378,799)	(816,004)
Depreciation and amortization expenses		(468,384)	(234,296)
Other expenses		(1,739,141)	(1,650,077)
Impairment losses on assets	13	(3,941,639)	(1,920,353)
Total		(48,675,092)	(33,544,390)
Change in net assets attributable to other holders of consolidated structured entities	29	(777,320)	(1,135,240)

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
Profit before share of results of associates and joint ventures and tax		11,157,843	10,825,845
Share of results of associates and joint ventures		899,932	(103,716)
Profit before tax		12,057,775	10,722,129
Income tax expense	14	(3,495,338)	(2,938,812)
Profit for the period		8,562,437	7,783,317
Profit attributable to			
Equity holders of the Company		8,882,321	8,008,784
Non-controlling interests		(319,884)	(225,467)
		8,562,437	7,783,317
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	15		
– Basic		0.23	0.22
– Diluted		0.23	0.22

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Profit for the period	8,562,437	7,783,317
Other comprehensive income/(loss)		
Items to be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the period	(45,747)	(2,191,083)
Amounts reclassified to profit or loss upon disposal	(180,493)	(251,068)
Amounts reclassified to profit or loss upon impairment	657,100	437,392
Income tax effect	15,304	325,463
	446,164	(1,679,296)
Effective portion of changes in fair value of hedging instruments arising during the period	41,747	–
Income tax effect	(10,437)	–
	31,310	–
Exchange differences arising on translation of foreign operations	(661,456)	81,148
Share of other comprehensive income/(loss) of associates and joint ventures	8,293	(91,431)
	(175,689)	(1,689,579)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	(4,396)	–
Income tax effect	725	–
	(3,671)	–
Other comprehensive loss for the period net of income tax	(179,360)	(1,689,579)
Total comprehensive income for the period	8,383,077	6,093,738
Total comprehensive income attributable to:		
Equity holders of the Company	8,429,217	6,840,763
Non-controlling interests	(46,140)	(747,025)
	8,383,077	6,093,738

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Assets			
Cash and balances with central banks	17	14,261,558	17,367,965
Deposits with banks and financial institutions	18	87,607,960	75,801,266
Deposits with exchanges and others		1,182,743	2,047,567
Placements with banks and financial institutions	19	33,819,261	26,277,582
Financial assets at fair value through profit or loss	20	164,739,952	149,045,496
Financial assets held under resale agreements	21	52,685,286	41,973,962
Available-for-sale financial assets	22	254,153,137	212,495,886
Financial assets classified as receivables	23	214,583,654	198,787,226
Loans and advances to customers	24	296,340,452	294,936,591
Accounts receivable	25	3,402,081	3,522,114
Held-to-maturity investments	26	18,647,173	12,635,621
Properties held for sale	27	41,277,556	44,476,384
Investment properties	28	1,618,148	1,616,904
Interests in associates and joint ventures		29,714,664	19,563,600
Property and equipment	31	10,008,999	10,352,795
Goodwill	32	22,833,631	23,524,019
Other intangible assets		4,287,580	4,511,084
Deferred tax assets	33	6,090,585	5,877,907
Assets classified as held for sale		–	6,018,894
Other assets	34	38,312,010	23,648,060
Total assets		1,295,566,430	1,174,480,923
Liabilities			
Borrowings from the central bank	35	986,058	986,058
Accounts payable to brokerage clients		14,411,096	16,272,095
Financial liabilities at fair value through profit or loss	36	7,039,944	6,511,691
Financial assets sold under repurchase agreements	37	6,137,673	7,872,213
Placements from banks and financial institutions	38	13,990,054	23,581,181
Borrowings	39	512,315,990	450,514,763
Due to customers	40	211,044,771	204,629,039
Deposits from banks and financial institutions	41	23,301,298	13,304,792
Accounts payable	42	2,976,672	3,053,860
Investment contract liabilities for policyholders	43	21,000,847	27,193,179
Tax payable		2,196,676	2,391,212
Insurance contract liabilities	44	41,669,843	31,186,027
Bonds issued	45	200,057,212	152,497,560
Deferred tax liabilities	33	2,418,486	2,272,446
Liabilities classified as held for sale		–	3,628,613
Other liabilities	46	74,424,385	80,616,173
Total liabilities		1,133,971,005	1,026,510,902

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Equity			
Share capital	47	38,164,535	38,164,535
Other equity instruments	48	21,281,215	21,281,215
Capital reserve	49	21,230,611	21,230,931
Other comprehensive income	50	106,116	559,220
Surplus reserve		5,548,247	5,548,247
General reserve	51	11,580,625	9,744,133
Retained earnings		45,078,196	42,688,440
<hr/>			
Equity attributable to equity holders of the Company		142,989,545	139,216,721
Non-controlling interests		18,605,880	8,753,300
<hr/>			
Total equity		161,595,425	147,970,021
<hr/>			
Total equity and liabilities		1,295,566,430	1,174,480,923

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

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



CHAIRMAN



PRESIDENT

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.47)	Other equity instruments (Note IV.48)	Capital reserve (Note IV.49)	Other comprehensive income (Note IV.50)	Surplus reserve	General reserve (Note IV.51)	Retained earnings	Subtotal			
As at January 1, 2017	38,164,535	21,281,215	21,230,931	559,220	5,548,247	9,744,133	42,688,440	139,216,721	8,753,300	147,970,021	
Profit for the period	-	-	-	-	-	-	8,882,321	8,882,321	(319,884)	8,562,437	
Other comprehensive income/ (loss) for the period	-	-	-	(453,104)	-	-	-	(453,104)	273,744	(179,360)	
Total comprehensive income/ (loss) for the period	-	-	-	(453,104)	-	-	8,882,321	8,429,217	(46,140)	8,383,077	
Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	8,216,193	8,216,193	
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	3,129,806	3,129,806	
Acquisition of additional interests in subsidiaries	-	-	(320)	-	-	-	-	(320)	(25,999)	(26,319)	
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(1,310,582)	(1,310,582)	
Appropriation to general reserve	-	-	-	-	-	1,836,492	(1,836,492)	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	-	(4,656,073)	(4,656,073)	-	(4,656,073)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(110,698)	(110,698)	
As at June 30, 2017	38,164,535	21,281,215	21,230,611	106,116	5,548,247	11,580,625	45,078,196	142,989,545	18,605,880	161,595,425	

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)								Non-controlling interests	Total
	Equity attributable to equity holders of the Company							Subtotal		
	Share capital (Note IV.47)	Capital reserve (Note IV.49)	Other comprehensive income (Note IV.50)	Surplus reserve	General reserve (Note IV.51)	Retained earnings	Subtotal			
As at January 1, 2016	36,256,690	17,666,143	1,109,321	4,292,386	6,739,459	35,646,222	101,710,221	9,183,708	110,893,929	
Profit for the period	-	-	-	-	-	8,008,784	8,008,784	(225,467)	7,783,317	
Other comprehensive loss for the period	-	-	(1,168,021)	-	-	-	(1,168,021)	(521,558)	(1,689,579)	
Total comprehensive income/(loss) for the period	-	-	(1,168,021)	-	-	8,008,784	6,840,763	(747,025)	6,093,738	
Disposal of partial interests in subsidiaries	-	-	-	-	-	-	-	74,725	74,725	
Appropriation to general reserve	-	-	-	-	2,930,854	(2,930,854)	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	(4,209,402)	(4,209,402)	-	(4,209,402)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(103,336)	(103,336)	
As at June 30, 2016	36,256,690	17,666,143	(58,700)	4,292,386	9,670,313	36,514,750	104,341,582	8,408,072	112,749,654	

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
OPERATING ACTIVITIES			
Profit before tax		12,057,775	10,722,129
Adjustments for:			
Impairment losses on assets		3,941,639	1,920,353
Depreciation of property and equipment, and investment properties		273,958	184,684
Amortization of intangible assets and other long-term assets		194,426	49,612
Share of results of associates and joint ventures		(899,932)	103,716
Net gains on disposal of property and equipment, and investment properties		(2,767)	10,116
Net gains on disposal of subsidiaries and associates and joint ventures		(3,485,687)	(237,660)
Fair value changes on financial assets		(1,757,144)	(188,435)
Investment income		(7,415,730)	(10,454,785)
Borrowing costs		7,203,070	5,463,006
Change in reserves for insurance contracts		10,473,514	5,666,593
Operating cash flows before movements in working capital		20,583,122	13,239,329
Decrease in balances with central banks and deposits with banks and financial institutions		6,998,583	5,115,037
Increase in financial assets at fair value through profit or loss		(12,976,358)	(11,867,394)
(Increase)/decrease in financial assets held under resale agreements		(5,534,538)	2,888,188
(Increase)/decrease in financial assets classified as receivables		(12,635,483)	25,349,180
(Increase)/decrease in loans and advances to customers		(2,238,457)	878,934
Decrease/(increase) in accounts receivable		124,415	(146,582)
Decrease/(increase) in properties held for sale		3,099,081	(1,242,157)
Increase in due to customers and deposits from banks and financial institutions		16,412,238	12,287,481
Decrease in accounts payable to brokerage clients		(1,860,999)	(3,978,227)
(Decrease)/increase in financial assets sold under repurchase agreements		(1,743,540)	5,357,363
Increase in borrowings		58,763,420	5,844,704
Decrease in accounts payable		(486,942)	(1,549,311)
Decrease in other operating assets		8,448,414	7,218,797
(Decrease)/increase in other operating liabilities		(14,273,898)	5,680,481
Cash inflow from operations		62,679,058	65,075,823
Income taxes paid		(3,738,107)	(3,115,331)
NET CASH INFLOW FROM OPERATING ACTIVITIES		58,940,951	61,960,492

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		40,524,311	73,687,474
Dividends received from investment securities		2,753,048	232,076
Dividends received from associates and joint ventures		454,691	–
Interest received from investment securities		1,654,503	1,069,545
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		341,739	47,889
Net cash flows from disposals of subsidiaries		123,108	105,896
Net cash flows from disposals of associates and joint ventures		752,269	2,381,214
Cash payments to acquire investment securities		(59,509,734)	(107,312,001)
Net cash outflows due to acquisition of subsidiaries		(2,557,800)	(28,211,534)
Net cash flows from consolidated structured entities		(8,155,759)	(2,914,075)
Cash payments for purchase of property and equipment, investment properties and other intangible assets		(84,474)	(148,069)
Cash payments for establishment and acquisition of interests in associates and joint ventures		(7,454,124)	(2,950,933)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(31,158,222)	(64,012,518)
FINANCING ACTIVITIES			
Net proceeds from the capital securities of subsidiaries		8,216,193	–
Capital contribution from non-controlling interests of subsidiaries		3,129,806	–
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		–	74,725
Cash payments to acquire additional interests in subsidiaries		(26,319)	–
Cash receipts from borrowings raised		10,528,702	43,870,304
Cash receipts from bonds issued		59,663,027	24,410,000
Cash receipts from financial assets sold under repurchase agreements		30,000	340,974
Cash repayments on financial assets sold under repurchase agreements		(21,000)	(3,757,354)
Cash repayments of borrowings		(7,490,895)	(17,892,632)
Cash repayment of bonds		(12,900,000)	–
Interest expenses on borrowings paid		(6,685,762)	(4,772,818)
Dividends paid to non-controlling interests of subsidiaries		(106,123)	(114,079)
Cash payments for transaction cost of bonds issued		(31,202)	(130,898)
NET CASH INFLOW FROM FINANCING ACTIVITIES		54,306,427	42,028,222

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		82,089,156	39,976,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		84,107,649	63,102,681
Effect of foreign exchange changes		(1,062,521)	(283,198)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	52	165,134,284	102,795,679
Net cash flows from operating activities include:			
Interest received		9,811,678	6,163,792
Interest paid		9,209,516	6,192,329

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

China Cinda Asset Management Co., Ltd. (the “Company”) was transformed from China Cinda Asset Management Corporation (the “Former Cinda”), which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on April 19, 1999 as approved by the State Council of the PRC (the “State Council”). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at June 30, 2017, the MOF directly owned 64.45% of the share capital of the Company.

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

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

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

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

The interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets available for sale, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and insurance contract liabilities. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment is recognized if there is objective evidence of impairment of assets.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

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

1. Basis of preparation (continued)

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016.

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

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2016.

3. Application of revised International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied the following amendments to IFRSs that are effective for the Group's annual period beginning on January 1, 2017.

IAS 7 Amendments	Statement of Cash Flows
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to IFRSs 2014-2016 Cycle (issued in December 2016): IFRS 12	Disclosure of Interests in Other Entities

The application of the amendments to IFRSs has had no material effect on the amounts reported and disclosures set out in these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

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

3. Application of revised International Financial Reporting Standards (“IFRSs”) (continued)

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

		Effective for annual periods beginning on or after
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Share-based Payment	1 January 2018
IFRS 4 Amendments	Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15 and Amendments	Revenue from Contracts with Customers	1 January 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle (issued in December 2016):		
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 January 2018
IAS 28	Investments in Associates and Joint Ventures	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

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

3. Application of revised International Financial Reporting Standards (“IFRSs”) (continued)

Particularly, the actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgments that it will make in the future.

The Group has established a work stream. The key responsibilities of the work stream include analyzing IFRS 9 methodology and accounting policy, classifying the financial instruments, developing the expected credit losses model, identifying data and system requirements, and establishing an appropriate operating model and governance framework. The work stream manages the project governance structure, assures the involvement of the pertinent responsible teams, and monitors the progress of the implementation work across the Group. The Group anticipates the overall implementation preparation to be completed by the end of 2017. Currently the Group is carrying out the preparatory work as planned, and in the process of evaluating the impact of IFRS 9 implementation on the Group’s consolidated financial statements.

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

IV. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts mainly represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see note IV.23).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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 period (see note IV.20).

The fair value changes comprise both realized gains and 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 is included in fair value changes.

3. Fair value changes on other financial instruments

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Held-for-trading financial assets	839,776	84,752
Financial assets designated as at fair value through profit or loss	1,161,905	373,921
Total	2,001,681	458,673

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Investment income

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Net realized gain from disposal of		
– available-for-sale financial assets ⁽¹⁾	2,505,868	7,046,480
Interest income from investment securities		
– available-for-sale financial assets	1,342,558	552,429
– debt instruments classified as receivables	540,138	825,894
– held-to-maturity financial assets	310,016	204,810
Dividend income from		
– available-for-sale financial assets	2,394,733	1,825,172
Others	322,417	–
Total	7,415,730	10,454,785

- (1) The Company's investment in a debt-to-equity-swap investee, which was classified as an available-for-sale financial asset, was listed on the Shanghai Stock Exchange in February 2017. As the Company became capable of exercising significant influence over this investee, the investment has been classified as an interest in an associate with initial cost of RMB2,507 million, and an investment income of RMB1,945 million was recognized accordingly.

5. Net insurance premiums earned

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Gross written premiums	17,575,532	12,506,678
Less: Premiums ceded to reinsurers	44,497	74,147
Change of unearned premium reserves	16,747	98,883
Total	17,514,288	12,333,648

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Net insurance premiums earned (continued)

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Life insurance	16,741,820	10,886,657
Property and casualty insurance	833,712	1,620,021
Total	17,575,532	12,506,678

6. Interest income

The following interest income arises from financial assets other than investment securities and distressed debt assets:

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	5,877,863	3,274,661
– Loans to margin clients	283,393	287,880
– Finance lease receivables	1,218,699	1,323,456
Financial assets held under resale agreements	1,039,376	217,768
Deposits with banks and financial institutions	992,255	794,511
Placements with banks and financial institutions	227,940	27,526
Balances with central banks	76,373	10,998
Accounts receivable	17,864	41,330
Others	77,915	185,662
Total	9,811,678	6,163,792

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Revenue from sale of inventories	5,787,857	2,834,874
Purchases and changes in inventories	(4,441,296)	(2,270,251)
Including:		
Revenue from sale of properties held for sale	5,783,474	2,810,659
Purchases and changes in properties held for sale	(4,437,681)	(2,248,100)
Gross profit from sale of properties held for sale	1,345,793	562,559
Revenue from other trading operations	4,383	24,215
Purchases and changes in inventories of other trading operations	(3,615)	(22,151)
Gross profit from other trading operations	768	2,064

8. Commission and fee income

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Securities and futures brokerage	518,576	689,439
Fund and asset management business	352,631	188,001
Consultancy and financial advisory services	252,152	367,362
Trustee services	188,772	120,941
Banking business	377,383	65,859
Securities underwriting	80,382	14,268
Agency business	266,838	53,218
Others	39,768	32,885
Total	2,076,502	1,531,973

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Net gains on disposal of subsidiaries	3,471,205	102,028
Net gains on disposal of associates and joint ventures	14,482	135,632
Total	3,485,687	237,660

Please refer to note IV.58 for the Company's disposal of Cinda Property and Casualty Insurance Co., Ltd.

10. Other income and other net gains or losses

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Revenue from hotel operation	251,875	261,741
Rental income	178,643	155,798
Revenue from property management business	88,559	86,408
Government grants and compensation	51,449	125,529
Net gains on disposal of other assets	55,838	62,846
Net gains/(losses) on exchange differences	(1,091,454)	5,870
Others	167,487	131,112
Total	(297,603)	829,304

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

11. Interest expense

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Borrowings	9,833,291	7,537,478
Bonds issued	3,642,620	2,546,551
Financial assets sold under repurchase agreements	124,778	170,257
Accounts payable to brokerage clients	25,902	35,962
Due to customers	1,184,718	149,322
Others	823,957	80,525
Total	15,635,266	10,520,095

12. Insurance costs

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Reserves for insurance contracts	10,490,261	5,567,710
Policyholder dividends	755,334	1,216,336
Refund of reinsurance premiums	(29,381)	(83,629)
Other insurance expenses	6,923,448	6,081,618
Total	18,139,662	12,782,035

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

13. Impairment losses on assets

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Impairment losses on assets		
– Financial assets classified as receivables	2,223,550	(223,022)
– Available-for-sale financial assets	830,557	1,513,045
– Loans and advances to customers	834,596	431,869
– Accounts receivable	1,215	2,381
– Other assets	51,721	196,080
Total	3,941,639	1,920,353

14. Income tax expense

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	3,062,887	3,188,184
– PRC Land Appreciation Tax	160,437	42,347
– Hong Kong Profits Tax	285,050	50,656
Underprovision in prior years	35,197	32,805
Subtotal	3,543,571	3,313,992
Deferred income tax (Note IV.33)	(48,233)	(375,180)
Total	3,495,338	2,938,812

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

14. Income tax expense (continued)

The statutory income tax rate applicable to PRC enterprises is 25% for the period (for the six months ended June 30, 2016: 25%).

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended June 30, 2016: 16.5%) of the estimated assessable profit for the period.

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

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	8,882,321	8,008,784
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	38,164,535	36,256,690
Basic earnings per share (RMB Yuan)	0.23	0.22
Diluted earnings per share (RMB Yuan)	0.23	0.22

There was no potential ordinary share outstanding for the six months ended June 30, 2017 and June 30, 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Dividends

	For the six months ended June 30,	
	2017 (Unaudited) ⁽¹⁾	2016 (Unaudited) ⁽²⁾
Final dividend	4,656,073	4,209,402
Dividends recognized as distribution during the period	4,656,073	4,209,402

(1) Distribution of final dividend for 2016

A cash dividend of approximately RMB4,656 million in total for the year of 2016 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2016 as determined under China Accounting Standards, at the annual general meeting for 2016 held on June 30, 2017.

(2) Distribution of final dividend for 2015

A cash dividend of approximately RMB4,209 million in total for the year of 2015 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2015 as determined under China Accounting Standards, at the annual general meeting for 2015 held on June 30, 2016.

No dividend was paid, declared, or proposed during the current interim period and interim period of 2016. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

17. Cash and balances with central banks

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Cash	1,004,388	505,840
Mandatory reserve deposits with central banks ⁽¹⁾	9,515,745	12,118,580
Surplus reserve deposits with central banks	3,421,006	3,925,755
Other deposits with central banks	320,419	817,790
Total	14,261,558	17,367,965
Including:		
Restricted		
– Balances with central banks	9,804,197	12,934,023

- (1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at June 30, 2017, the mandatory deposits were calculated at 14.5% of customer deposits denominated in RMB (December 31, 2016: 14.5%) and 5% of customer deposits denominated in foreign currencies (December 31, 2016: 5%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Deposits with banks and financial institutions

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Deposits with banks		
– House accounts	72,614,229	58,407,792
– Cash held on behalf of clients	9,359,686	11,192,655
Clearing settlement funds		
– House accounts	834,247	1,282,383
– Clients	4,445,772	4,428,664
Deposits with other financial institutions		
– House accounts	354,026	489,772
Total	87,607,960	75,801,266
Including:		
Restricted	25,673,719	38,042,473

Pledged bank deposits represent deposits that have been pledged to secure short-term bank borrowings. As at June 30, 2017, the Group's pledged bank deposits amounted to RMB678.21 million (December 31, 2016: RMB888.36 million).

Clearing settlement funds are interest-bearing at prevailing market interest rates and mainly deposited in China Securities Depository and Clearing Corporation Limited. As at June 30, 2017, the Group's restricted clearing settlement funds amounted to RMB4,445.77 million (December 31, 2016: RMB4,428.66 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Placements with banks and financial institutions

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Banks	30,961,881	22,044,100
Other financial institutions	2,857,380	4,233,482
Total	33,819,261	26,277,582

20. Financial assets at fair value through profit or loss

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Held-for-trading financial assets		
Listed investments:		
Debt securities		
– Government bonds	5,281,797	4,606,825
– Public sector and quasi-government bonds	1,351,023	1,688,552
– Corporate bonds	8,804,683	8,188,117
Equity instruments	9,312,127	8,720,033
Funds	1,524,333	1,278,689
	26,273,963	24,482,216
Unlisted investments:		
Funds	2,382,622	3,175,833
Bonds	775,749	–
Derivative financial assets ⁽¹⁾	386,930	820,826
	3,545,301	3,996,659
Subtotal	29,819,264	28,478,875

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Financial assets designated as at fair value through profit or loss		
Listed investments:		
Corporate convertible bonds	289,126	293,175
Unlisted investments:		
Distressed debt assets	108,181,139	94,458,586
Equity instruments	22,674,380	20,646,522
Wealth management products	2,115,080	3,984,868
Asset management plans	471,666	–
Embedded derivative bonds	166,587	171,691
Corporate convertible bonds	107,689	71,018
Asset-backed securities	56,280	58,004
Others	858,741	882,757
Subtotal	134,920,688	120,566,621
Total	164,739,952	149,045,496
Including:		
Corporate bonds pledged for borrowings	960,884	25,517
Bonds pledged for financial assets sold under repurchase agreements	546,157	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

(1) Derivative financial instruments

	As at June 30, 2017			As at December 31, 2016		
	Contractual/ notional amount	(Unaudited) Fair value		Contractual/ notional amount	(Audited) Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	23,586,168	343,588	(288,657)	50,145,311	791,405	(609,680)
Currency options	48,005	126	(126)	24,841	446	(446)
Subtotal	23,634,173	343,714	(288,783)	50,170,152	791,851	(610,126)
Interest rate derivatives						
Interest rate swaps	40,595,992	37,802	(47,760)	35,825,804	17,833	(29,698)
Commodity derivatives and others	2,580,501	5,414	(96,142)	2,953,245	11,142	(213,453)
Total	66,810,666	386,930	(432,685)	88,949,201	820,826	(853,277)

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

	As at June 30, 2017			As at December 31, 2016		
	Contractual/ notional amount	(Unaudited) Fair value		Contractual/ notional amount	(Audited) Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	1,124,082	17,529	–	5,847,222	104,251	(161,916)
Total	1,124,082	17,529	–	5,847,222	104,251	(161,916)

The Group uses cross-currency interest rate swaps to hedge against exposure to cash flow variability primarily from foreign exchange rates and interest rate risks of placement transactions.

For the six months ended June 30, 2017, a net gain from cash flow hedges of RMB41.75 million was recognized in “Other comprehensive income” (For the six months ended June 30, 2016: Nil), and there was no ineffectiveness for the six months ended June 30, 2017 and 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Financial assets held under resale agreements

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
By collateral type		
Bonds	47,275,753	37,998,533
Stocks	5,428,902	3,989,026
Subtotal	52,704,655	41,987,559
Less: Allowance for impairment losses	19,369	13,597
Total	52,685,286	41,973,962

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Available-for-sale financial assets

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Debt securities		
– Government bonds	25,872,962	14,148,459
– Public sector and quasi-government bonds	9,461,141	10,258,889
– Financial institution bonds	15,302,706	16,639,182
– Corporate bonds	8,558,630	12,563,201
Subtotal	59,195,439	53,609,731
Equity instruments	39,179,409	40,362,393
Funds	88,477,104	65,072,593
Trust products and rights to trust assets	17,471,476	16,486,799
Asset management plans	14,134,450	12,719,609
Certificates of deposit	25,675,755	14,235,718
Wealth management products	8,380,002	6,500,000
Asset-backed securities	934,327	1,061,325
Others	705,175	2,447,718
Total	254,153,137	212,495,886
Including:		
Debt securities pledged for borrowings	206,466	563,218

Included in the balances are amounts of equity instruments, funds and other financial assets totaling RMB41,255.82 million as at June 30, 2017 (December 31, 2016: RMB41,786.53 million) that were measured at cost because their fair values cannot be reliably measured.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Financial assets classified as receivables

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Distressed debt assets		
– Loans acquired from financial institutions	33,585,727	31,297,685
– Accounts receivable acquired from non-financial institutions	170,423,714	160,142,762
	204,009,441	191,440,447
Less: Allowance for impairment losses		
– Individually assessed	1,874,281	1,615,224
– Collectively assessed	6,977,590	5,378,248
	8,851,871	6,993,472
Subtotal	195,157,570	184,446,975
Other financial assets classified as receivables		
– Trust products	13,698,000	7,075,733
– Asset management plans	3,222,500	3,832,500
– Bonds	1,083,175	1,109,478
– Structured debt arrangements ⁽¹⁾	481,706	1,231,955
– Other debt instruments	1,270,425	1,442,527
	19,755,806	14,692,193
Less: Allowance for impairment losses		
– Individually assessed	308,442	328,233
– Collectively assessed	21,280	23,709
	329,722	351,942
Subtotal	19,426,084	14,340,251
Total	214,583,654	198,787,226

(1) Structured debt arrangements were entered into by the Company with banks and other financial institutions through structured fund arrangements, and are non-derivative financial assets with fixed return which have no active market. Such arrangements were managed as loans and receivables and accounted for as financial assets classified as receivables.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Financial assets classified as receivables (continued)

Movements of allowance for impairment losses during the period/year:

	For the six months ended June 30, 2017		
	Individually assessed allowance	(Unaudited) Collectively assessed allowance	Total
As at January 1	1,943,457	5,401,957	7,345,414
Impairment losses recognized	932,297	1,596,913	2,529,210
Impairment losses reversed	(305,660)	–	(305,660)
Impairment losses written off and transferred out	(279,685)	–	(279,685)
Unwinding of discount on allowance	(107,686)	–	(107,686)
As at June 30	2,182,723	6,998,870	9,181,593

	For the year ended December 31, 2016		
	Individually assessed allowance	(Audited) Collectively assessed allowance	Total
As at January 1	1,366,622	5,049,140	6,415,762
Impairment losses recognized	1,242,737	369,531	1,612,268
Impairment losses reversed	(131,737)	–	(131,737)
Impairment losses written off and transferred out	(434,781)	(16,714)	(451,495)
Unwinding of discount on allowance	(99,384)	–	(99,384)
As at December 31	1,943,457	5,401,957	7,345,414

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Loans and advances to customers

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Corporate loans and advances		
– Loans and advances	218,406,374	213,346,550
– Discounted bills	879,751	2,419,029
Subtotal	219,286,125	215,765,579
Personal loans and advances		
– Mortgages	25,544,015	24,840,116
– Personal consumption loans	9,958,442	9,358,059
Subtotal	35,502,457	34,198,175
Loans to margin clients	6,894,423	7,655,945
Finance lease receivables	40,996,818	42,847,659
Gross loans and advances	302,679,823	300,467,358
Less: Allowance for impairment losses		
– Individually assessed	2,479,460	2,066,194
– Collectively assessed	3,859,911	3,464,573
Subtotal	6,339,371	5,530,767
Net loans and advances to customers	296,340,452	294,936,591

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Loans and advances to customers (continued)

Loans and advances analyzed by collective and individual assessment methods are as follows:

	Identified impaired loans and advances					Identified impaired loans and advances to customers as a % of total loans and advances
	Loans and advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	
At June 30, 2017						
Gross loans and advances	296,463,172	5,974	6,210,677	6,216,651	302,679,823	2.05%
Less: Allowances for impairment losses	3,859,732	179	2,479,460	2,479,639	6,339,371	
Net loans and advances to customers	292,603,440	5,795	3,731,217	3,737,012	296,340,452	

	Identified impaired loans and advances					Identified impaired loans and advances to customers as a % of total loans and advances
	Loans and advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	
At December 31, 2016						
Gross loans and advances	295,758,305	12,494	4,696,559	4,709,053	300,467,358	1.57%
Less: Allowances for impairment losses	3,464,198	375	2,066,194	2,066,569	5,530,767	
Net loans and advances to customers	292,294,107	12,119	2,630,365	2,642,484	294,936,591	

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Loans and advances to customers (continued)

Movements of allowance for loans and advances during the period/year:

	For the six months ended June 30, 2017		
	Individually assessed allowance	(Unaudited) Collectively assessed allowance	Total
As at January 1	2,066,194	3,464,573	5,530,767
Impairment losses recognized	476,680	526,943	1,003,623
Impairment losses reversed	(57,257)	(111,770)	(169,027)
Impairment losses written off and transferred out	(16,292)	(24,901)	(41,193)
Unwinding of discount on allowance	(2,559)	–	(2,559)
Exchange differences	12,694	5,066	17,760
As at June 30	2,479,460	3,859,911	6,339,371

	For the year ended December 31, 2016		
	Individually assessed allowance	(Audited) Collectively assessed allowance	Total
As at January 1	1,985,674	2,042,817	4,028,491
Transfer in	550,546	885,404	1,435,950
Impairment losses recognized	772,062	836,212	1,608,274
Impairment losses reversed	(907,836)	(260,164)	(1,168,000)
Impairment losses written off and transferred out	(342,564)	(62,123)	(404,687)
Recovery of loans and advances written off in previous years	15,723	767	16,490
Unwinding of discount on allowance	(2,208)	–	(2,208)
Exchange differences	(5,203)	21,660	16,457
As at December 31	2,066,194	3,464,573	5,530,767

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	19,042,207	18,426,820
1 year to 5 years (inclusive)	24,623,797	27,453,206
Over 5 years	1,062,665	978,055
Gross amount of finance lease receivables	44,728,669	46,858,081
Less: Unearned finance income	3,731,851	4,010,422
Net amount of finance lease receivables	40,996,818	42,847,659
Less: Allowance for impairment losses	1,382,690	1,216,035
Carrying amount of finance lease receivables	39,614,128	41,631,624
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Present value of minimum lease receivables:		
Within 1 year (inclusive)	17,155,250	16,462,836
1 year to 5 years (inclusive)	22,885,680	25,498,798
Over 5 years	955,888	886,025
Total	40,996,818	42,847,659
Including:		
Finance lease receivables pledged for borrowings	1,042,446	1,931,825

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

25. Accounts receivable

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Accounts receivable relating to distressed debt assets	1,471,383	1,485,052
Accounts receivable relating to equity assets ⁽¹⁾	884,662	1,032,248
Commission and fee receivable	416,731	316,506
Accounts receivable from sale of properties	276,593	470,892
Insurance premium and reinsurance refund receivables	122,461	98,484
Others	359,313	247,032
Subtotal	3,531,143	3,650,214
Less: Allowance for impairment losses	129,062	128,100
Total	3,402,081	3,522,114

- (1) As at June 30, 2017, the major component is the outstanding amount of RMB679.96 million (December 31, 2016: RMB679.96 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest at rates ranging from nil to 6.15% per annum. (December 31, 2016: Nil to 6.15%) The outstanding balances are repayable no later than November 20, 2017 (December 31, 2016: no later than November 20, 2017).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

25. Accounts receivable (continued)

Aging analysis of accounts receivables is as follows:

Accounts receivable relating to distressed assets

	As at June 30, 2017 (Unaudited)			As at December 31, 2016 (Audited)				
	Gross amount	% Impairment	Carrying amount	Gross amount	% Impairment	Carrying amount		
Within 1 year (inclusive)	1,339,951	62	–	1,339,951	1,354,447	63	–	1,354,447
1 year to 2 years (inclusive)	30,000	1	–	30,000	24,500	1	–	24,500
2 years to 3 years (inclusive)	227,940	11	–	227,940	227,940	11	–	227,940
Over 3 years	553,456	26	(89,893)	463,563	558,129	25	(89,893)	468,236
Total	2,151,347	100	(89,893)	2,061,454	2,165,016	100	(89,893)	2,075,123

No aging analysis is disclosed on items such as accounts receivable from sale of properties, insurance premium and reinsurance refund receivables, commission and fee receivable, as they are mostly current and due within one year. Other items are considered insignificant. In the opinion of the directors of the Company, aging analysis of these items does not give additional value to the users of this report in view of the nature of these items.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

25. Accounts receivable (continued)

Movements of allowance for impairment losses for the six months ended June 30, 2017 and for the year ended December 31, 2016 are as follows:

	For the six months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
At beginning of the period/year	128,100	160,057
Impairment losses recognized	2,996	6,949
Impairment losses reversed	(1,781)	(5,137)
Amounts written off and transferred out	(253)	(33,769)
At end of the period/year	129,062	128,100

26. Held-to-maturity investments

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Debt securities		
– Government bonds	5,976,370	6,185,527
– Public sector and quasi-government bonds	4,122,897	4,655,865
– Financial institution bonds	7,849,305	1,009,626
– Corporate bonds	698,601	784,603
Total	18,647,173	12,635,621

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

27. Properties held for sale

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Completed properties	6,966,802	6,115,827
Properties under development	34,506,689	38,580,157
Others	20,328	20,537
Subtotal	41,493,819	44,716,521
Less: Allowance for impairment losses	216,263	240,137
Total	41,277,556	44,476,384
Including:		
Pledged for borrowings	23,347,244	14,103,068

28. Investment properties

For the six months ended June 30, 2017, the Group acquired nil investment property (for the six months ended June 30, 2016: nil), and disposed of investment properties with an aggregate amount of RMB21.50 million at net book value (for the six months ended June 30, 2016: RMB3.81 million).

As at June 30, 2017, the net book value of investment properties which the Group pledged for borrowings amounted to RMB1,197.48 million (December 31, 2016: RMB983.29 million).

As at June 30, 2017, the value of investment properties for which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB0.25 million (December 31, 2016: RMB1.00 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

29. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans. The judgments used by the Group to determine whether control exists are the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at June 30, 2017 and December 31, 2016, and results and cash flows for the six months ended June 30, 2016 and the year ended December 31, 2016, though consolidated, is not significant individually and therefore not disclosed separately.

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

30. Interests in unconsolidated structured entities

Structured entities over which the Group had control by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, trusts, asset management plans. Except for the structured entities over which the Group have consolidated as detailed in note IV.29, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

31. Property and equipment

For the six months ended June 30, 2017, the Group acquired property and equipment with an aggregate amount of RMB55.79 million at cost (for the six months ended June 30, 2016: RMB126.65 million), and disposed of property and equipment with an aggregate amount of RMB12.40 million at net book value (for the six months ended June 30, 2016: RMB163.16 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

31. Property and equipment (continued)

As at June 30, 2017, the Group's construction in progress amounted to RMB165.55 million (December 31, 2016: RMB184.04 million).

As at June 30, 2017, the Group's property for which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB1,329.46 million (December 31, 2016: RMB1,351.84 million).

As at June 30, 2017, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB265.93 million (December 31, 2016: RMB533.01 million).

32. Goodwill

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Carrying amount		
At beginning of the period/year	24,644,818	1,513,734
Acquisitions of subsidiaries	–	21,799,290
Exchange differences	(690,388)	1,331,794
At end of the period/year	23,954,430	24,644,818
Allowance for impairment losses		
At beginning of the period/year	(1,120,799)	(1,120,799)
At end of the period/year	(1,120,799)	(1,120,799)
Net book value		
At beginning of the period/year	23,524,019	392,935
At end of the period/year	22,833,631	23,524,019

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Deferred taxation

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

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Deferred tax assets	6,090,585	5,877,907
Deferred tax liabilities	(2,418,486)	(2,272,446)
Deferred taxation	3,672,099	3,605,461

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

	(Unaudited)															
	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Temporary differences related to the cost of associates ⁽ⁱ⁾	Temporary differences associated with a subsidiary held for sale	Others	Total
As at January 1, 2017	4,550,364	-	70,534	383,286	(1,052,150)	(718,690)	681,020	480,316	23,819	117,979	117,404	(290,236)	(1,000,070)	107,533	134,352	3,605,461
Credit/(charge) to profit or loss	643,223	-	3,612	72,439	18,509	15,409	10,395	(3,852)	9,327	(5,000)	(110,731)	-	(535,762)	(107,533)	38,197	48,233
Credit/(charge) to other comprehensive income	33,150	-	-	-	-	-	-	-	-	-	-	(17,846)	-	-	(9,712)	5,592
Others	31,401	-	-	-	(4,648)	21,116	(3,873)	-	-	-	(54,629)	(17,375)	(11,135)	-	51,956	12,813
As at June 30, 2017	5,258,138	-	74,146	455,725	(1,038,289)	(682,165)	687,542	476,464	33,146	112,979	(47,956)	(325,457)	(1,546,967)	-	214,793	3,672,099

	(Audited)															
	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Temporary differences related to the cost of associates ⁽ⁱ⁾	Temporary differences associated with a subsidiary held for sale	Others	Total
As at January 1, 2016	3,667,251	13,800	22,253	161,610	(175,260)	-	555,738	372,446	72,234	116,713	51,885	(678,874)	-	-	(36,805)	4,142,991
Credit/(charge) to profit or loss	810,000	(13,800)	48,281	221,676	12,443	17,469	125,120	107,870	(48,415)	1,266	68,553	-	(1,000,070)	107,533	(33,813)	424,113
Credit/(charge) to other comprehensive income	64	-	-	-	-	-	-	-	-	-	-	378,627	-	-	(14,656)	364,035
Acquisitions of subsidiaries	68,880	-	-	-	(852,296)	(694,741)	-	-	-	-	-	-	-	-	148,131	(1,330,026)
Others	4,169	-	-	-	(37,037)	(41,418)	162	-	-	-	(3,034)	10,011	-	-	71,495	4,348
As at December 31, 2016	4,550,364	-	70,534	383,286	(1,052,150)	(718,690)	681,020	480,316	23,819	117,979	117,404	(290,236)	(1,000,070)	107,533	134,352	3,605,461

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

34. Other assets

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Other receivables	13,787,218	7,886,922
Prepayments	7,732,291	867,744
Interest receivable	3,875,082	3,951,600
Assets in satisfaction of debts	2,966,563	2,686,779
Statutory deposits	2,026,075	1,126,075
Dividends receivable	1,824,114	2,182,429
Prepaid taxes	785,570	696,553
Land use rights	79,622	80,729
Long-term prepaid expenses	258,932	256,380
Notes receivable	751,353	222,100
Precious metals	202,828	206,599
Assets with continuing involvement	2,573,671	2,573,671
Others	1,448,691	910,479
Total	38,312,010	23,648,060

35. Borrowings from the central bank

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Borrowings from the central bank	986,058	986,058

The borrowings from the PBOC are used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As at June 30, 2017, the loan principals have been repaid in full, and the outstanding balance represents interest payable to the central bank.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Financial liabilities at fair value through profit or loss

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Derivative financial liabilities (Note IV.20.(1))	432,685	853,277
Short positions in exchange fund bills and notes	3,832,259	2,883,414
Forward payment plan	2,775,000	2,775,000
Total	7,039,944	6,511,691

37. Financial assets sold under repurchase agreements

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
By collateral type:		
Debt securities	5,137,673	7,072,213
Loans to margin clients	1,000,000	800,000
Total	6,137,673	7,872,213

38. Placements from banks and financial institutions

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Banks	11,989,771	18,482,558
Other financial institutions	2,000,283	5,098,623
Total	13,990,054	23,581,181

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

39. Borrowings

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Banks and other financial institutions borrowings		
Unsecured loans	481,415,955	419,988,483
Loans secured by properties	10,705,763	10,935,181
Other secured loans	20,194,272	19,591,099
Total	512,315,990	450,514,763

Loans secured by properties were collateralized by property and equipment, investment properties and properties held for sale at an aggregate carrying amount of RMB24,811 million as at June 30, 2017 (December 31, 2016: RMB15,619 million). Other secured loans were collateralized by bank balances, available-for-sale financial assets, interests in associates and joint ventures, financial assets at fair value through profit or loss and finance lease receivables at an aggregate carrying amount of RMB9,172 million as at June 30, 2017 (December 31, 2016: RMB6,348 million). The variable rates of borrowings used by the Group float based on the benchmark interest rates of deposits or loans published by PBOC, Shanghai Inter-bank Offered Rate (“SHIBOR”), Hong Kong Inter-bank Offered Rate (“HIBOR”), London Inter-bank Offered Rate (“LIBOR”) or prime interest rates.

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

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Fixed-rate borrowings	2.10% – 8.50%	1.67% – 9.00%
Variable-rate borrowings	1.40% – 7.35%	1.35% – 8.83%

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Due to customers

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Demand deposits		
Corporate	28,176,095	39,055,785
Personal	39,248,971	38,973,172
Time deposits		
Corporate	87,974,857	72,207,707
Personal	48,416,658	44,987,910
Guarantee deposits	7,228,190	9,404,465
Total	211,044,771	204,629,039

41. Deposits from banks and financial institutions

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Banks	11,506,832	10,775,715
Other financial institutions	11,794,466	2,529,077
Total	23,301,298	13,304,792

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

42. Accounts payable

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Accounts payable associated with real estate business ⁽¹⁾	2,179,977	2,651,360
Asset purchase payable	412,435	2,681
Reinsurance premium payable	6,431	6,470
Others	377,829	393,349
Total	2,976,672	3,053,860

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

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

43. Investment contract liabilities for policyholders

	For the six months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
At beginning of the period/year	27,193,179	20,057,746
Deposits received	1,226,184	14,681,693
Deposits withdrawn	(7,418,516)	(7,545,561)
Others	-	(699)
At end of the period/year	21,000,847	27,193,179

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Insurance contract liabilities

	2017 (Unaudited)			As at June 30,
	As at January 1,	Increase	Decrease	
Short-term life and property insurance contracts				
– Unearned premium reserves	86,124	104,468	(66,225)	124,367
– Outstanding claim reserves	99,891	46,372	(61,470)	84,793
Long-term life insurance contracts	31,000,012	15,806,706	(5,346,035)	41,460,683
Total	31,186,027	15,957,546	(5,473,730)	41,669,843

	2016 (Audited)			As at December 31,
	As at January 1,	Increase	Decrease	
Short-term life and property insurance contracts				
– Unearned premium reserves	1,205,686	1,316,644	(2,436,206)	86,124
– Outstanding claim reserves	1,018,250	2,005,412	(2,923,771)	99,891
Long-term life insurance contracts	26,051,238	13,089,286	(8,140,512)	31,000,012
Total	28,275,174	16,411,342	(13,500,489)	31,186,027

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

	As at June 30, 2017			As at December 31, 2016		
	(Unaudited)			(Audited)		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term life and property insurance contracts						
– Unearned premium reserves	112,289	12,078	124,367	74,684	11,440	86,124
– Outstanding claim reserves	80,696	4,097	84,793	99,891	–	99,891
Long-term life insurance contracts	8,632	41,452,051	41,460,683	8,526	30,991,486	31,000,012
Total	201,617	41,468,226	41,669,843	183,101	31,002,926	31,186,027

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Bonds issued

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at	As at
							June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
2012 Financial Bonds (5-year)	(1)	5,000,000	RMB	2012/11	2017/11	4.65%	5,150,978	5,034,288
2014 Financial Bonds (3-year)	(1)	10,000,000	RMB	2014/5	2017/5	5.20%	–	10,298,140
2014 Financial Bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	10,020,413	10,282,844
2015 Financial Bonds (3-year)	(1)	10,000,000	RMB	2015/5	2018/5	4.10%	10,030,862	10,229,840
2015 Financial Bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	10,020,839	10,232,672
2015-II Financial Bonds (3-year)	(1)	2,000,000	RMB	2015/9	2018/9	3.50%	2,052,253	2,017,205
2015-II Financial Bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	4,111,177	4,036,427
2015-II Financial Bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	10,340,332	10,111,802
2016 Tier-II Capital Bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	9,988,104	10,170,374
2017 Financial Bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	2,015,351	–
2017 Financial Bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	4,031,865	–
2017 Financial Bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	24,209,793	–
2015 Capital Supplement Bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	3,061,006	3,001,018
2015-I subordinate bonds	(4)	3,000,000	RMB	2015/2	2018/2	5.90%	3,066,921	3,156,633
2015-II subordinate bonds	(4)	3,000,000	RMB	2015/4	2018/4	6.00%	3,034,027	3,124,767
2017-I subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	3,052,498	–
2017-II subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	3,044,607	–
Beneficiary Certificates-II	(4)	1,000,000	RMB	2015/6	2017/6	6.50%	–	1,100,389
Beneficiary Certificates-IV	(4)	400,000	RMB	2016/11	2017/3	3.40%	–	401,639
Beneficiary Certificates-V	(4)	500,000	RMB	2016/12	2017/3	3.75%	–	501,541
Beneficiary Certificates-VI	(4)	1,000,000	RMB	2016/12	2017/5	4.32%	–	1,002,722
Beneficiary Certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	1,005,425	–
Beneficiary Certificates-VIII	(4)	500,000	RMB	2017/6	2019/5	5.48%	500,751	–
Beneficiary Certificates-IX	(4)	380,000	RMB	2017/6	2019/6	5.35%	380,167	–
Beneficiary Certificates-X	(4)	120,000	RMB	2017/6	2019/6	5.35%	120,035	–
2015 Corporation Bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	3,046,684	3,046,125
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	2,023,933	2,023,555
2016-I Corporation bonds (5-year)	(6)	3,000,000	RMB	2016/5	2021/5	4.70%	3,009,218	3,008,699
2016-II Corporation bonds (5-year)	(6)	5,000,000	RMB	2016/8	2021/8	4.00%	5,159,480	5,059,490
2015-I mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	1,505,066	1,549,726
2015-II mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	1,465,515	1,426,375

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Bonds issued (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at	As at
							June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
2015-III mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	103,042	100,181
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	3.80%	2,522,095	2,575,570
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	3.50%	503,505	513,147
2016-I Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/5	2019/5	5.56%	3,013,671	3,098,113
2016-II Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/8	2019/8	4.50%	3,118,449	3,047,076
2016-I Financial Bonds (3-year)	(10)	2,000,000	RMB	2016/6	2019/6	3.81%	2,002,888	2,040,802
2016-II Financial Bonds (3-year)	(10)	3,000,000	RMB	2016/8	2019/8	3.15%	3,080,700	3,033,801
HKD Bonds	(11)	20,000	HKD	2013/9	2018/9	4.00%	17,445	18,818
HKD Bonds	(11)	4,000	HKD	2013/10	2018/10	4.00%	3,489	3,751
HKD Bonds	(11)	10,000	HKD	2013/12	2018/12	4.00%	8,735	9,332
HKD Bonds	(11)	20,000	HKD	2014/7	2019/7	4.00%	17,442	18,934
HKD Bonds	(11)	12,000	HKD	2014/9	2019/9	4.00%	10,472	11,295
HKD Bonds	(11)	10,000	HKD	2014/10	2019/9	4.00%	8,710	9,366
HKD Bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	8,720	9,228
USD Guaranteed Senior Notes	(12)	1,000,000	USD	2014/5	2019/5	4.00%	6,810,530	6,917,650
USD Guaranteed Senior Notes	(12)	500,000	USD	2014/5	2024/5	5.625%	3,412,604	3,455,465
USD Guaranteed Senior Notes	(13)	230,000	USD	2014/12	2029/12	5.20%	1,553,857	1,584,999
USD Guaranteed Senior Notes	(13)	90,000	USD	2015/2	2029/12	5.20%	612,694	628,413
USD Guaranteed Senior Notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	8,832,351	9,053,838
USD Guaranteed Senior Notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	11,413,882	11,857,604
USD Guaranteed Senior Notes	(13)	100,000	USD	2015/2	2030/2	5.20%	684,809	702,083
USD Guaranteed Senior Notes	(13)	80,000	USD	2015/3	2022/3	4.45%	546,243	560,068
USD Guaranteed Senior Notes	(13)	300,000	USD	2017/3	2020/3	3.00%	2,045,855	-
USD Guaranteed Senior Notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	8,895,741	-
USD Guaranteed Senior Notes	(13)	700,000	USD	2017/3	2024/3	4.10%	4,794,496	-
USD Guaranteed Senior Notes	(13)	700,000	USD	2017/3	2027/3	4.40%	4,791,461	-
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	603,818	617,558
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	806,758	826,623
2016-I Financial Bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	512,345	500,768
2017-I Financial Bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	2,537,354	-
16 NCB China CD001	(17)	500,000	RMB	2016/11	2017/11	3.25%	494,610	486,806

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Bonds issued (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at	As at
							June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
17 NCB China CD001	(17)	50,000	RMB	2017/4	2017/7	4.40%	49,934	-
17 NCB China CD002	(17)	500,000	RMB	2017/6	2017/9	4.75%	494,483	-
17 NCB China CD003	(17)	300,000	RMB	2017/6	2017/9	4.70%	296,724	-
Total							200,057,212	152,497,560

- (1) The financial bonds issued by the Company have fixed coupon rates, payable annually.
- (2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to the early redeem the bonds at face value in full subject to the approval of the CBRC.
- (3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 5% per annum from January 2021 onwards.
- (4) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd., a subsidiary of the Company, have fixed coupon rates, payable annually.
- (5) The corporation bonds issued by Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the fifth year.
- (6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.
- (7) The mid-term notes issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.
- (8) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Bonds issued (continued)

- (9) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.
- (10) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually.
- (11) The HKD bonds issued by Cinda International Holdings Limited, a subsidiary of China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), have fixed coupon rates, payable semi-annually.
- (12) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part, at a redemption price equal to the greater of i) 100% of the principal amount of the USD Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the USD Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year USD Notes and 50 basis points in the case of the 10-year USD Notes, plus any accrued and unpaid interest.
- (13) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.
- (14) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.
- (15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.
- (16) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.
- (17) The deposit certificates were issued by NCB China.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Other liabilities

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Payables to interest holders of consolidated structured entities (Note IV.29)	23,162,426	31,318,185
Other payables	10,392,269	15,215,302
Receipts in advance from property sales	13,088,330	11,847,013
Risk deposit	5,624,898	5,748,064
Dividends payable	4,667,420	6,772
Staff costs payable	3,595,431	4,393,873
Interest payable	3,135,373	2,518,900
Liabilities related to insurance business	1,642,116	1,668,646
Deferred income related to leasing business	866,004	966,769
Provisions	702,111	620,004
Long-term payable	1,219,178	1,206,365
Receipts in advance associated with disposal of distressed assets	950,600	411,208
Sundry taxes payable	584,641	588,930
Items in the process of clearance and settlement	1,625,073	683,336
Liabilities with continuing involvement	2,573,671	2,573,671
Others	594,844	849,135
Total	74,424,385	80,616,173

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. Share capital

	For the six months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
Authorized, issued and fully paid:		
At beginning of the period/year	38,164,535	36,256,690
Issue of shares	–	1,907,845
At end of the period/year	38,164,535	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2017 and the year ended December 31, 2016 is as follows:

	2017 (Unaudited)			As at June 30,
	As at January 1,	Issuance	Transfer	
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

	2016 (Audited)			As at December 31,
	As at January 1,	Issuance	Transfer	
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
H shares	11,659,758	1,907,845	–	13,567,603
Total	36,256,690	1,907,845	–	38,164,535

As at June 30, 2017 and December 31, 2016, there was no share subject to lock-up restriction of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Other equity instruments

For the period ended June 30, 2017, the movements of the Company's other equity instruments were as follows:

	2017 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

- (1) Pursuant to the approvals by domestic and overseas relevant authorities, the Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. The Offshore Preference Shares have a par value of RMB100 each and are issued as fully paid-up capital in U.S. dollar so that the total issuance price of the Offshore Preference Shares is USD20 each. The total number of the Offshore Preference Shares that have been issued is 160,000,000, and the total proceeds raised is USD3.2 billion. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Other equity instruments (continued)

- (2) The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the offshore preference shareholders, and the offshore preference shareholders do not have the right to put back the Offshore Preference Shares to the Company. However, the Company may, subject to the approval from the CBRC and compliance with the preconditions for the distribution of dividends and redemption set out in the terms and conditions, redeem all or part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any accrued but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.
- (3) Save for such dividend at the agreed dividend payout ratio, the offshore preference shareholders shall not be entitled to the distribution of the remaining profits of the Company together with the holders of the ordinary shares. The dividends on preference shares are non-cumulative. The Company shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not be deemed a default. However, if the Company should cancel all or part of the dividends on the Offshore Preference Shares, the Company shall not distribute profits to the holders of ordinary shares since the next day of resolution of shareholder's general meeting till resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Company shall report to the CBRC for review and determination, and the Company is entitled to, without the consent of the offshore preference shareholders, convert the issued and outstanding preference shares into ordinary shares per agreement.
- (4) The Offshore Preference Shares are classified as other equity instruments and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Offshore Preference Shares, after deduction of the commission and the expenses relating to the issuance, would be wholly used to replenish the Company's additional tier 1 capital to support business development.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares in 2013 and other share issuances in prior years.

50. Other comprehensive income

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

	For the six months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
At beginning of the period/year	559,220	1,109,321
Items to be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the period/year	(316,527)	(1,540,264)
Amounts reclassified to profit or loss upon disposal	(181,093)	(45,743)
Amounts reclassified to profit or loss upon impairment	654,638	(10,415)
Income tax effect	15,402	335,271
	172,420	(1,261,151)
Effective portion of changes in fair value of hedging instruments	41,747	57,665
Income tax effect	(10,437)	(14,416)
	31,310	43,249
Exchange differences arising on translation of foreign operations	(661,456)	726,599
Share of other comprehensive income/(loss) of associates and joint ventures	8,293	(60,015)
	(449,433)	(551,318)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	(4,396)	1,457
Income tax effect	725	(240)
	(3,671)	1,217
Subtotal	(453,104)	(550,101)
At end of the period/year	106,116	559,220

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. General reserve

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

For the six months ended June 30, 2017 and 2016, as approved in the general meetings, the Company transferred RMB1,836 million and RMB2,931 million to the general reserve pursuant to the regulatory requirements in the PRC.

52. Cash and cash equivalents

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

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Cash	1,004,388	505,840
Balances with central banks	3,452,973	3,928,102
Deposits with banks and financial institutions	61,934,241	37,758,793
Placements with financial institutions	30,618,731	3,000,000
Financial assets held under resale agreements	42,548,144	37,371,357
Available-for-sale financial assets	25,575,807	1,543,557
Cash and cash equivalents	165,134,284	84,107,649

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2017, the total claim amount of pending litigations for the Group was RMB1,503.78 million (December 31, 2016: RMB1,608.41 million), and provisions of RMB88.90 million (December 31, 2016: RMB90.51 million) for the Group were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(2) Operating lease commitments

At the end of the reporting period, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Within 1 year	570,439	407,544
1 to 2 years	469,202	307,838
2 to 3 years	292,923	212,392
3 to 5 years	227,330	252,562
Over 5 years	43,715	66,885
Total	1,603,609	1,247,221

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Contingent liabilities and commitments (continued)

(3) Commitments other than operating lease commitments

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Contracted but not provided for		
– commitments for the acquisition of property and equipment	9,066	18,081
– commitments for the acquisition of investments	–	62,544
Total	9,066	80,625

(4) Credit commitments

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Bank bill acceptance	13,235,863	20,638,657
Loan commitments ⁽ⁱ⁾	8,927,859	9,034,301
Letters of guarantee issued	4,345,409	3,623,068
Letters of credit issued	3,169,076	2,919,985
Undrawn credit card commitments	717,188	704,809
Others	9,179,775	4,313,640
Total	39,575,170	41,234,460

These credit commitments mainly arise from the banking business of the Group.

- (i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at June 30, 2017, the unconditionally revocable loan commitments of the Group amounted to RMB73,102 million (December 31, 2016: RMB72,496 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Segment revenue includes income from distressed debt assets classified as receivables, fair value changes on distressed debt assets, investment income, net insurance premiums earned and others.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including the management of assets arising from acquisition of distressed debts and debt-to-equity swaps and the provision of clearing settlement and fiduciary services.

Financial investment and asset management operations

The financial investment and asset management segment comprises the 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information (continued)

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as bank, securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

The Group adjusted the method of preparation of segment information to be in line with the Group's development plan and the shift in the positions and internal management of subsidiaries. The basis of identifying operating segments in the current period was changed from the major businesses of the Company and its subsidiaries to the nature of the business activities of engagements. The comparable information of the corresponding items in the segment information for the prior period has been restated.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments stated above.

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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
For six months ended June 30, 2017					
Income from distressed debt assets classified as receivables	8,644,564	–	–	–	8,644,564
Fair value changes on distressed debt assets	4,213,452	–	–	(43,581)	4,169,871
Fair value changes on other financial assets	635,382	692,215	684,708	(10,624)	2,001,681
Investment income	3,433,176	2,134,159	2,218,764	(370,369)	7,415,730
Net insurance premiums earned	–	–	17,516,168	(1,880)	17,514,288
Interest income	1,186,185	3,294,360	5,609,774	(278,641)	9,811,678
Revenue from sale of inventories	–	5,787,857	–	–	5,787,857
Commission and fee income	73,975	158,637	2,032,245	(188,355)	2,076,502
Net gains on disposal of subsidiaries, associates and joint ventures	14,401	3,471,286	–	–	3,485,687
Other income and other net gains or losses	(604,265)	516,653	(125,492)	(84,499)	(297,603)
Total	17,596,870	16,055,167	27,936,167	(977,949)	60,610,255
Interest expense	(8,415,969)	(3,499,335)	(4,149,725)	429,763	(15,635,266)
Insurance costs	–	–	(18,139,796)	134	(18,139,662)
Employee benefits	(642,520)	(277,404)	(1,621,055)	–	(2,540,979)
Purchases and changes in inventories	–	(4,535,782)	–	94,486	(4,441,296)
Commission and fee expense	(42,297)	(35,170)	(1,316,942)	4,483	(1,389,926)
Taxes and surcharges	(81,340)	(255,720)	(41,739)	–	(378,799)
Depreciation and amortization expenses	(54,325)	(87,405)	(305,994)	(20,660)	(468,384)
Other expenses	(189,722)	(686,106)	(991,929)	128,616	(1,739,141)
Impairment losses on assets	(2,683,230)	(348,100)	(910,309)	–	(3,941,639)
Total	(12,109,403)	(9,725,022)	(27,477,489)	636,822	(48,675,092)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	-	(589,836)	(187,484)	-	(777,320)
Profit before share of results of associates and joint ventures and tax	5,487,467	5,740,309	271,194	(341,127)	11,157,843
Share of results of associates and joint ventures	70,257	821,400	8,275	-	899,932
Profit before tax	5,557,724	6,561,709	279,469	(341,127)	12,057,775
Income tax expense					(3,495,338)
Profit for the period					8,562,437
Capital expenditure	10,321	8,108	66,045	-	84,474
As at June 30, 2017					
Segment assets	531,520,730	275,156,080	532,475,735	(49,676,700)	1,289,475,845
Including: Interests in associates and joint ventures	20,178,433	9,215,054	321,177	-	29,714,664
Unallocated assets					6,090,585
Total assets					1,295,566,430
Segment liabilities	453,326,224	224,882,774	493,423,934	(41,949,818)	1,129,683,114
Unallocated liabilities					4,287,891
Total liabilities					1,133,971,005

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
For six months ended June 30, 2016					
(Restated)					
Income from distressed debt assets					
classified as receivables	8,424,445	–	–	–	8,424,445
Fair value changes on distressed					
debt assets	2,284,039	–	–	(47,718)	2,236,321
Fair value changes on other financial assets	–	372,964	86,151	(442)	458,673
Investment income	4,871,030	3,532,132	2,120,960	(69,337)	10,454,785
Net insurance premiums earned	–	–	12,333,936	(288)	12,333,648
Interest income	597,319	2,878,948	2,748,143	(60,618)	6,163,792
Revenue from sale of inventories	–	2,834,874	–	–	2,834,874
Commission and fee income	18,662	387,140	1,284,000	(157,829)	1,531,973
Net gains on disposal of subsidiaries, associates and joint ventures	102,835	134,825	–	–	237,660
Other income and other net gains or losses	114,780	733,120	71,135	(89,731)	829,304
Total	16,413,110	10,874,003	18,644,325	(425,963)	45,505,475
Interest expense	(6,044,788)	(2,861,817)	(1,746,594)	133,104	(10,520,095)
Insurance costs	–	–	(12,782,035)	–	(12,782,035)
Employee benefits	(622,242)	(274,992)	(1,475,724)	–	(2,372,958)
Purchases and changes in inventories	–	(2,273,698)	–	3,447	(2,270,251)
Commission and fee expense	(31,223)	(30,722)	(935,833)	19,457	(978,321)
Taxes and surcharges	(308,471)	(337,484)	(170,049)	–	(816,004)
Depreciation and amortization expenses	(29,914)	(76,336)	(111,895)	(16,151)	(234,296)
Other expenses	(224,394)	(794,169)	(798,043)	166,529	(1,650,077)
Impairment losses on assets	(330,139)	(1,389,444)	(216,509)	15,739	(1,920,353)
Total	(7,591,171)	(8,038,662)	(18,236,682)	322,125	(33,544,390)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	–	(980,265)	(154,975)	–	(1,135,240)
Profit before share of results of associates and joint ventures and tax	8,821,939	1,855,076	252,668	(103,838)	10,825,845
Share of results of associates and joint ventures	(6,270)	(107,333)	11,843	(1,956)	(103,716)
Profit before tax	8,815,669	1,747,743	264,511	(105,794)	10,722,129
Income tax expense					(2,938,812)
Profit for the period					7,783,317
Capital expenditure	62,120	13,284	137,796	–	213,200
As at December 31, 2016					
Segment assets	457,606,682	269,186,552	493,780,081	(51,970,299)	1,168,603,016
Including: Interests in associates and joint ventures	11,977,454	7,281,798	304,348	–	19,563,600
Unallocated assets					5,877,907
Total assets					1,174,480,923
Segment liabilities	381,219,458	218,506,768	465,934,054	(43,428,103)	1,022,232,177
Unallocated liabilities					4,278,725
Total liabilities					1,026,510,902

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Related party transactions

(1) The MOF

As at June 30, 2017, the MOF directly owned 64.45% (December 31, 2016: 64.45%) of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group had the following balances and entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Financial assets at fair value through profit or loss	763,218	1,038,680
Available-for-sale financial assets	3,537,374	1,569,559
Held-to-maturity investments	1,045,388	1,247,255
Accounts receivable	1,597	1,597
Interest receivable	4,793	9,834

The Group entered into the following transactions with the MOF:

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Interest income	59,912	191,353

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Related party transactions (continued)

(2) Associates and joint ventures

The Group had the following balances and entered into the following transactions with its associates and joint ventures, entities that it does not control but exercises significant influence or joint control. These transactions were carried out in the ordinary course of business.

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

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Loans and advances to customers	3,083,801	2,436,572
Interest receivable	54,493	60,117
Accounts receivable	–	110,000
Prepayment	58,433	–
Dividend receivable	283,689	197,256
Other receivables	2,222,633	35,100
Risk deposit	58,000	40,000
Deferred income related to leasing business	4,782	3,941
Other payables	2,828,995	2,726,203

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Interest income	170,112	160,479
Commission and fee income	20,173	17,500
Investment income	357,385	35,619
Rental income	1,887	–
Interest expense	–	24,070

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Related party transactions (continued)

(3) Government related entities

Other than those disclosed above, the Group has also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(4) Annuity Scheme

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Contribution to the Annuity Scheme	39,728	26,599

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Related party transactions (continued)

(5) Key management remuneration

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

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Emoluments of key management personnel	3,699	3,978

56. Financial risk management

The types of risk the Group is exposed to include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

The Group's primary objectives of risk management, risk management framework, the nature of the risks faced by the Group and the risk management measures taken by management are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk

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

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury services. At the end of the reporting period, maximum exposure to credit risk is as follows:

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
On-balance sheet		
Balances with central banks	13,257,170	16,862,125
Deposits with banks and financial institutions	87,607,960	75,801,266
Deposits with exchanges and others	1,182,743	2,047,567
Placements with banks and financial institutions	33,819,261	26,277,582
Financial assets at fair value through profit or loss	20,665,351	20,765,833
Financial assets held under resale agreements	52,685,286	41,973,962
Available-for-sale financial assets	125,791,449	104,613,182
Financial assets classified as receivables	214,583,654	198,787,226
Loans and advance to customers	296,340,452	294,936,591
Accounts receivable	3,402,081	3,522,114
Held-to-maturity investments	18,647,173	12,635,621
Other assets	17,419,717	9,089,830
Subtotal	885,402,297	807,312,899
Off-balance sheet		
Bank bill acceptance	13,235,863	20,638,657
Loan commitments	8,927,859	9,034,301
Letters of guarantee issued and other credit commitments	17,411,448	11,561,502
Subtotal	39,575,170	41,234,460
Total	924,977,467	848,547,359

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Distressed debt assets designated as at fair value through profit or loss contain certain elements of credit risk. The carrying amount of distressed debt assets designated as at fair value through profit or loss for the Group as at June 30, 2017 amounted to RMB108,181 million (December 31, 2016: RMB94,459 million).

The major credit risk to which the Group is exposed arises from distressed debt assets classified as receivables and loans and advances to customers. The directors of the Company considered the credit risk of other financial assets is at a level that is similar to the one which existed as at December 31, 2016.

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Distressed debt assets classified as receivables	204,009,441	191,440,447
Loans and advances to customers	302,679,823	300,467,358
Subtotal	506,689,264	491,907,805
Allowance for impairment losses		
Distressed debt assets classified as receivables	(8,851,871)	(6,993,472)
Loans and advances to customers	(6,339,371)	(5,530,767)
Subtotal	(15,191,242)	(12,524,239)
Net carrying amounts		
Distressed debt assets classified as receivables	195,157,570	184,446,975
Loans and advances to customers	296,340,452	294,936,591
Total	491,498,022	479,383,566

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (continued)

By geographical area

Area	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Gross amount	%	Gross amount	%
Overseas	129,567,551	25.6	117,174,711	23.8
Pearl River Delta	84,914,186	16.7	87,610,925	17.8
Central Region	82,846,581	16.3	71,222,457	14.5
Western Region	73,232,496	14.5	65,452,172	13.3
Yangtze River Delta	66,763,246	13.2	67,898,353	13.8
Bohai Rim	59,177,853	11.7	71,076,247	14.4
Northeastern Region	10,187,351	2.0	11,472,940	2.4
Total	506,689,264	100.0	491,907,805	100.0

Overseas: Including Hong Kong and other overseas regions

Pearl River Delta: Including Guangdong, Shenzhen, and Fujian

Central Region: Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, and Hainan

Western Region: Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia

Yangtze River Delta: Including Shanghai, Jiangsu, and Zhejiang

Bohai Rim: Including Beijing, Tianjin, Hebei, and Shandong

Northeastern Region: Including Liaoning, Jilin, and Heilongjiang

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (continued)

By industry

Industry	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	212,955,826	41.9	208,258,573	42.3
Manufacturing	66,732,460	13.2	68,349,309	13.9
Leasing and commercial services	40,313,919	8.0	28,667,429	5.8
Mining	33,933,248	6.7	27,492,723	5.6
Finance	27,759,503	5.5	16,807,815	3.4
Transportation, logistics and postal services	15,653,808	3.1	19,597,158	4.0
Wholesale and retail trade	12,298,073	2.4	21,020,811	4.3
Construction	12,116,795	2.4	13,621,145	2.8
Others	42,528,752	8.4	46,238,722	9.4
Subtotal	464,292,384	91.6	450,053,685	91.5
Personal business				
Mortgage	25,544,015	5.0	24,840,116	5.0
Personal consumption loans	9,958,442	2.0	9,358,059	1.9
Subtotal	35,502,457	7.0	34,198,175	6.9
Loans to margin clients	6,894,423	1.4	7,655,945	1.6
Total	506,689,264	100.0	491,907,805	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (continued)

By security type

	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	133,783,832	26.5	110,450,282	22.5
Guaranteed	76,638,513	15.2	85,886,057	17.4
Mortgaged	211,014,629	41.6	215,446,716	43.8
Pledged	85,252,290	16.7	80,124,750	16.3
Total	506,689,264	100.0	491,907,805	100.0

(iii) Past due distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2017 (Gross amount) (Unaudited)					As at December 31, 2016 (Gross amount) (Audited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets classified as receivables	2,754,882	4,011,418	1,523,739	696,700	8,986,739	1,708,491	2,998,870	1,550,769	364,612	6,622,742
Loans and advances to customers	1,441,407	1,080,716	5,213,152	456,369	8,191,644	1,030,161	1,694,632	4,924,974	49,810	7,699,577
Total	4,196,289	5,092,134	6,736,891	1,153,069	17,178,383	2,738,652	4,693,502	6,475,743	414,422	14,322,319

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(iv) Credit quality of distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Neither past due nor impaired	489,488,360	477,564,367
Past due but not impaired ⁽¹⁾	6,630,879	6,234,340
Impaired ⁽²⁾	10,570,025	8,109,098
Subtotal	506,689,264	491,907,805
Allowance for impairment losses	(15,191,242)	(12,524,239)
Net carrying amount	491,498,022	479,383,566

(1) Past due but not impaired distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2017 (Gross amount) (Unaudited)					As at December 31, 2016 (Gross amount) (Audited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets classified as receivables	2,495,594	1,948,791	149,754	39,226	4,633,365	1,703,812	1,303,790	20,095	195,000	3,222,697
Loans and advances to customers	1,379,000	204,570	413,944	-	1,997,514	1,011,394	1,178,497	803,662	18,090	3,011,643
Total	3,874,594	2,153,361	563,698	39,226	6,630,879	2,715,206	2,482,287	823,757	213,090	6,234,340

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(iv) 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

	As at June 30, 2017 (Unaudited)			As at December 31, 2016 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets classified as receivables						
– Individually assessed	4,353,374	(1,874,281)	2,479,093	3,400,045	(1,615,224)	1,784,821
Loans and advances to customers						
– Individually assessed	6,210,677	(2,479,460)	3,731,217	4,696,559	(2,066,194)	2,630,365
– Collectively assessed	5,974	(179)	5,795	12,494	(375)	12,119
Total	10,570,025	(4,353,920)	6,216,105	8,109,098	(3,681,793)	4,427,305

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Distressed debt assets classified as receivables		
Individually assessed and impaired	4,353,374	3,400,045
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	2.1	1.8
Fair value of collateral	8,030,251	7,042,226
Loans and advances to customers		
Individually assessed and impaired	6,210,677	4,696,559
Individually assessed and impaired as a % of total loans and advances to customers	2.1	1.6
Fair value of collateral	6,882,450	3,134,042

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.1 Credit risk (continued)

(iv) 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)

Impaired distressed debt assets classified as receivables and loans and advances to customers by geographical area are analyzed as follows:

	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables				
Pearl River Delta	2,498,314	57.5	1,486,432	43.7
Western Region	785,209	18.0	733,388	21.6
Bohai Rim	428,803	9.8	184,512	5.4
Yangtze River Delta	346,065	7.9	427,208	12.6
Central Region	256,212	5.9	485,385	14.3
Northeastern Region	38,771	0.9	83,120	2.4
Total	4,353,374	100.0	3,400,045	100.0
Loans and advances to customers				
Western Region	2,340,888	37.7	2,232,005	47.4
Pearl River Delta	1,723,576	27.7	533,370	11.3
Central Region	619,361	10.0	611,290	13.0
Northeastern Region	596,754	9.6	531,889	11.2
Yangtze River Delta	465,922	7.5	466,435	9.9
Bohai Rim	325,094	5.2	203,851	4.4
Overseas	145,056	2.3	130,213	2.8
Total	6,216,651	100.0	4,709,053	100.0

(3) Debt restructuring

As at June 30, 2017, the Group's balances of restructured distressed debt assets classified as receivables were RMB711 million (December 31, 2016: RMB1,206 million).

As at June 30, 2017, the Group's net carrying amounts of restructured loans and advances to customers were RMB1 million (December 31, 2016: RMB2 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.2 Market risk

Interest rate risk

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

	(Unaudited)						
	As at June 30, 2017						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	Total
Cash and balances with central banks	12,394,055	-	-	-	-	1,867,503	14,261,558
Deposits with banks and financial institutions	73,174,020	7,202,440	7,223,700	7,800	-	-	87,607,960
Placements with banks and financial institutions	22,702,982	7,883,875	3,232,404	-	-	-	33,819,261
Deposits with exchanges and others	172,978	-	-	-	-	1,009,765	1,182,743
Financial assets at fair value through profit or loss	1,850,084	1,998,260	3,041,206	11,101,420	2,660,913	144,088,069	164,739,952
Financial assets classified as receivables	10,893,454	12,513,882	65,272,782	125,403,536	500,000	-	214,583,654
Loans and advances to customers	136,100,333	47,759,654	60,376,392	51,395,120	648,501	60,452	296,340,452
Accounts receivable	82,784	167	983,866	146,692	-	2,188,572	3,402,081
Financial assets held under resale agreements	44,056,162	3,045,845	3,116,505	2,466,774	-	-	52,685,286
Available-for-sale financial assets	17,775,291	34,691,397	18,824,950	59,107,587	10,220,091	113,533,821	254,153,137
Held-to-maturity investments	3,667,367	715,170	2,175,395	9,075,818	3,013,423	-	18,647,173
Other financial assets	644,490	629,942	1,652,794	-	-	14,492,491	17,419,717
Total financial assets	323,514,000	116,440,632	165,899,994	258,704,747	17,042,928	277,240,673	1,158,842,974
Borrowings from the central bank	-	-	-	-	-	(986,058)	(986,058)
Accounts payable to brokerage clients	(11,547,499)	-	-	-	-	(2,863,597)	(14,411,096)
Due to customers	(127,224,048)	(32,772,566)	(36,621,598)	(4,160,920)	(22,045)	(10,243,594)	(211,044,771)
Deposits from banks and financial institutions	(7,208,443)	(3,957,184)	(11,975,768)	-	-	(159,903)	(23,301,298)
Placements from banks and financial institutions	(6,659,254)	(4,495,340)	(2,835,460)	-	-	-	(13,990,054)
Financial liabilities at fair value through profit or loss	(710,788)	(1,963,161)	(1,158,310)	-	-	(3,207,685)	(7,039,944)
Financial assets sold under repurchase agreements	(4,365,491)	(772,182)	-	(1,000,000)	-	-	(6,137,673)
Investment contract liabilities for policyholders	(21,000,847)	-	-	-	-	-	(21,000,847)
Borrowings	(18,151,531)	(47,114,861)	(243,676,120)	(184,231,705)	(19,141,773)	-	(512,315,990)
Bonds issued	(49,457)	(5,787,250)	(19,466,887)	(111,199,202)	(60,993,577)	(2,560,839)	(200,057,212)
Accounts payable	-	-	-	-	-	(2,976,672)	(2,976,672)
Other financial liabilities	-	-	(800,000)	-	-	(38,890,191)	(39,690,191)
Total financial liabilities	(196,917,358)	(96,862,544)	(316,534,143)	(300,591,827)	(80,157,395)	(61,888,539)	(1,052,951,806)
Interest rate gap	126,596,642	19,578,088	(150,634,149)	(41,887,080)	(63,114,467)	215,352,134	105,891,168

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.2 Market risk (continued)

Interest rate risk (continued)

	(Audited)						Non-interest-bearing	Total
	As at December 31, 2016							
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Cash and balances with central banks	14,553,479	-	-	-	-	2,814,486	17,367,965	
Deposits with banks and financial institutions	47,641,532	18,298,245	9,753,989	107,500	-	-	75,801,266	
Placements with banks and financial institutions	17,716,177	2,407,863	6,054,542	99,000	-	-	26,277,582	
Deposits with exchanges and others	804,301	-	-	-	-	1,243,266	2,047,567	
Financial assets at fair value through profit or loss	1,753,078	2,053,392	1,406,929	8,496,950	2,683,506	132,651,641	149,045,496	
Financial assets classified as receivables	12,424,486	11,359,222	59,864,417	114,939,101	200,000	-	198,787,226	
Loans and advances to customers	161,506,423	27,999,794	43,168,254	61,180,374	1,036,828	44,918	294,936,591	
Accounts receivable	112,239	2,688	2,481,025	-	-	926,162	3,522,114	
Financial assets held under resale agreements	37,231,096	867,046	1,665,048	2,210,772	-	-	41,973,962	
Available-for-sale financial assets	13,984,960	13,639,622	19,154,083	53,582,197	9,245,342	102,889,682	212,495,886	
Held-to-maturity investments	-	303,752	843,358	7,587,792	3,900,719	-	12,635,621	
Other financial assets	611,899	26,394	664,427	632,475	-	7,154,635	9,089,830	
Total financial assets	308,339,670	76,958,018	145,056,072	248,836,161	17,066,395	247,724,790	1,043,981,106	
Borrowings from the central bank	-	-	-	-	-	(986,058)	(986,058)	
Accounts payable to brokerage clients	(13,475,987)	-	-	-	-	(2,796,108)	(16,272,095)	
Due to customers	(132,829,681)	(34,782,072)	(35,900,009)	(1,117,277)	-	-	(204,629,039)	
Deposits from banks and financial institutions	(10,804,792)	-	(2,500,000)	-	-	-	(13,304,792)	
Placements from banks and financial institutions	(7,734,871)	(6,922,015)	(8,924,295)	-	-	-	(23,581,181)	
Financial liabilities at fair value through profit or loss	(1,682,125)	(730,081)	(471,208)	-	-	(3,628,277)	(6,511,691)	
Financial assets sold under repurchase agreements	(7,072,213)	(800,000)	-	-	-	-	(7,872,213)	
Investment contract liabilities for policyholders	(27,193,179)	-	-	-	-	-	(27,193,179)	
Borrowings	(3,521,675)	(17,260,831)	(273,714,378)	(132,363,658)	(23,654,221)	-	(450,514,763)	
Bonds issued	-	(900,000)	(17,571,303)	(102,521,252)	(28,671,856)	(2,833,149)	(152,497,560)	
Accounts payable	(345,610)	(162)	-	-	-	(2,708,088)	(3,053,860)	
Other financial liabilities	-	-	(1,000,000)	(499,275)	(4,902,757)	(21,643,784)	(28,045,816)	
Total financial liabilities	(204,660,133)	(61,395,161)	(340,081,193)	(236,501,462)	(57,228,834)	(34,595,464)	(934,462,247)	
Interest rate gap	103,679,537	15,562,857	(195,025,121)	12,334,699	(40,162,439)	213,129,326	109,518,859	

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.2 Market risk (continued)

Foreign exchange risk

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

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

The Group

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
5% appreciation	(534,896)	(1,518,755)
5% depreciation	534,896	1,518,755

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 the reporting period. The Group is exposed to price risk 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 changes in market price. These changes may be caused by factors relating to the financial instrument itself or the issuer, and they may also be caused by market factors.

The directors of the Company considered the price risk of the Group is at the level that is similar to that existed as at December 31, 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.3 Liquidity risk

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

	(Unaudited)							Total
	As at June 30, 2017							
	Past due /undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	9,804,197	4,414,781	19,126	9,585	13,869	-	-	14,261,558
Deposits with banks and financial institutions	14,636,678	35,637,388	22,899,954	7,202,440	7,223,700	7,800	-	87,607,960
Placements with banks and financial institutions	-	-	22,702,982	7,883,875	3,232,404	-	-	33,819,261
Deposits with exchanges and others	1,182,743	-	-	-	-	-	-	1,182,743
Financial assets at fair value through profit or loss	140,366,347	3,850,297	1,689,334	1,998,260	3,041,206	11,133,595	2,660,913	164,739,952
Financial assets classified as receivables	8,152,544	-	2,740,910	12,513,882	65,272,782	125,403,536	500,000	214,583,654
Loans and advances to customers	6,824,802	8,914,435	7,497,755	21,716,413	68,532,983	148,886,322	33,967,742	296,340,452
Accounts receivable	2,110,085	98,174	63,097	167	983,866	146,692	-	3,402,081
Financial assets held under resale agreements	-	-	44,056,162	3,045,845	3,116,505	2,466,774	-	52,685,286
Available-for-sale financial assets	88,766,599	988,514	12,498,540	38,310,899	19,317,202	81,954,374	12,317,009	254,153,137
Held-to-maturity investments	-	-	3,667,367	715,170	2,175,395	9,075,818	3,013,423	18,647,173
Other financial assets	172,276	6,153,873	2,041,833	1,564,916	4,053,823	3,087,247	345,749	17,419,717
Total financial assets	272,016,271	60,057,462	119,877,060	94,961,452	176,963,735	382,162,158	52,804,836	1,158,842,974
Borrowings from the central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(14,411,096)	-	-	-	-	-	(14,411,096)
Due to customers	-	(4,172,404)	(133,295,238)	(32,772,566)	(36,621,598)	(4,160,920)	(22,045)	(211,044,771)
Deposits from banks and financial institutions	-	(159,903)	(7,208,443)	(3,957,184)	(11,975,768)	-	-	(23,301,298)
Placements from banks and financial institutions	-	(37,693)	(6,675,757)	(4,495,340)	(2,781,264)	-	-	(13,990,054)
Financial liabilities at fair value through profit or loss	-	(88,429)	(789,926)	(2,053,307)	(1,269,713)	(2,838,569)	-	(7,039,944)
Financial assets sold under repurchase agreements	-	-	(4,365,491)	(772,182)	-	(1,000,000)	-	(6,137,673)
Investment contract liabilities for policy holders	-	-	-	-	(206)	(8,995)	(20,991,646)	(21,000,847)
Borrowings	-	-	(3,129,031)	(40,241,545)	(250,226,210)	(199,577,431)	(19,141,773)	(512,315,990)
Bonds issued	-	-	(50,017)	(7,015,281)	(17,804,785)	(96,291,426)	(78,895,703)	(200,057,212)
Accounts payable	(2,223,096)	(292,525)	(255,800)	(6,431)	(198,820)	-	-	(2,976,672)
Other financial liabilities	(141,294)	(8,894,761)	(1,478,227)	(2,506,884)	(3,838,802)	(7,762,466)	(15,067,757)	(39,690,191)
Total financial liabilities	(3,350,448)	(28,056,811)	(157,247,930)	(93,820,720)	(324,717,166)	(311,639,807)	(134,118,924)	(1,052,951,806)
Net position	268,665,823	32,000,651	(37,370,870)	1,140,732	(147,753,431)	70,522,351	(81,314,088)	105,891,168

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.3 Liquidity risk (continued)

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

	(Audited)							
	As at December 31, 2016							
	Past due /undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	12,934,023	3,451,887	14,750	59,260	908,045	-	-	17,367,965
Deposits with banks and financial institutions	16,023,682	11,702,902	19,914,948	18,298,245	9,753,989	107,500	-	75,801,266
Placements with banks and financial institutions	-	-	17,716,177	2,407,863	6,054,542	99,000	-	26,277,582
Deposits with exchanges and others	2,047,567	-	-	-	-	-	-	2,047,567
Financial assets at fair value through profit or loss	123,498,473	9,134,863	1,454,441	2,174,964	1,560,953	8,303,682	2,918,120	149,045,496
Financial assets classified as receivables	7,243,928	-	5,180,558	11,375,482	60,648,156	113,839,102	500,000	198,787,226
Loans and advances to customers	6,690,331	6,426,130	8,295,385	18,091,968	57,710,645	160,115,833	37,606,299	294,936,591
Accounts receivable	775,462	168,658	84,512	2,688	2,490,794	-	-	3,522,114
Financial assets held under resale agreements	-	-	37,231,096	867,046	1,665,048	2,210,772	-	41,973,962
Available-for-sale financial assets	75,579,791	2,250,404	12,503,870	13,907,607	23,038,958	77,451,799	7,763,457	212,495,886
Held-to-maturity investments	-	-	-	303,752	843,358	7,587,792	3,900,719	12,635,621
Other financial assets	230,882	342,050	990,337	763,416	2,259,474	3,902,015	601,656	9,089,830
Total financial assets	245,024,139	33,476,894	103,386,074	68,252,291	166,933,962	373,617,495	53,290,251	1,043,981,106
Borrowings from the central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(16,272,095)	-	-	-	-	-	(16,272,095)
Due to customers	-	(88,442,091)	(44,387,589)	(34,782,072)	(35,900,010)	(1,117,277)	-	(204,629,039)
Deposits from banks and financial institutions	-	(10,804,792)	-	-	(2,500,000)	-	-	(13,304,792)
Placements from banks and financial institutions	-	(47,858)	(7,687,013)	(6,922,015)	(8,924,295)	-	-	(23,581,181)
Financial liabilities at fair value through profit or loss	-	(99,249)	(1,708,742)	(853,981)	(950,544)	(2,899,175)	-	(6,511,691)
Financial assets sold under repurchase agreements	-	-	(7,072,213)	(800,000)	-	-	-	(7,872,213)
Investment contract liabilities for policyholders	-	-	-	-	(101)	(6,490)	(27,186,588)	(27,193,179)
Borrowings	-	-	(2,180,955)	(17,072,831)	(268,303,778)	(139,302,978)	(23,654,221)	(450,514,763)
Bonds issued	-	-	(33,888)	(1,187,577)	(19,983,066)	(84,729,346)	(46,563,683)	(152,497,560)
Accounts payable	(2,677,382)	(183,047)	(193,269)	(162)	-	-	-	(3,053,860)
Other financial liabilities	(172,110)	(8,310,795)	(1,337,720)	(1,097,735)	(4,588,053)	(7,492,066)	(5,047,337)	(28,045,816)
Total financial liabilities	(3,835,550)	(124,159,927)	(64,601,389)	(62,716,373)	(341,149,847)	(235,547,332)	(102,451,829)	(934,462,247)
Net position	241,188,589	(90,683,033)	38,784,685	5,535,918	(174,215,885)	138,070,163	(49,161,578)	109,518,859

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.4 Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to a decline in the asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include distressed debts which the Group initially classifies as financial assets at fair value through profit or loss and financial assets classified as receivables, and equity instruments which the Group classifies as available-for-sale financial assets.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are the same as those described in the consolidated financial statements for the year ended December 31, 2016.

56.5 Insurance risk

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

The types of risk and their risk management measures are the same as those described in the consolidated financial statements for the year ended December 31, 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

56.5 Insurance risk (continued)

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

	For the six months ended June 30,			
	2017 (Unaudited)		2016 (Unaudited)	
	Amount	%	Amount	%
Life insurance	16,741,820	95.3	10,886,657	87.1
Property insurance				
Motor vehicle insurance	703,479	4.0	1,340,246	10.7
General property insurance	42,283	0.2	92,645	0.7
Others	87,950	0.5	187,130	1.5
Total	17,575,532	100.0	12,506,678	100.0

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

	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Amount	%	Amount	%
Life insurance	41,153,442	98.7	30,893,150	99.0
Health insurance	451,891	1.1	237,005	0.8
Others	64,510	0.2	55,872	0.2
Total	41,669,843	100.0	31,186,027	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Financial risk management (continued)

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

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account the percentage of 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 (Yinjianbanfa [2016] No. 38), issued by the CBRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at June 30, 2017 and December 31, 2016, the Company complied with the regulatory requirements on the minimum CAR.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

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

	As at June 30, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	214,583,654	214,767,053	198,787,226	229,281,162
Loans and advances to customers	296,340,452	296,340,452	294,936,591	294,936,591
Accounts receivable	3,402,081	3,408,336	3,522,114	3,500,314
Held-to-maturity investments	18,647,173	18,279,566	12,635,621	12,764,477
Total	532,973,360	532,795,407	509,881,552	540,482,544
Financial liabilities				
Borrowings	(512,315,990)	(515,385,887)	(450,514,763)	(451,363,288)
Bonds issued	(200,057,212)	(198,951,726)	(152,497,560)	(151,872,628)
Total	(712,373,202)	(714,337,613)	(603,012,323)	(603,235,916)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

	As at June 30, 2017			
	(Unaudited) Level 1	(Unaudited) Level 2	(Unaudited) Level 3	(Unaudited) Total
Accounts receivable	–	–	3,408,336	3,408,336
Financial assets classified as receivables	–	–	214,767,053	214,767,053
Loans and advances to customers	–	–	296,340,452	296,340,452
Held-to-maturity investments	7,045,847	10,776,936	456,783	18,279,566
Total	7,045,847	10,776,936	514,972,624	532,795,407
Borrowings	–	–	(515,385,887)	(515,385,887)
Bonds issued	–	(144,319,180)	(54,632,546)	(198,951,726)
Total	–	(144,319,180)	(570,018,433)	(714,337,613)
	As at December 31, 2016			
	(Audited) Level 1	(Audited) Level 2	(Audited) Level 3	(Audited) Total
Accounts receivable	–	–	3,500,314	3,500,314
Financial assets classified as receivables	–	309,459	228,971,703	229,281,162
Loans and advances to customers	–	–	294,936,591	294,936,591
Held-to-maturity investments	4,920,059	7,525,450	318,968	12,764,477
Total	4,920,059	7,834,909	527,727,576	540,482,544
Borrowings	–	–	(451,363,288)	(451,363,288)
Bonds issued	–	(114,599,975)	(37,272,653)	(151,872,628)
Total	–	(114,599,975)	(488,635,941)	(603,235,916)

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
1) Held-for-trading financial assets	29,819,264	28,478,875				
Debt securities	16,213,252	14,483,494				
– Traded in stock exchanges	7,028,077	7,617,207	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	4,462,561	3,790,278	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 the counterparty.	N/A	N/A
– Traded over the counter	4,722,614	3,076,009	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments listed or traded on exchanges	9,312,127	8,720,033				
Unrestricted listed equity instruments	7,949,815	8,004,425	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	4,361,132	4,076,828				
– Finance	1,314,072	1,160,798				
– Mining	70,340	183,807				
– Production and supply of power, heat, gas and water	12,939	37,936				
– Real estate	560,392	855,496				
– Information transmission, software and information technology services	225,447	263,761				
– others	1,405,493	1,425,799				
Restricted listed equity instruments	1,362,312	715,608	Level 3	• Option pricing model.	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Real estate	694,336	715,608				
– Manufacturing	667,976	–				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Mutual funds	3,906,955	4,454,522				
– Listed	1,524,333	1,278,689	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Quoted	2,115,817	2,730,090	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	266,805	445,743	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Derivatives	386,930	820,826				
	288,915	308,318	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	98,015	512,508	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
2) Financial assets designated as at fair value through profit or loss	134,920,688	120,566,621				
Distressed debt assets	108,181,139	94,458,586	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.	<ul style="list-style-type: none"> • Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Debt securities	396,815	364,193				
– Traded in stock exchanges	289,126	293,175	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Traded in inactive markets	107,689	71,018	Level 3	<ul style="list-style-type: none"> Discounted cash flow for the debt component and binomial option pricing model for the option component. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. 	<ul style="list-style-type: none"> Discount rates that correspond to expected risk level. Risk-free rates that are specific to the market. Volatility rates that are in line with those of similar products. 	<ul style="list-style-type: none"> The lower the discount rates, the higher the fair value. The lower the risk-free rate, the higher the fair value. The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	1,735,580	3,553,188	Level 2	<ul style="list-style-type: none"> Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested. 	N/A	N/A
	379,500	431,680	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected recoverable amounts. higher the fair value. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Equity investments – Equity investments in unlisted companies	22,674,380 22,674,380	20,646,522 20,646,522	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. lower the discount rate, the higher the fair value.
Asset management plans	471,666	–	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
Asset-backed securities	56,280	58,004	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
Embedded derivative bonds	166,587	171,691	Level 3	<ul style="list-style-type: none"> Discounted cash flow for the debt component and binomial option pricing model for the option component. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value.
Others	858,741	882,757	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
3) Available-for-sale financial assets	212,897,322	170,709,358				
Debt securities	59,195,439	53,609,731				
– Traded in stock exchanges	13,833,809	14,194,363	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	16,791,387	14,863,482	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 the counterparty.	N/A	N/A
– Traded over the counter	28,570,243	24,551,886	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Listed equity instruments	5,737,189	4,572,322	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	1,936,138	990,146				
– Manufacturing	1,561,138	1,155,312				
– Financial service	620,842	645,551				
– Other industries	1,619,071	1,781,313				
Preference shares	435,549	435,549				
– Financial service	435,549	435,549	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 the counterparty.	N/A	N/A
Restricted equity instruments	201,480	1,295,325				
– Mining	62,082	818,594	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	63,095	476,731	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Other industries	76,303	–	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Certificates of deposit	25,675,755	14,235,718	Level 2	<ul style="list-style-type: none"> 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 the counterparty. 	N/A	N/A
Funds	80,467,085	57,835,164				
– Listed	350,823	12,659,492	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Quoted	27,747,070	13,944,031	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Investing in entrusted loans	52,235,550	31,024,882	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value.
– Investing in restricted equity instruments	133,642	206,759	Level 3	<ul style="list-style-type: none"> Option pricing model. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Stock volatility. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value. The lower the stock volatility, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Trust products and rights to trust assets	17,471,476	16,486,799				
– Investing in the underlying assets with open or active market quotations	66,892	70,707	Level 2	• Calculated based in the quoted prices of equity instruments on which the trust products invested.	N/A	N/A
– Others	17,404,584	16,416,092	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 flows. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The lower the discount rates, the higher the fair value.
Assets management plans	13,901,337	12,486,496				
– Investing in the underlying assets with open or active quotations	9,146,520	6,720,139	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Investing in debt instruments	4,754,817	5,766,357	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 flows. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
Wealth management products – Issued by banks or other financial institutions without quoted prices	8,380,002 8,380,002	6,500,000 6,500,000	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Asset-backed securities	934,327	1,061,325	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
Others – Issued by banks or other financial institutions	497,683 497,683	2,190,929 587,683	Level 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)				
- Others	-	1,603,246	Level 2	• Calculated based on the quoted prices of bonds, equity instruments in which the asset portfolios invested.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	(7,039,944)	(6,511,691)				
- Exchange-traded derivative financial liabilities	-	(110,595)	Level 1	• Quoted bid prices in an active market	N/A	N/A
- The OTC derivative financial liabilities	(432,685)	(742,682)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- Short positions in exchange fund bills and notes	(3,832,259)	(2,883,414)	Level 2	• Calculated based on the quoted prices of bonds, equity instruments in which the asset portfolios invested.	N/A	N/A
- Forward payment plan	(2,775,000)	(2,775,000)	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected payment date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flows, the higher the fair value. • The earlier the payment date, the higher the fair value. • The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

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

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

	As at June 30, 2017			
	(Unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	19,196,083	11,757,241	133,786,628	164,739,952
Available-for-sale financial assets	47,668,891	80,686,346	84,542,085	212,897,322
Total assets	66,864,974	92,443,587	218,328,713	377,637,274
Financial liabilities at fair value through profit or loss	–	(4,264,944)	(2,775,000)	(7,039,944)
Total liabilities	–	(4,264,944)	(2,775,000)	(7,039,944)
	As at December 31, 2016			
	(Audited)			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	20,231,904	11,377,726	117,435,866	149,045,496
Available-for-sale financial assets	45,370,208	62,480,727	62,858,423	170,709,358
Total assets	65,602,112	73,858,453	180,294,289	319,754,854
Financial liabilities at fair value through profit or loss	(110,595)	(3,626,096)	(2,775,000)	(6,511,691)
Total liabilities	(110,595)	(3,626,096)	(2,775,000)	(6,511,691)

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

57.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2017	117,435,866	62,858,423	(2,775,000)
Recognized in profit or loss	1,813,599	(444,864)	–
Recognized in other comprehensive income	–	28,694	–
Purchases	29,397,115	30,378,846	–
Settlements/disposals at cost	(14,859,952)	(7,183,995)	–
Transfer out from Level 3	–	(1,095,019)	–
As at June 30, 2017	133,786,628	84,542,085	(2,775,000)
Unrealized gains or losses for the period included in profit or loss for assets held as at June 30, 2017	1,879,052	(397,884)	–
	(Audited)		
	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2016	90,854,216	23,828,685	(2,779,923)
Recognized in profit or loss	870,651	(165,582)	–
Recognized in other comprehensive income	–	407,833	–
Purchases	92,182,596	54,808,658	–
Settlements/disposals at cost	(66,471,597)	(16,021,171)	4,923
As at December 31, 2016	117,435,866	62,858,423	(2,775,000)
Unrealized gains or losses for the year included in profit or loss for assets held at end of the year	1,914,531	(98,332)	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Fair values of financial instruments (continued)

57.3 Reconciliation of Level 3 fair value measurements (continued)

Certain restricted equity instruments became tradable during the first half year of 2017, and quoted prices in active markets were available for these securities. Therefore, these securities were transferred from Level 3 to Level 1 of the fair value hierarchy at the end of the reporting period.

Total gains or losses for the six months ended June 30, 2017 and the year ended December 31, 2016 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at June 30, 2017 and December 31, 2016 are presented in unrealized gains included in “fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

58. Disposal of a subsidiary

The Company entered into a Sale and Purchase Agreement with Shenzhen Investment Holding Co., Ltd. in relation to the sale of 41% of the issued shares of Cinda Property and Casualty Insurance Co., Ltd.. The sale was completed on 13 April 2017 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon completion, the remaining shares held by the Company were 10%, and Cinda Property and Casualty Insurance Co., Ltd. ceased to be included in consolidated statements as a subsidiary of the Company.

Gain on disposal of Cinda Property and Casualty Insurance Co., Ltd.

	For the six months ended June 30, 2017
Total consideration	4,220,000
Fair value of the remaining shares	481,635
Net assets disposed of	(2,641,388)
Non-controlling interests	1,294,280
Cumulative other comprehensive income reclassified to the statement of profit or loss	24,329
Gain on disposal	3,378,856

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Disposal of a subsidiary (continued)

Net assets of Cinda Property and Casualty Insurance Co., Ltd. at the date of disposal

	At the date of disposal
Financial assets held under resale agreements	313,300
Accounts receivable	308,780
Available-for-sale financial assets	3,097,425
Financial assets classified as receivables	606,000
Deposits with exchanges and others	600,000
Other assets	1,114,506
Less: Financial assets sold under repurchase agreements	316,000
Unearned premium reserve	1,222,207
Outstanding claims reserve	1,237,209
Other liabilities	623,207
Net assets	2,641,388

Net cash flows from disposal of Cinda Property and Casualty Insurance Co., Ltd.

	For the six months ended June 30, 2017
Cash consideration received from disposal ⁽¹⁾	4,220,000
Less: cash and cash equivalent balances disposed of	164,946
Net cash flows from disposal	4,055,054

(1) Cash consideration has been received at the end of 2016.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

(Amounts in thousands of RMB, unless otherwise stated)

V. EVENTS AFTER THE REPORTING PERIOD

The meeting of the Board of Directors approved the resolution on the dividend allocation of Offshore Preference Shares on August 29, 2017, allowing the Company to distribute dividends of Offshore Preference Shares on October 3, 2017, at the rate of 4.45% per annum(after tax). The aggregate dividend distribution amounted to USD142.4 million(after tax).

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved and authorized by the Board of Directors of the Company on August 29, 2017.



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.: 86-10-83329210
Website: www.cinda.com.cn