中国华融资产管理股份有限公司

CHINA HUARONG ASSET MANAGEMENT CO., LTD.

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

Stock Code：2799

2015 ANNUAL REPORT

Professional Asset Manager and Prominent Provider of Integrated Financial Services

专业的资产经营管理者

优秀的综合金融服务商

Contents

1. Company Profile

China Huarong Asset Management Co., Ltd. (stock code: 2799), with its predecessor being China Huarong Asset Management Corporation, was founded on November 1, 1999. On September 28, 2012, the Company was converted into a joint stock limited company upon the approval of the State Council. On October 30, 2015, China Huarong was listed on the Main Board of the Hong Kong Stock Exchange.

Currently, China Huarong has its geographic coverage across 30 provinces, autonomous regions and municipalities in China as well as in Hong Kong. The Company has 31 branches across the country as well as many operating subsidiaries including Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank, Huarong Trust, Huarong Futures, Huarong Rongde, Huarong Real Estate and Huarong International. With these platforms, the Company has developed into "a professional asset manager and prominent provider of integrated financial services" and provides multi-licensed, multi-functional and comprehensive financial services in areas such as distressed asset management, asset management, banking, securities, trust, financial leasing, investment and futures.

In 2015, China Huarong was awarded the "Best Corporate Social Responsibility Practice of 2014" by the China Banking Association, "2015 Top 500 Asian Brands" and "2015 Top 50 Chinese Brands" at the 10th Asian Brand Ceremony, and "AAA-level Credit Enterprise in China" by the China Enterprise Credit Evaluation Center.

Looking forward, China Huarong will continue to pursue business growth in a prudent manner, strengthen its core business of distressed asset management and operation, improve its capacity to provide comprehensive financial services and strengthen its efforts in business innovation and internationalization, in order to realize its strategic transformation towards a first-class AMC featuring "scientific governance, systematic management, strong core business, integrated operation and outstanding results".

2. Definitions

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

"AMC(s)"	the four asset management companies approved for establishment by the State Council, namely the Company, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Cinda Asset Management Co., Ltd.
"Articles of Association" or "Articles"	the Articles of Association of the Company as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission（中國保險監督管理委員會）
"Company"	China Huarong Asset Management Co., Ltd.
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"debt-to-equity swap(s)" or "DES"	the practice of converting indebtedness owed by the obligors to equity
"DES Assets"	(1) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large state-owned enterprises according to national policy prior to its restructuring; (2) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages it purchased; (3) additional investments by the Company in the aforementioned companies; (4) equities the Company received in satisfaction of debt and assets the Company acquired through distressed asset management; and (5) the equity portfolio China Huarong received as part of its share capital when it was established in 1999

2. Definitions

"DES Companies"	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00, which are subscribed for or credited as fully paid in Renminbi
"Excluded DES Companies"	has the meaning as defined in the Prospectus
"Group" or "our Group" or "China Huarong"	the Company and its subsidiaries
"H Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Huarong Financial Leasing"	China Huarong Financial Leasing Co., Ltd.
"Huarong Futures"	Huarong Futures Co., Ltd.
"Huarong International"	China Huarong International Holdings Limited
"Huarong Real Estate"	Huarong Real Estate Co., Ltd.
"Huarong Rongde"	Huarong Rongde Asset Management Co., Ltd.
"Huarong Securities"	Huarong Securities Co., Ltd.
"Huarong Trust"	Huarong International Trust Co., Ltd.
"Huarong Xiangjiang Bank"	Huarong Xiangjiang Bank Corporation Limited

2. Definitions

"IFRS"	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Latest Practicable Date"	April 19, 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	October 30, 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"non-performing loan(s)" or "NPL(s)"	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines.
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"Prospectus"	the prospectus for the Company's listing in Hong Kong dated October 16, 2015
"Protection of State Secret Laws"	Protection of State Secret Law of the PRC (《中華人民共和國保守國家秘密法》), Implementation Measures for the Protection of State Secret Law of the PRC (《中華人民共和國保守國家秘密法實施條例) and related laws and regulations
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	has the meaning as defined in the Prospectus
"Reporting Period"	the year ended December 31, 2015
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"ROAA"	return on average assets

2. Definitions

"ROAE"	return on average equity attributable to equity holders
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, including H Shares and Domestic Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Special Dividend"	has the meaning as defined in the Prospectus
"State Council"	the State Council of the PRC
"Subject Companies"	has the meaning as defined in the Prospectus
"Supervisors"	supervisor(s) of the Company
"Value Calculation"	has the meaning as defined in the Prospectus

3. Important Notice

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

On March 17, 2016, the 30th meeting and the first regular meeting of 2016 of the first session of the Board considered and approved the 2015 Annual Report and the annual results announcement of the Company. There were eleven Directors eligible to attend the meeting, of whom eleven attended in person.

The financial report for 2015 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Chinese and International auditing standards, respectively, and they have issued the standard audit reports for the Company without qualifications.

To further support the sustainable development of the Company and maximize long term returns of Shareholders, the Board proposed that the remaining net profits should be retained by the Company. Other than the distribution of Special Dividend for 2015, the Board proposed not to distribute any further dividend.

Board of Directors of
China Huarong Asset Management Co., Ltd.
March 17, 2016

Mr. Lai Xiaomin, the legal representative of the Company, Mr. Wang Lihua, the vice president in charge of finance, and Mr. Li Yonghua, the head of the financial department, hereby guarantee that the financial statements in this annual report is true, accurate and complete.

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

For details of the major risks faced and the relevant measures taken by the Company, please see "9. Management Discussion and Analysis — 9.4 Risk Management" in this annual report.

4. Corporate Information

Official Chinese name	中國華融資產管理股份有限公司
Chinese abbreviation	中國華融
Official English name	China Huarong Asset Management Co., Ltd.
English abbreviation	China Huarong
Legal representative	Lai Xiaomin
Authorized representatives	Ke Kasheng, Hu Jianjun
Secretary to the Board	Hu Jianjun
Joint Company secretaries	Hu Jianjun, Ngai Wai Fung
Registered address	No. 8, Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	www.chamc.com.cn
Principal place of business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Shares annual report	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board Office of the Company
Place of listing of H Shares	The Hong Kong Stock Exchange
Stock name	China Huarong
Stock code	2799
H Share registrar	Computershare Hong Kong Investor Services Limited (Address: Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)

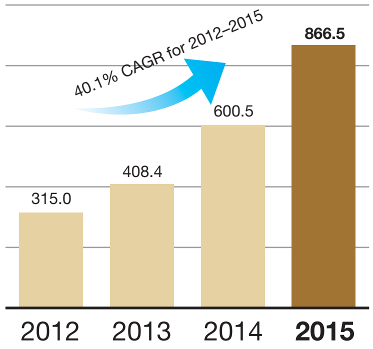
4. Corporate Information

Registration number of business license	100000000032506
Organization code	71092557-7
Registration number of financial license	J0001H111000001
Registration number of tax certificate	Jing Shui Zheng Zi 110102710925577
Legal advisors as to PRC Law and place of business	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan, Central Road, Chaoyang District, Beijing, China
Legal advisors as to Hong Kong law and place of business	Kirkland & Ellis 26/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong
International accounting firm and office address	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong
Domestic accounting firm and office address	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center, 222 Yan An Road East, Shanghai, 200002, China

5. Financial Summary

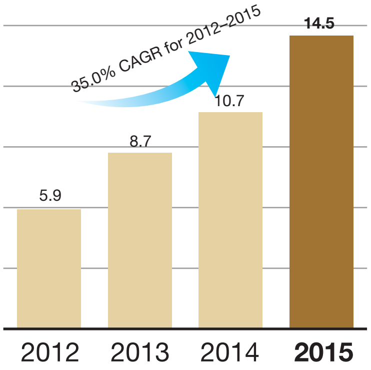
Leading asset size

Total assets
(in billions of RMB)



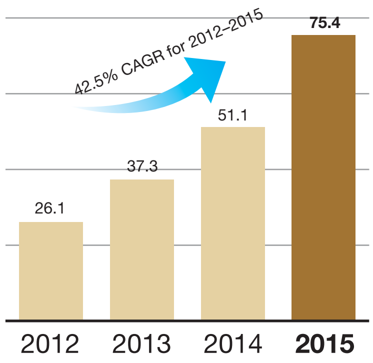
Outstanding profitability

Net profit attributable to equity holders of the Company
(in billions of RMB)



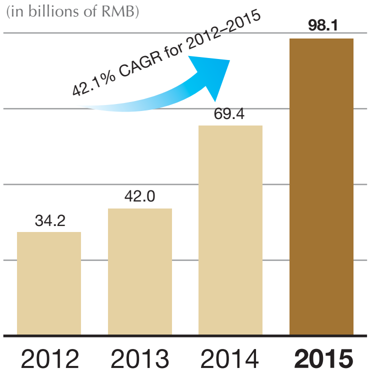
Excellent growth

Total income
(in billions of RMB)



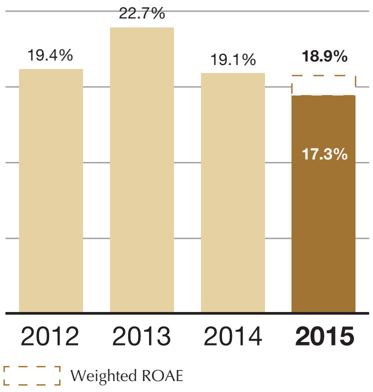
Significant increase in Shareholders' equity

Equity attributable to equity holders of the Company
(in billions of RMB)



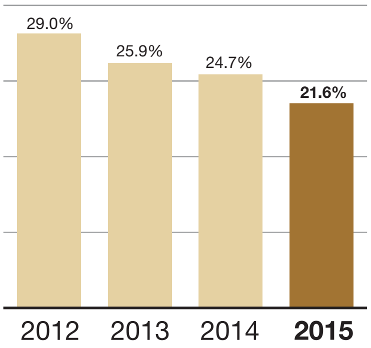
Remarkable Shareholders' return

ROAE(1)



Effective cost control

Cost-to-income ratio



(1) The decrease in ROAE was mainly due to the dilution effect of the listed capital on the return on equity as a result of the listing of H Shares of the Company on October 30, 2015. The weighted ROAE of 2015 is 18.9%. The weighted average return on equity, with respect to any period, represents the percentage of the net profit attributable to equity holders of the Company during the period in the weighted average balance of equity attributable to equity holders of the Company.

5. Financial Summary

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

	For the year ended December 31,			
	2015	2014	2013	2012
	(in millions of RMB)			
Income from distressed debt assets classified as receivables	**23,095.0**	15,662.0	8,918.0	4,645.0
Fair value changes on distressed debt assets	**1,637.3**	886.2	509.1	249.8
Fair value changes on other financial assets	**3,347.1**	1,289.2	941.7	459.6
Interest income	**14,067.1**	12,047.6	10,075.6	9,686.5
Investment income	**19,167.3**	9,803.6	8,179.5	5,328.3
Commission and fee income	**10,398.0**	7,985.6	6,784.6	5,243.9
Net (losses)/gains on disposal of associates	**427.4**	128.0	14.3	(59.5)
Other income and other net gains or losses	**3,246.6**	3,258.5	1,896.6	509.7
Total income	**75,385.8**	51,060.7	37,319.4	26,063.3
Interest expense	**(25,902.2)**	(17,903.7)	(10,930.6)	(9,084.0)
Commission and fee expense	**(945.3)**	(452.5)	(328.4)	(211.1)
Operating expenses	**(11,487.5)**	(8,469.4)	(7,016.6)	(4,861.1)
Impairment losses on assets	**(12,603.8)**	(6,225.6)	(4,850.2)	(2,323.3)
Total expenses	**(50,938.8)**	(33,051.2)	(23,125.8)	(16,479.5)
Change in net assets attributable to other holders of consolidated structured entities	**(2,456.6)**	(1,307.2)	(554.8)	(571.0)
Share of results of associates and joint ventures	**255.5**	72.1	0.9	96.6
Profit before tax	**22,245.9**	16,774.4	13,639.7	9,109.4
Income tax expense	**(5,295.1)**	(3,743.6)	(3,546.5)	(2,122.8)
Profit for the year	**16,950.8**	13,030.8	10,093.2	6,986.6
Profit attributable to:				
Equity holders of the Company	**14,482.1**	10,656.2	8,659.6	5,892.2
Holders of perpetual capital instruments	**174.0**	0.7	—	—
Non-controlling interests	**2,294.7**	2,373.9	1,433.6	1,094.4

5. Financial Summary

	As of December 31,			
	2015	2014	2013	2012
	(in millions of RMB)			
Assets				
Cash and balances with the central bank	24,982.1	26,945.3	21,152.0	16,897.8
Deposits with financial institutions	76,896.3	51,633.2	29,922.9	20,469.3
Financial assets designated as at fair value through profit or loss	85,458.2	33,115.2	20,264.0	16,125.6
Financial assets held under resale agreements	32,538.9	21,841.9	40,463.7	39,784.9
Available-for-sale financial assets	64,994.2	43,966.7	28,965.7	29,135.0
Financial assets classified as receivables	328,685.8	227,033.2	124,320.0	74,921.7
Loans and advances to customers	81,625.2	63,239.4	48,176.4	37,645.7
Finance lease receivables	71,672.5	63,494.3	55,546.3	47,645.2
Other assets	99,693.2	69,251.9	39,556.3	32,408.4
Total assets	866,546.4	600,521.1	408,367.3	315,033.6
Liabilities				
Deposits from financial institutions	15,468.2	13,660.0	16,017.9	11,889.3
Borrowings	295,031.8	239,885.2	136,131.1	89,759.9
Financial assets sold under repurchase agreements	30,361.9	26,203.1	33,988.6	48,146.0
Due to customers	139,998.9	117,246.1	87,885.9	70,051.8
Bonds and notes issued	143,053.8	48,002.1	17,886.2	3,487.0
Other liabilities	123,831.2	71,992.5	63,923.4	49,128.1
Total liabilities	747,745.8	516,989.0	355,833.1	272,462.1
Equity				
Equity attributable to equity holders of the Company	98,117.4	69,408.2	41,966.6	34,176.1
Perpetual Capital Instruments	6,454.1	1,450.7	—	—
Non-controlling interests	14,229.1	12,673.2	10,567.6	8,395.4
Total equity[(1)]	118,800.6	83,532.1	52,534.2	42,571.5
Total equity and liabilities	866,546.4	600,521.1	408,367.3	315,033.6

(1) Total equity as of December 31, 2015 excludes special dividend of RMB1,247.8 million. If the special divided is included, total equity as of December 31, 2015 would be RMB120,048.4 million.

5. Financial Summary

	As of and for the year ended December 31,			
	2015	2014	2013	2012
Financial Ratios				
ROAE[(1)](%)	17.3%	19.1%	22.7%	19.4%
ROAA[(2)](%)	2.3%	2.6%	2.8%	2.6%
Cost-to-income ratio[(3)](%)	21.6%	24.7%	25.9%	29.0%
Liability to total assets ratio[(4)](%)	86.3%	86.1%	87.1%	86.5%
Basic earnings per share[(5)] (RMB yuan)	0.43	0.38	0.34	0.23
Diluted earnings per share[(6)] (RMB yuan)	0.43	N/A	N/A	N/A

(1) Represents the percentage of net profit attributable to Shareholders of the Company for the Reporting Period in the average balance of equity attributable to Shareholders of the Company as at the beginning and the end of the Reporting Period. The weighted ROAE of 2015 is 18.9%. The weighted average return on equity, with respect to any period, represents the percentage of the net profit attributable to equity holders of the Company during the period in the weighted average balance of equity attributable to equity holders of the Company. The weighted average balance of equity attributable to equity holders of the Company equals the sum of (i) the equity attributable to equity holders of the Company at the beginning of the period, (ii) all the products of (x) the value of change of the equity attributable to equity holders of the Company during each calendar month during the period, multiplied by (y) the quotient of the number of months left in the period subsequent to the end of the calendar month for purposes of calculating the relevant product divided by the total number of months during the period.

(2) Represents the percentage of the net profit for the Reporting Period (including profit attributable to holders of perpetual capital instruments and non-controlling interests) in the average balance of total assets as at the beginning and the end of the Reporting Period.

(3) Represents the ratio of the amount of operating expenses net of land development costs to the total income net of interest expense, commission and fee expenses and land development expenses.

(4) Represents the ratio of total liabilities to total assets as at the end of the Reporting Period.

(5) Represents the net profit attributable to equity holders of the Company during the Reporting Period divided by the weighted average number of Shares.

(6) Represents the earnings per share based on the basic earnings per share adjusted according to the dilutive potential ordinary Shares.

IN ORDER TO REALIZE ITS STRATEGIC

TRANSFORMATION TOWARDS

A FIRST-CLASS AMC FEATURING

"SCIENTIFIC GOVERNANCE, SYSTEMATIC

MANAGEMENT, STRONG CORE BUSINESS, INTEGRATED

OPERATION AND OUTSTANDING RESULTS"

6. Chairman's Statement

Lai Xiaomin

Representative of the Twelfth NPC

Chairman, Party Secretary and Legal

Representative of China Huarong

6. Chairman's Statement

2015 was a landmark year for China Huarong. During the year, under the guidance of the MOF, PBOC and CBRC, together with social support and the joint efforts of our employees, China Huarong was successfully listed on the Main Board of the Hong Kong Stock Exchange, being the final step of our planned three-step development process of "restructuring — introduction of strategic investors — listing". Our innovation and transformation strategy of "three steps in five years" was fully executed and achieved satisfactory results. Besides speeding up the strategic transformation, China Huarong also strived to adapt to the "new normal" and looked for new drivers for our business development. We pursued business growth in a prudent manner while we continued to grow as a first-class asset management company. Our operating results experienced healthy and rapid growth and we have become the state-owned AMC with the largest market capitalization in China.

Our operating results continued to grow and created satisfactory returns for shareholders. In 2015, all operating indicators of China Huarong were sound and stable. Net profit of the Group amounted to RMB16.95 billion, representing an increase of 30.1% compared to the previous year. Total assets of the Group as at the end of the year were RMB866.55 billion, representing an increase of 44.3% compared to the end of 2014. Our total equity amounted to RMB118.80 billion, representing an increase of 42.2% compared to the end of 2014. Our ROAA, ROAE and earnings per share for 2015 were 2.3%, 17.3% and RMB0.43, respectively, indicating satisfactory returns to our shareholders.

We were successfully listed on the Main Board of the Hong Kong Stock Exchange and successfully completed the three-step development process of "restructuring — introduction of strategic investors — listing". In 2015, China Huarong gained access to the international equity capital market by a successful listing on the Main Board of the Hong Kong Stock Exchange. Our IPO was the single largest Hong Kong IPO in the second half of 2015 and was significantly oversubscribed and welcomed by investors. The value of state-owned assets under our management was significantly enhanced through our IPO. Upon our listing in Hong Kong, China Huarong further enhanced our capital strength, optimized our corporate governance, broadened our international presence and entered into a new era of development focusing on market-orientation, diversity, comprehensiveness and globalization.

We strengthened our distressed asset management core business through innovation and provided stronger support to the real economy. In 2015, China Huarong focused on the development of our core business. We experienced significant growth in our three major business segments with strong synergetic development potentials, namely, distressed asset management, financial services and asset management and investment. Our acquisition and restructuring business continued to experience sound growth. The revenue and the scale of our distressed asset management business both grew rapidly during the year. The "Internet Plus" strategy was successfully implemented to utilize innovative asset disposal channels as we promoted the disposal of distressed asset through online platform of Taobao, which was the single largest distressed asset package promoted on Taobao for disposal in 2015. We also made breakthroughs in adopting a "capital-light" business model through the development of securitization of distressed assets and establishment of funds focused on distressed assets.

6. Chairman's Statement

We actively strengthened the competitiveness of our financial services portfolio in line with the national development strategy. In 2015, in accordance with the national development strategy, China Huarong expanded the strategic coverage of our business portfolio through the establishment of multiple integrated financial services platforms by further leveraging our strengths in our core businesses of distressed assets management and our comprehensive financial services business. In response to the national initiative of "the Belt and Road", the establishments of free trade zones as well as to enhance the integration of industrial and financial sectors, we established new subsidiaries to seek further growth, including Huarong Gannan Industry-Finance Investment Co., Ltd (華融贛南產融投資有限責任公司), Huarong Guangdong Free Trade Zone Investment Holdings Co., Ltd. (華融廣東自貿區投融資控股有限公司), Huarong (Tianjin Free Trade Zone) Investment Co., Ltd. (華融（天津自貿區）投資股份有限公司). As a result, we further diversified our service portfolio and enhanced our capability in providing fully integrated financial services.

We achieved significant milestones in developing into a "debt financing based AMC" utilizing bond and note issuance as a regular funding channel. In 2015, China Huarong strived to develop into a "debt financing based AMC" and successfully completed large-scale domestic and foreign debt issuances which set a number of market records. In the international bond market, we successfully launched US$5.0 billion medium-term notes and issued the first tranche of the bonds with an amount of US$3.2 billion, which was the largest U.S. dollar senior bond issuance by a financial institution under Regulation S. The second tranche of the bonds with an amount of US$1.8 billion, was also successful issued in the international bond market. In the domestic bond market, we successfully issued RMB35.0 billion domestic financial bonds, the single largest issuance of financial bonds in the domestic inter-bank bond market in China.

Our risk management was effective and our corporate governance and internal management was significantly enhanced. In 2015, enhancement of operating standard and risk management were the prime focus of China Huarong to support the prudent development of our business. We improved the integrated risk management system of the Group by forming a comprehensive risk management framework, and strengthened risk management through focusing on implementing permanent solutions. We conducted the largest and most extensive internal business review since the establishment of the Company. Our risk management measures were significantly enhanced and all risk management indicators met the applicable requirements. In line with the requirements applicable to listed companies, the quality of our corporate governance, process management, internal control, information reporting and investor relationship management were significantly enhanced.

We have created a sound corporate image with significant social influence and contributions. In 2015, China Huarong successfully organized the 3rd annual meeting of the International Public AMC Forum (IPAF), which was the first international conference held by a state-owned AMC in China since our establishment. We effectively improved our brand awareness and international influence, gaining a foothold in the global market as a state-owned AMC in China. We actively performed our social responsibilities in poverty relief. During the year, we donated over RMB5 million to targeted poverty relief projects, of which eight targeted poverty relief projects were launched in Xuanhan County, Sichuan. The Critical Disease Relief Fund for Employees of China Huarong (中國華融員工大病救助基金) was set up to provide better protection for employees and

6. Chairman’s Statement

to promote their sense of belonging. In 2015, China Huarong was awarded the “Best Corporate Social Responsibility Practice of 2014” by the China Banking Association, “2015 Top 500 Asian Brands” and “2015 Top 50 Chinese Brands” at the 10th Asian Brand Ceremony, and “AAA-level Credit Enterprise in China” by the China Enterprise Credit Evaluation Center.

Looking back on 2015, China Huarong achieved fruitful results in pursuing our strategic development as we entered a new era of growth characterized by market orientation, diversity, comprehensiveness and globalization. Looking into the future, intensifying national reforms aimed at ensuring continuous growth and restructuring of the Chinese economy are expected to create significant opportunities for the development of distressed asset management industry. China Huarong will strive to continue to grow our core business, maximize our profit, enhance our risk control, increase our brand awareness and continuously increase our core competitiveness and international influence to grow ourselves as a first-class AMC with “scientific governance, systematic management, excellent core business, integrated operation and outstanding results”.

2016 will be the kick-off year to execute our new five-year development plan after China Huarong successfully implemented our “three steps in five years” strategy. Taking our successful listing in Hong Kong as our new driving force and starting point, we will continue to strive for steady growth and innovative development. In line with national development strategies and the development trend of “structural reform of the supply front”, we will expand, consolidate and optimise asset management business, which is our core business, and strengthen our domestic and overseas service networks and international presence. Under the five national initiatives of “cutting overcapacity, destocking, deleveraging, reducing cost and shoring up weak growth areas” of the Chinese economy, we will take the strategic advantage of distressed asset management, develop and promote anti-cyclical crisis relief financial services and facilitate industrial restructuring as well as mergers and restructuring. We will leverage the advantage of our comprehensive financial services under our “one body, two wings” framework, strengthen the integration of industries and finance and carry out “mixed businesses” strategy in order to provide a comprehensive portfolio of financial services for the government, enterprises and customers and to better support real economic development. We will continue to create value to the nation, society, shareholders, customers and employees with better operating results and superior financial services.

Chairman: **Lai Xiaomin**

March 17, 2016

7. President's Statement

Ke Kasheng

Executive Director, President and Deputy Party Secretary of China Huarong

7. President's Statement

2015 was a year of opportunities and challenges for China Huarong. Facing complicated international and domestic economic and financial conditions, the management of the Company prepared to adapt to the "new normal" under the leadership of the Board. With the aims to achieve a Hong Kong listing and enhance operating quality and control risks, as well as strategically transform and achieve sustainable development, the Company devoted its efforts to making progress and overcoming difficulties. During the year, we successfully executed the annual operation plan and steadily established the risk management system. In particular, we completed the three-step goals of "restructuring — introduction of strategic investors — listing" and were successfully listed on the Main Board of the Hong Kong Stock Exchange in October 2015.

During the year, we actively responded to challenges from domestic economic slowdown and intensified competition. We seized opportunities brought by macroeconomic adjustments and industrial restructuring and upgrading. We strengthened the business development and execution capability of all our business units by continuing to explore innovative business models and structures. The total assets of the distressed asset management business as at the end of the year reached RMB370.13 billion and total income from the distressed asset management business amounted to RMB40.65 billion, representing an increase of 30.6% and 41.9%, respectively, compared with the previous year. Total income from financial services amounted to RMB23.46 billion, representing an increase of 31.0% compared with the previous year. Profit before tax amounted to RMB7.25 billion, representing an increase of 31.2% compared with the previous year. Total income and profit before tax from asset management and investment increased by 137.7% and 61.7%, respectively, compared with 2014. All of our three major business segments achieved synergistic development and rapid growth.

During the year, we took advantage of the demand of domestic financial institutions and companies for managing distressed assets. Leveraging the distinct advantage of the counter-cyclical feature of our business, we further strengthened our advantage in the distressed asset management business, our core business. With the support of our talented team and technical advantages accumulated over the years, we set up innovative funds focused on distressed asset, promoted the disposal of distressed assets through the Internet platform and closely monitored and identified undervalued debt assets and quality enterprises. The profitability and efficiency of our distressed asset management business were significantly strengthened. We maintained our leading position in the market of the acquisition and disposal of distressed debt assets. Through seizing opportunities brought by intensified reform of state-owned enterprises, we participated in the restructuring and consolidation of state-owned enterprises and grasped opportunities for equity investment, further developing business model encompassing both disposal and operation of relevant assets. We effectively performed our key roles of financial "safety net" and "stabilizer" of the economy and fully complied with regulatory requirements to preserve the stability of the capital market and to perform our corporate social responsibilities. We were actively involved in the acquisition of non-financial distressed assets, and restructured distressed companies by various means, revitalized and supported the development of various enterprises, to further enhance our ability and performance to achieve real economic development.

During the year, by taking advantage of the trends of interest rates liberalization and the increasing direct financing in China, we successfully completed the single largest debt issuance in the interbank bond market in China, which further increased the utilization of long- and medium-term financing and reduced our finance costs. We devoted efforts in the innovation of financing models and completed our first cross-border Renminbi financing to develop new sources of funding. We proactively improved our external financing structure, reduced finance costs and strived to develop ourselves as a "debt financing based AMC", to ensure availability of stable and low-cost funding sources for our sustainable development.

7. President's Statement

During the year, we continued to introduce additional capital, systems, talents and resources and achieved the successful listing in Hong Kong, which led to new development opportunities, dimensions and visions for the Group. We regard the listing of the Company as an opportunity for us to further enhance our corporate governance and refine our risk management strategies and risk appetite in accordance with international capital market standards. We fine-tuned the incentive and accountability system, strengthened the management of internal transactions and connected transactions and improved the risk management system. Adhering to the concept of "regulating employees with rules and managing execution with system", we fully refined the rules and policies of operational management based on the listing requirements to enhance operational quality and risk control. We conducted the largest and most extensive business review since our establishment to improve and further promote our operational efficiency and policy standardization. We improved our information systems to promote the integration of financial and business system of the Group. We continued to attract and train professional and talented personnel with various expertise to further enhance our growth potential. We strongly supported the national development strategies and seized opportunities supported by favorable policies. Leveraging on the advantages of integrated financial services of the Group, we continued to expand our corporation with quality domestic and overseas customers and further optimized the advantage of integrated financial services of "one body, two wings", in order to expand our development scope and establish new platforms for the globalization and integration of our business.

2016 is the first fiscal year after China Huarong's debut in the international capital market. We will follow the "13th Five-year Plan" and seize opportunities brought by domestic economic restructuring and upgrading. We regard our successful listing as our new driving force and starting point and will continue to develop in line with the market trend, enhance the efficiency of asset utilization, promote healthy growth and improve service quality. Leveraging our leading position as "a professional distressed asset management operator and an excellent integrated financial services provider", we will further expand and optimize our three core business segments, namely, distressed asset management, financial services, and asset management and investments. Through enhancing the quality and efficiency of our growth, we endeavor to promote Shareholders' interest and create greater value. We have the confidence and capability to continue to attain new achievements and breakthroughs and deliver sound results to our investors' during the course of our growth as a "first-class AMC".

President: **Ke Kasheng**

March 17, 2016

SOUNDNESS AND INNOVATION
HARMONIOUS DEVELOPMENT

8. Statement of Chairman of the Board of Supervisors

Sui Yunsheng

Chairman of the Board of Supervisors and Deputy Party Secretary of China Huarong

8. Statement of Chairman of the Board of Supervisors

In 2015, the Chinese economy faced a complicated domestic and overseas environment and significant downward pressure. We proactively adapted to the "new normal" by seeking new drivers and exploring new development opportunities. With an innovative and proactive manner, clear strategies, determination, commitment and diligence, we continued to explore new business models, fine-tune our strategic structure, enhance quality of services, strengthen risk control and concentrate greater efforts in the transformation and development of our business. We were successfully listed in Hong Kong and entered a new era of development.

The Board of Supervisors appreciate the new trends and characteristics of general economic development and the new targets and requirements for the transformation and development of the Company. The Board of Supervisors focused on the development objectives of the Company to effectively perform our supervisory functions in four major areas, namely, financial reporting, risk management, internal control and responsibility fulfillment in compliance with laws, regulations and the Articles of Association. We also focused on the overall transformation and development of the Company and formulated a set of comprehensive supervisory working procedures. The Board of Supervisors performed its statutory duties diligently and monitored the performance and compliance of the Board and senior management, so as to optimize the internal control system, strengthen comprehensive risk management, improve financial management and effectively protect interests of the Company, Shareholders, employees and relevant stakeholders. The Board of Supervisors monitored the compliance matters of the Company and laid a solid foundation for the healthy and sustainable development of the Company.

2016 is the first year of China's "13th Five-year Plan" and it is a critical stage for China's development into a moderately prosperous society and for the Company to anticipate and grasp new strategic opportunities. The Board of Supervisors will strictly perform its duties in accordance with laws, regulations and the Articles of Association. We will perform our duties with utmost efforts, deal with the present situations and prepare for the future, strengthen management, develop services and further enhance and intensify supervisory tasks. We will continue to cooperate with the Board and management and fully commit to improving our operations and management, strengthening our capability for supervision and management, improving our development quality and enhancing our core competitiveness, in order to create value for our country, the society, shareholders, customers and employees as a whole. The Board of Supervisors will exert efforts to develop the Company into a first-class AMC with "scientific governance, systematic management, excellent core business, integrated operation and outstanding results".

Chief Supervisor: **Sui Yunsheng**
March 17, 2016

9. Management Discussion and Analysis

9.1 Economic, Financial and Regulatory Environment

In 2015, the global economy remained relatively weak whereas a diverse range of development trends were obscured. Trade growth dampened while economic and financial development remained uncertain. Meanwhile, the U.S. economy outperformed other major developed economies with a moderate recovery. The European economy showed signs of recovery though significant improvement was yet to be seen. Certain emerging markets experienced economic slowdown due to tough trade and financial conditions. The slower-than-expected global economic recovery, adjustments to the U.S. monetary policy and the general downturn of the global stock markets have exacerbated the volatility of the international financial market.

In 2015, China embarked on its "new normal" against the backdrop of global economic adjustments. Through the coordinated implementation of the "four comprehensive strategies", the PRC government extended its reforms and further adjusted economic structure, coupled with significant efforts to manage material risks and to maintain relatively stable economic growth. Employment remained relatively stable and consumption contributed further to economic growth with the tertiary industry accounting for over 50% of the GDP. As a result, the Chinese economy was developing towards a more balanced growth under a more optimized structure. Stronger domestic demand in many economic sectors fuelled the rapid development of certain new industries and models such as Internet finance. Together with a more optimized investment structure, greater potential for economic growth is anticipated.

9. Management Discussion and Analysis

However, various factors and changing conditions both domestically and abroad continued to trigger substantial challenges and problems in China's economic development. In the short term, cyclical and structural problems posed challenges to China's economic stability. While actively adapting to the "new normal", the PRC government adhered to a prudent monetary policy and maintained consistency and stability in its policy making. Certain moderate adjustment measures were also adopted with an emphasis on preventing an inertial drop in total demand during restructuring but without affecting the healthy development with market force. These initiatives created a moderate monetary and financial environment for economic restructuring and transformation. The market demand for transfer and disposal of distressed assets would further increase, creating more business opportunities for the distressed asset management industry.

In 2015, the Administrative Measures on Financial Assets Management Companies (《金融資產管理公司監管辦法》) jointly promulgated by the five ministries, namely, the MOF, PBOC, CBRC, CSRC and CIRC, was officially implemented. The Administrative Measures confirm the development progress of the commercialization of financial assets management companies and specify the positioning and strategic direction of their future development, which provides solid support to the Group's development as a modern financial holding group with diversified operations. In addition, the MOF and the CBRC promulgated the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (《金融資產管理公司開展非金融機構不良資產業務管理辦法》) (the "Measures"), which was implemented from 2 July 2015. The Measures clarified that the four AMCs in the PRC may engage in non-financial institution distressed assets business through acquisition, investment, entrusting and other manners permitted by regulatory authorities, which further supported the business expansion of the AMCs, and effectively strengthened their important roles in disposal of financial and non-financial distressed asset. In addition, in 2015, the CBRC granted approvals for the establishment of the third batch of local asset management companies, to participate in the management of local distressed assets pursuant to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》). As a result, the PRC distressed asset market was further vitalized, creating synergy for the four AMCs.

9. Management Discussion and Analysis

9.2 Analysis of Financial Statements

9.2.1 Operating Results of the Group

In 2015, the net profit attributable to equity holders of the Company amounted to RMB14,482.1 million, representing an increase of RMB3,825.9 million, or 35.9%, compared to the same period last year. ROAE and ROAA of the Group were 17.3% and 2.3%, respectively.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets classified as receivables	**23,095.0**	15,662.0	7,433.0	47.5%
Fair value changes on distressed debt assets	**1,637.3**	886.2	751.1	84.8%
Fair value changes on other financial assets	**3,347.1**	1,289.2	2,057.9	159.6%
Interest income	**14,067.1**	12,047.6	2,019.5	16.8%
Investment income	**19,167.3**	9,803.6	9,363.7	95.5%
Commission and fee income	**10,398.0**	7,985.6	2,412.4	30.2%
Net gains on disposal of associates	**427.4**	128.0	299.4	233.9%
Other income and other net gains or losses	**3,246.6**	3,258.5	(11.9)	(0.4%)
Total income	**75,385.8**	51,060.7	24,325.1	47.6%
Interest expense	**(25,902.2)**	(17,903.7)	(7,998.5)	44.7%
Commission and fee expense	**(945.3)**	(452.5)	(492.8)	108.9%
Operating expenses	**(11,487.5)**	(8,469.4)	(3,018.1)	35.6%
Impairment losses on assets	**(12,603.8)**	(6,225.6)	(6,378.2)	102.5%
Total expenses	**(50,938.8)**	(33,051.2)	(17,887.6)	54.1%
Change in net assets attributable to other holders of consolidated structured entities	**(2,456.6)**	(1,307.2)	(1,149.4)	87.9%
Share of results of associates and joint ventures	**255.5**	72.1	183.4	254.4%
Profit before tax	**22,245.9**	16,774.4	5,471.5	32.6%
Income tax expense	**(5,295.1)**	(3,743.6)	(1,551.5)	41.4%
Profit for the year	**16,950.8**	13,030.8	3,920.0	30.1%
Profit attributable to:				
Equity holders of the Company	**14,482.1**	10,656.2	3,825.9	35.9%
Holders of perpetual capital instruments	**174.0**	0.7	173.3	24,757.1%
Non-controlling interests	**2,294.7**	2,373.9	(79.2)	(3.3%)

9. Management Discussion and Analysis

Total income

Total income of the Group increased by 47.6% from RMB51,060.7 million in 2014 to RMB75,385.8 million in 2015, mainly due to the increases of income from distressed debt assets classified as receivables, investment income, interest income, commission and fee income and fair value changes on other financial assets and fair value changes on distressed debt assets. The table below sets forth the components of total income of the Group for the periods indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets classified as receivables	**23,095.0**	15,662.0	7,433.0	47.5%
Fair value changes on distressed debt assets	**1,637.3**	886.2	751.1	84.8%
Fair value changes on other financial assets	**3,347.1**	1,289.2	2,057.9	159.6%
Interest income	**14,067.1**	12,047.6	2,019.5	16.8%
Investment income	**19,167.3**	9,803.6	9,363.7	95.5%
Commission and fee income	**10,398.0**	7,985.6	2,412.4	30.2%
Net gains on disposal of associates	**427.4**	128.0	299.4	233.9%
Other income and other net gains or losses	**3,246.6**	3,258.5	(11.9)	(0.4%)
Total income	**75,385.8**	51,060.7	24,325.1	47.6%

Total income of the Group increased by

47.6%

for RMB51,060.7 million in 2014 to RMB75,385.8 million in 2015

Income from distressed debt assets classified as receivables

Income from distressed debt assets classified as receivables represents acquisition-and-restructuring income of the Group generated from loans and distressed debts acquired from financial institutions and the distressed debt acquired from non-financial enterprises. Income from distressed debt assets classified as receivables of the Group increased by 47.5% from RMB15,662.0 million in 2014 to RMB23,095.0 million in 2015. In 2014 and 2015, income from distressed debt assets classified as receivables represented 30.7% and 30.6% respectively of our total income. The increase in income was primarily due to the active development of the Group's core business, distressed assets management business, and increase in our investment in distressed debt assets classified as receivables.

9. Management Discussion and Analysis

As of December 31, 2014 and 2015, the gross amount of distressed debt assets classified as receivables through acquisition-and-restructuring of the Group amounted to RMB168,712.8 million and RMB221,433.9 million, respectively. The Group significantly increased our investment in distressed debt assets classified as receivables, mainly due to increasing opportunities of investing in non-financial distressed debt assets arising from the continuous adjustment of the economic structure and the progress of industrial consolidation.

The annualized return on monthly average gross amount of distressed debt assets classified as receivables of the Group increased from 11.0% in 2014 to 11.1% in 2015.

Fair value changes on distressed debt assets

Fair value changes on distressed debt assets consist of (i) net gain or loss generated from the disposal of distressed debt assets which are designated as at fair value through profit or loss in consolidated statements of financial position, and (ii) unrealized fair value changes on such distressed debt assets. Such income is derived from the acquisition-and-disposal distressed assets business of the Group.

Fair value changes on distressed debt assets of the Group increased by 84.8% from RMB886.2 million in 2014 to RMB1,637.3 million in 2015. In 2014 and 2015, fair value changes on distressed debt assets accounted for 1.7% and 2.2% of total income, respectively. Income and its proportion to total income increased mainly because we accelerated the acquisition and disposal of assets by grasping business opportunities arising from the increase in the supply of financial distressed debt assets and increasing our competitiveness so as to achieve the preservation and increment of value of assets through various measures of management and operation.

Fair value changes on other financial assets

Changes in fair value of other financial assets include (i) changes in fair value of financial assets held for trading, and (ii) changes in fair value of other financial assets designated at fair value through profit or loss from the Company and relevant subsidiaries. Fair value changes on other financial assets increased by 159.6% from RMB1,289.2 million in 2014 to RMB3,347.1 million in 2015. In 2014 and 2015, fair value changes on other financial assets accounted for 2.5% and 4.4% of total income, respectively. The increase in income was primarily due to an increase in fair value from financial assets, including shares and bonds in secondary markets and convertible bonds, held by Huarong Securities and Huarong International.

9. Management Discussion and Analysis

Interest income

In 2014 and 2015, interest income of the Group accounted for 23.6% and 18.7% of our total income, respectively.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Loans and advances to customers	5,573.4	4,352.6	1,220.8	28.0%
Finance lease receivables	5,450.7	5,040.9	409.8	8.1%
Financial assets held under resale agreements	1,307.7	1,021.4	286.3	28.0%
Deposits with financial institutions	1,070.9	1,046.9	24.0	2.3%
Balances with the central Bank	356.5	352.3	4.2	1.2%
Placements with financial institutions	307.9	233.5	74.4	31.9%
Total interest income	14,067.1	12,047.6	2,019.5	16.8%

The interest income of the Group increased by 16.8% from RMB12,047.6 million in 2014 to RMB14,067.1 million in 2015. The increase was mainly due to increases in interest income from loans and advances to customers, finance lease receivables, and financial assets held under resale agreements.

Interest income from loans and advances to customers of the Group increased by 28.0% from RMB4,352.6 million in 2014 to RMB5,573.4 million in 2015, primarily due to an increase in gross loans and advances to customers by 29.5% from RMB64,449.3 million as at December 31, 2014 to RMB83,455.4 million as at December 31, 2015, as a result of the development of personal loans and advances business of Huarong Xiangjiang Bank in addition to its active pursuit of quality corporate customers.

The interest income of the Group from finance lease receivables increased by 8.1% from RMB5,040.9 million in 2014 to RMB5,450.7 million in 2015. The increase was mainly because Huarong Financial Leasing actively developed financial leasing business, which resulted in an increase in the total amount of finance lease receivables of 13.2% from RMB64,393.1 million as at December 31, 2014 to RMB72,872.6 million as at December 31, 2015.

Interest income from financial assets held under resale agreements of the Group increased by 28.0% from RMB1,021.4 million in 2014 to RMB1,307.7 million in 2015, primarily due to an increase in the scale of financial assets held under resale agreements resulting from the appropriate adjustment of business strategies by certain subsidiaries, such as Huarong Securities and Huarong Rongde.

9. Management Discussion and Analysis

Investment income

In 2014 and 2015, the investment income of the Group accounted for 19.2% and 25.4% of its total income, respectively.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interest income from other financial assets classified as receivables	**10,496.5**	6,177.8	4,318.7	69.9%
Disposal income from available-for-sale financial assets	**5,959.7**	2,283.4	3,676.3	161.0%
Interest income from held-to-maturity debt securities	**1,002.5**	653.0	349.5	53.5%
Dividend income from available-for-sale financial assets	**896.6**	280.9	615.7	219.2%
Interest income from available-for-sale debt securities	**755.1**	368.1	387.0	105.1%
Others	**56.9**	40.4	16.5	40.8%
Total investment income	**19,167.3**	9,803.6	9,363.7	95.5%

Investment income of the Group increased by 95.5% from RMB9,803.6 million in 2014 to RMB19,167.3 million in 2015. The increase was mainly due to the increases in interest income from other financial assets classified as receivables and disposal income from available-for-sale financial assets.

Interest income from other financial assets classified as receivables increased by 69.9% from RMB6,177.8 million in 2014 to RMB10,496.5 million in 2015. The increase was mainly due to the increase in such investment as we seized investment opportunities and strengthened product innovation.

Disposal income of available-for-sale financial assets increased by 161.0% from RMB2,283.4 million in 2014 to RMB5,959.7 million in 2015. The increase was mainly due to the fact that the Group actively explored the business opportunities to dispose of DES assets and attained higher investment income.

9. Management Discussion and Analysis

Commission and fee income

The following table sets forth the components of the commission and fee income of the Group for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Asset management business	**5,358.3**	4,586.8	771.5	16.8%
Securities and futures business	**2,690.9**	1,047.6	1,643.3	156.9%
Trust business	**1,397.8**	1,444.4	(46.6)	(3.2%)
Banking business	**916.2**	893.3	22.9	2.6%
Fund management and other business	**34.8**	13.5	21.3	157.8%
Total commission and fee income	**10,398.0**	7,985.6	2,412.4	30.2%

Commission and fee income of the Group increased by 30.2% from RMB7,985.6 million in 2014 to RMB10,398.0 million in 2015, accounting for 15.6% and 13.8% of the total income, mainly due to the increase in fee income from securities and futures business and asset management business.

Fee income from securities and futures business increased by 156.9% from RMB1,047.6 million in 2014 to RMB2,690.9 million in 2015, mainly due to the rapid development of securities brokerage and wealth management business, asset management business and investment banking business, resulting in a significant increase in the corresponding income from these services.

Fee income from asset management business increased by 16.8% from RMB4,586.8 million in 2014 to RMB5,358.3 million in 2015, primarily due to the rapid growth in asset management business as the Group developed relevant business areas, leading to the increase in income of these services.

9. Management Discussion and Analysis

Other income and net gains or losses

The following table sets forth the components of other income and other net gains or losses of the Group for the years indicated.

	For the year ended December 31,			
	2015	**2014**	**Change**	**Change in percentage**
	(in millions of RMB, except for percentages)			
Revenue from properties development	**2,160.3**	2,487.1	(326.8)	(13.1%)
Net gains/(losses) on exchange differences	**274.3**	(34.2)	308.5	902.0%
Rental income	**184.5**	191.3	(6.8)	(3.6%)
Others	**627.5**	614.3	13.2	2.1%
Total other income and net gains or losses	**3,246.6**	3,258.5	(11.9)	(0.4%)

Other income and net gains or losses of the Group decreased by 0.4% from RMB3,258.5 million in 2014 to RMB3,246.6 million in 2015, mainly due to the decrease in revenue from properties development which was subject to cyclical impacts but was partially offset by the increase in net gains on exchange differences. The change was relatively small in general.

Total expenses

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

	For the year ended December 31,			
	2015	**2014**	**Change**	**Change in percentage**
	(in millions of RMB, except for percentages)			
Interest expense	**(25,902.2)**	(17,903.7)	(7,998.5)	44.7%
Commission and fee expense	**(945.3)**	(452.5)	(492.8)	108.9%
Operating expenses	**(11,487.5)**	(8,469.4)	(3,018.1)	35.6%
Impairment losses on assets	**(12,603.8)**	(6,225.6)	(6,378.2)	102.5%
Total expenses	**(50,938.8)**	(33,051.2)	(17,887.6)	54.1%

Total expenses of the Group increased by 54.1% from RMB33,051.2 million in 2014 to RMB50,938.8 million in 2015, mainly due to the increases in interest expenses, impairment losses on assets and operating expenses.

9. Management Discussion and Analysis

Interest expense

The table below sets forth the major components of the interest expense of the Group for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Borrowings	**(16,623.3)**	(12,419.4)	(4,203.9)	33.8%
Bonds and notes issued	**(4,522.3)**	(1,105.9)	(3,416.4)	308.9%
Due to customers	**(2,857.6)**	(2,347.1)	(510.5)	21.8%
Financial assets sold under repurchase agreements	**(843.2)**	(1,028.0)	184.8	(18.0%)
Deposits from financial institutions	**(649.0)**	(537.0)	(112.0)	20.9%
Amounts due to the MOF	**(204.6)**	(283.6)	79.0	(27.9%)
Placements from financial institutions	**(147.6)**	(180.7)	33.1	(18.3%)
Other liabilities	**(53.2)**	—	(53.2)	N/A
Borrowings from central bank	**(1.4)**	(2.0)	0.6	(30.0%)
Total interest expense	**(25,902.2)**	(17,903.7)	(7,998.5)	44.7%

Interest expense of the Group increased by 44.7% from RMB17,903.7 million in 2014 to RMB25,902.2 million in 2015, accounting for 54.2% and 50.8% of the total expenses, respectively. The increase was mainly due to increase in the scale of our borrowings, and bonds and notes issued arising from the needs of business expansion.

Interest expense of borrowings of the Group increased by 33.8% from RMB12,419.4 million in 2014 to RMB16,623.3 million in 2015, mainly because (i) the Company increased the scale of borrowings resulting from the expansion of the distressed asset business; and (ii) Huarong Financial Leasing increased bank borrowings to support its own business development.

Interest expense of bonds and notes issued of the Group increased by 308.9% from RMB1,105.9 million in 2014 to RMB4,522.3 million in 2015, mainly because the Group expanded low-cost financing channels, optimized capital structure and expanded the scale of bond issuance to support the business development. In particular: (i) the Company issued additional financial bonds of RMB35.00 billion; (ii) Huarong International issued additional U.S dollars bonds of USD5.00 billion; (iii) Huarong Xiangjiang Bank issued additional tier II capital bonds of RMB3.00 billion and negotiable certificates of deposit of RMB10.0 billion; (iv) Huarong Financial Leasing issued additional financial bonds of RMB5.00 billion and asset-back securities of RMB2,855 million; (v) Huarong Securities issued additional financial bonds of RMB6.20 billion and beneficiary certificates of RMB363 million; and (vi) Huarong Rongde issued additional financial bonds of RMB3.00 billion.

9. Management Discussion and Analysis

Commission and fee expense

The table below sets forth the components of commission and fee expense of the Group for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Securities and futures business	**(676.2)**	(135.9)	(540.3)	397.6%
Asset management business	**(141.7)**	(260.3)	118.6	(45.6%)
Banking business and others	**(127.4)**	(56.3)	(71.1)	126.3%
Total commission and fee expense	**(945.3)**	(452.5)	(492.8)	108.9%

Commission and fee expense of the Group increased by 108.9% from RMB452.5 million in 2014 to RMB945.3 million in 2015, accounting for 1.4% and 1.9% of the total expenses, respectively. The increase was mainly due to the corresponding increase of commission and fee expenses as a result of the expansion of the securities and futures business.

Operating expenses

The table below sets forth the components of the operating expenses of the Group for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Employee benefits	**(4,178.5)**	(3,486.7)	(691.8)	19.8%
Business tax and surcharges	**(2,939.4)**	(1,931.4)	(1,008.0)	52.2%
Cost of properties development	**(1,278.3)**	(515.7)	(762.6)	147.9%
Others	**(3,091.3)**	(2,535.6)	(555.7)	21.9%
Including:				
Depreciation of property and equipment	**(348.9)**	(336.2)	(12.7)	3.8%
Rentals	**(326.0)**	(180.2)	(145.8)	80.9%
Amortization	**(134.5)**	(95.0)	(39.5)	41.6%
Depreciation of investment properties	**(50.2)**	(36.5)	(13.7)	37.5%
Auditor's remuneration — statutory audit	**(12.0)**	(7.0)	(5.0)	73.7%
Total operating expenses	**(11,487.5)**	(8,469.4)	(3,018.1)	35.6%

9. Management Discussion and Analysis

Operating expenses of the Group increased by 35.6% from RMB8,469.4 million in 2014 to RMB11,487.5 million in 2015, accounting for 25.6% and 22.6% of the total expenses, respectively. The increase was mainly due to the increases in employee benefits, business tax and surcharges as well as other operating expenses.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Wages or salaries, bonuses, allowances and subsidies	**(3,057.2)**	(2,557.0)	(500.2)	19.6%
Social insurance	**(154.0)**	(151.0)	(3.0)	2.0%
Housing funds	**(197.8)**	(163.9)	(33.9)	20.7%
Staff welfare	**(198.6)**	(170.1)	(28.5)	16.8%
Early retirement benefits	**(64.8)**	(44.2)	(20.6)	46.6%
Labor union and staff education expenses	**(129.9)**	(104.2)	(25.7)	24.7%
Defined contribution plans	**(315.8)**	(264.4)	(51.4)	19.4%
Others	**(60.4)**	(31.9)	(28.5)	89.3%
Total employee benefits	**(4,178.5)**	(3,486.7)	(691.8)	19.8%

Employee benefits of the Group increased by 19.8% from RMB3,486.7 million in 2014 to RMB4,178.5 million in 2015, which was mainly due to (i) the increase of employee headcounts; (ii) establishment of new branches; (iii) the increase of minimum contributions to social security and housing fund; and (iv) the increase in the provisions for remuneration resulting from the rapid growth of all business segments in 2015.

Business tax and surcharges of the Group increased by 52.2% from RMB1,931.4 million in 2014 to RMB2,939.4 million in 2015, which was mainly due to the increase of total income of the Group.

Other operating expenses of the Group increased by 21.9% from RMB2,535.6 million in 2014 to RMB3,091.3 million in 2015, which was mainly due to the corresponding increase of business and management expenses as a result of the business development.

9. Management Discussion and Analysis

Impairment losses on assets

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets classified as receivables	**(8,052.5)**	(4,334.1)	(3,718.4)	85.8%
Other financial assets classified as receivables	**(2,570.0)**	(441.2)	(2,128.8)	482.5%
Loans and advances to customers	**(824.7)**	(510.4)	(314.3)	61.6%
Available-for-sale financial assets	**(786.0)**	(506.7)	(279.3)	55.1%
Finance lease receivables	**(298.0)**	(263.6)	(34.4)	13.1%
Other assets	**(72.6)**	(169.6)	97.0	(57.2%)
Total	**(12,603.8)**	(6,225.6)	(6,378.2)	102.5%

Impairment losses on assets of the Group increased by 102.5% from RMB6,225.6 million in 2014 to RMB12,603.8 million in 2015. Among which, impairment losses on distressed debt assets classified as receivables increased by 85.8% from RMB4,334.1 million in 2014 to RMB8,052.5 million in 2015. Impairment losses on other financial assets classified as receivables increased by 482.5% from RMB441.2 million in 2014 to RMB2,570.0 million in 2015, mainly due to (i) the significant increases in distressed debt assets classified as receivables and other financial assets classified as receivables; and (ii) the increase in provisions made by the Group pursuant to the applicable accounting policy with an aim to continuously strengthen its risk control and maintain its risk tolerance according to the general economic situation.

9. Management Discussion and Analysis

Profit before tax

Profit before tax of the Group increased by 32.6% from RMB16,774.4 million in 2014 to RMB22,245.9 million in 2015.

Income tax expense

The table below sets forth the components of our income tax expense of the Group for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Profit before tax	22,245.9	16,774.4	5,471.5	32.6%
Income tax expense	(5,295.1)	(3,743.6)	(1,551.5)	41.4%
Effective tax rate	23.8%	22.3%	1.5%	N/A

Income tax expense increased by 41.4% from RMB3,743.6 million in 2014 to RMB5,295.1 million in 2015, mainly due to the increase of profit before tax. The effective tax rate of the Group in 2014 and 2015 was 22.3% and 23.8%, respectively.

Segment results

Each business segment of the Group is subject to different risks and returns. The Group reports its financial results in three segments: (i) distressed asset management, which mainly includes distressed debt asset management, DES asset management, custody and agency services for distressed assets, distressed asset-based special situations investments and distressed asset-based property development; (ii) financial services, which mainly include securities and futures, financial leasing, banking services; and (iii) asset management and investment business, which mainly includes trust and other asset management business, financial investments, international business and other business.

9. Management Discussion and Analysis

The table below sets forth the total income of each of the Group's business segments for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management	**40,648.4**	28,647.4	12,001.0	41.9%
Financial services	**23,463.2**	17,915.2	5,548.0	31.0%
Asset management and investment	**12,003.0**	5,049.7	6,953.3	137.7%
Inter-segment elimination	**(728.8)**	(551.6)	(177.2)	32.1%
Total	**75,385.8**	51,060.7	24,325.1	47.6%

The table below sets forth the profit before tax of each of the Group's business segments for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management	**11,940.1**	9,340.3	2,599.8	27.8%
Financial services	**7,247.1**	5,523.9	1,723.2	31.2%
Asset management and investment	**3,089.3**	1,910.2	1,179.1	61.7%
Inter-segment elimination	**(30.6)**	—	(30.6)	N/A
Total	**22,245.9**	16,774.4	5,471.5	32.6%

The table below sets forth the profit margin for each of the Group's business segments for the years indicated. The profit margin of each segment is based on profit before tax of each segment (before elimination) divided by total income of each segment (before elimination).

	For the year ended December 31,	
	2015	2014
Distressed asset management	**29.4%**	32.6%
Financial services	**30.9%**	30.8%
Asset management and investment	**25.7%**	37.8%

9. Management Discussion and Analysis

The table below sets forth the total assets for each of the Group's business segments as at December 31, 2014 and 2015.

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management	**370,130.7**	283,338.7	86,792.0	30.6%
Financial services	**370,650.8**	280,307.0	90,343.8	32.2%
Asset management and investment	**138,763.6**	42,100.8	96,662.8	229.6%
Inter-segment elimination	**(12,998.7)**	(5,225.4)	(7,773.3)	148.8%
Total	**866,546.4**	600,521.1	266,025.3	44.3%

As of December 31, 2015, our assets under the management of third parties, including bank wealth management, securities, trust and private equity funds, amount to RMB427,193 million.

The table below sets forth net assets for each of our business segments as at December 31, 2014 and 2015.

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management	**71,396.1**	47,115.1	24,281.0	51.5%
Financial services	**31,916.2**	25,723.6	6,192.6	24.1%
Asset management and investment	**15,616.1**	10,815.4	4,800.7	44.4%
Inter-segment elimination	**(127.8)**	(122.0)	(5.8)	4.8%
Total	**118,800.6**	83,532.1	35,268.5	42.2%

The table below sets forth the pre-tax return on average net assets ("Pre-tax ROAE") for each of the Group's business segments for the years indicated. The Pre-tax ROAE of each segment is based on profit before tax divided by the average of beginning and ending balance of the net assets.

	For the year ended December 31,	
	2015	2014
Distressed asset management	**20.2%**	26.3%
Financial services	**25.1%**	23.6%
Asset management and investment	**23.4%**	20.6%

9. Management Discussion and Analysis

Distressed asset management is the core businesses of the Group and an important source of income and profit of the Group. Income from the Group's distressed asset management segment before inter-segment elimination increased by 41.9% from RMB28,647.4 million in 2014 to RMB40,648.4 million in 2015. Profit before tax from this segment before inter-segment elimination increased by 27.8% from RMB9,340.3 million in 2014 to RMB11,940.1 million in 2015. During the year, the Pre-tax ROAE of our distressed asset management segment decreased by 6.1% from the previous year, which was mainly due to (i) proceeds from the listing that were received; and (ii) the increase of 81.1% in impairment provisions recorded by the segment with an aim to continuously strengthen risk control and maintain risk tolerance according to the general economic condition.

The financial services business is an integral part of the Group's integrated asset management business. During the year, the Group's financial services segment maintained a relatively rapid growth in income and a stable Pre-tax ROAE by overcoming unfavorable factors, such as the slowdown of economic growth and market fluctuation. Income from the financial services segment before inter-segment elimination increased by 31.0% from RMB17,915.2 million in 2014 to RMB23,463.2 million in 2015. Profit before tax before inter-segment elimination increased by 31.2% from RMB5,523.9 million in 2014 to RMB7,247.1 million in 2015.

The Group's asset management and investment business is a natural extension and supplement of its distressed asset management business and serves as an important platform for providing the Group's clients with a comprehensive array of diversified asset management, investment and financing services. During the year, the Group achieved significant growth in the asset management and investment business. Income from the asset management and investment segment before inter-segment elimination increased by 137.7% from RMB5,049.7 million in 2014 to RMB12,003.0 million in 2015. Profit before tax before inter-segment elimination increased by 61.7% from RMB1,910.2 million in 2014 to RMB3,089.3 million in 2015. During the year, the pre-tax profit margin of the Group's asset management and investment business decreased by 12.1% from the previous year, which was mainly due to (i) the increase in provisions made by the Group with an aim to continuously strengthen its risk control and maintain its risk tolerance according to the general economic situation; and (ii) the increase in net assets attributable to other shareholders of the consolidated structured entities.

9. Management Discussion and Analysis

9.2.2 Financial Positions of Our Group

As of December 31, 2014 and 2015, the total assets of the Group amounted to RMB600,521.1 million and RMB866,546.4 million respectively, representing an increase of 44.3%. Total liabilities amounted to RMB516,989.0 million and RMB747,745.8 million respectively, representing an increase of 44.6%. Total equity amounted to RMB83,532.1 million and RMB118,800.6 million respectively, representing an increase of 42.2%.

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

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Assets				
Cash and balances with central bank	**24,982.1**	**2.9%**	26,945.3	4.5%
Deposits with financial institutions	**76,896.3**	**8.9%**	51,633.2	8.6%
Financial assets designated as at fair value through profit or loss	**85,458.2**	**9.9%**	33,115.2	5.5%
Financial assets held under resale agreements	**32,538.9**	**3.8%**	21,841.9	3.6%
Available-for-sale financial assets	**64,994.2**	**7.5%**	43,966.7	7.3%
Financial assets classified as receivables	**328,685.8**	**37.9%**	227,033.2	37.8%
Loans and advances to customers	**81,625.2**	**9.4%**	63,239.4	10.5%
Finance lease receivables	**71,672.5**	**8.3%**	63,494.3	10.6%
Other assets	**99,693.2**	**11.4%**	69,251.9	11.6%
Total assets	**866,546.4**	**100.0%**	600,521.1	100.0%
Liabilities				
Deposits from financial institutions	**15,468.2**	**2.1%**	13,660.0	2.6%
Borrowings	**295,031.8**	**39.5%**	239,885.2	46.4%
Financial assets sold under repurchase agreements	**30,361.9**	**4.1%**	26,203.1	5.1%
Due to customers	**139,998.9**	**18.7%**	117,246.1	22.7%
Bonds and notes issued	**143,053.8**	**19.1%**	48,002.1	9.3%
Other liabilities	**123,831.2**	**16.5%**	71,992.5	13.9%
Total liabilities	**747,745.8**	**100.0%**	516,989.0	100.0%
Equity				
Equity attributable to equity holders of the Company	**98,117.4**	**82.6%**	69,408.2	83.1%
Perpetual capital instruments	**6,454.1**	**5.4%**	1,450.7	1.7%
Non-controlling interests	**14,229.1**	**12.0%**	12,673.2	15.2%
Total equity	**118,800.6**	**100.0%**	83,532.1	100.0%
Total equity and liabilities	**866,546.4**	**100.0%**	600,521.1	100.0%

9. Management Discussion and Analysis

Assets

As of December 31, 2014 and 2015, the Group's total assets amounted to RMB600,521.1 million and RMB866,546.4 million, respectively. The Group's major assets consist of: (i) deposits with financial institutions, (ii) financial assets designated as at fair value through profit or loss; (iii) available-for-sale financial assets, (iv) investment classified as receivables, (v) loans and advances to customers; and (vi) finance lease receivables.

Deposits with financial institutions

The Group's deposits with financial institutions increased by 48.9% from RMB51,633.2 million as of December 31, 2014 to RMB76,896.3 million as of December 31, 2015, mainly due to (i) the expansion of external financing of the Company; and (ii) the significant increases in deposits from customers and clearing settlement funds in line with the expansion of our securities and futures business.

Financial assets designated as at fair value through profit or loss

The Group's financial assets designated as at fair value through profit or loss increased by 158.1% from RMB33,115.2 million as of December 31, 2014 to RMB85,458.2 million as of December 31, 2015, mainly due to (i) the increase in acquisitions of distressed asset portfolio by the Company to capture business opportunities arising from the significant increase of distressed assets of commercial banks, resulting in an increase in distressed assets held under the acquisition-and-disposal business as of the end of the year; (ii) a series of structured product transactions resulting in a significant increase in the value of structured products held by the Group as of December 31, 2015.

9. Management Discussion and Analysis

Available-for-sale financial assets

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

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Listed				
Equity instruments	**14,229.2**	13,231.1	998.1	7.5%
Debt securities				
Public sector and quasi-government bonds	**6,790.7**	4,957.1	1,833.6	37.0%
Corporate bonds	**4,785.1**	5,023.9	(238.8)	(4.8%)
Financial institution bonds	**1,887.0**	2,846.1	(959.1)	(33.7%)
Government bonds	**747.2**	85.3	661.9	776.0%
Asset-backed securities	**3,932.2**	391.4	3,540.8	904.6%
Funds	**2,045.5**	255.0	1,790.5	702.2%
Subtotal	**34,416.9**	26,789.9	7,627.0	28.5%
Unlisted				
Equity instruments	**19,385.9**	14,134.3	5,251.6	37.2%
Funds	**6,519.8**	—	6,519.8	N/A
Asset management plans	**2,175.7**	—	2,175.7	N/A
Wealth management products	**538.2**	2,803.9	(2,265.7)	(80.8%)
Trust products	**380.3**	—	380.3	N/A
Asset-backed securities	**118.8**	233.1	(114.3)	(49.0%)
Others	**1,605.3**	65.6	1,539.7	2,347.1%
Less: provisions for impairment	**(146.7)**	(60.1)	(86.6)	144.1%
Subtotal	**30,577.3**	17,176.8	13,400.5	78.0%
Total	**64,994.2**	43,966.7	21,027.5	47.8%

The Group's available-for-sale financial assets increased by 47.8% from RMB43,966.7 million as at December 31, 2014 to RMB64,994.2 million as at December 31, 2015, which was mainly due to the Group's flexible adjustment of allocation of various products in 2015 according to factors such as market conditions in order to increase investment return, resulting in an increase of the balance of funds and equity instruments.

9. Management Discussion and Analysis

Equity instruments are the largest component of the Group's available-for-sale financial assets. As at December 31, 2014 and 2015, the Group's equity instruments amounted to RMB27,305.3 million and RMB33,468.4 million, respectively, accounting for 62.1% and 51.5% of the total available-for-sale financial assets, respectively.

The Group assess whether available-for-sale financial assets are impaired and recognize provisions for impairment losses for the year. Pursuant to relevant accounting policies, the Group is required to make provisions for impairment losses for investments with evidence showing that the value of financial assets has impaired and for the Group's investments on financial assets when their value is significantly lower than their carrying value or has been continuously below their carrying value for more than one year. According to such policy, as at December 31, 2014 and 2015, the Group made provisions for impairment in the amount of RMB60.1 million and RMB146.7 million, respectively, for the Group's available-for-sale financial assets.

Financial assets classified as receivables

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

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
Loans acquired from financial institutions	**49,144.7**	59,347.9	(10,203.2)	(17.2%)
Distressed debt assets acquired from non-financial enterprises	**172,289.2**	109,364.9	62,924.3	57.5%
Less: allowance for impairment losses	**(19,382.4)**	(11,474.1)	(7,908.3)	68.9%
Subtotal	**202,051.5**	157,238.7	44,812.8	28.5%
Other financial assets classified as receivables	**130,373.3**	70,962.9	59,410.4	83.7%
Less: allowance for impairment losses	**(3,739.0)**	(1,168.4)	(2,570.6)	220.0%
Subtotal	**126,634.3**	69,794.5	56,839.8	81.4%
Total	**328,685.8**	227,033.2	101,652.6	44.8%

9. Management Discussion and Analysis

As of December 31, 2014 and 2015, the Group's financial assets classified as receivables amounted to RMB227,033.2 million and RMB328,685.8 million, respectively, representing an increase of 44.8%. The increase was mainly due to (i) the Group's expansion of the acquisition-and-restructuring business in line with the development of our distressed asset business; (ii) the increase in investment of other financial assets classified as receivables since the Group enhanced its product innovation.

As of December 31, 2014 and 2015, distressed debt assets classified as receivables which were impaired amounted to RMB2,754.7 million and RMB3,301.1 million, respectively, accounting for 1.6% and 1.5% of the gross amount of distressed debt assets classified as receivables.

As of December 31, 2014 and 2015, provisions for impairment of distressed debt assets classified as receivables amounted to RMB11,474.1 million and RMB19,382.4 million, respectively. Coverage ratio of provisions for impairment of distressed debt assets classified as receivables to the gross amount of distressed debt assets classified as receivables was 6.8% and 8.8%, respectively.

As of December 31, 2014 and 2015, provisions for impairment of other financial assets classified as receivables amounted to RMB1,168.4 million and RMB3,739.0 million, respectively.

Loans and advances to customers

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

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Corporate loans and advances				
Loans and advances	**63,265.4**	49,007.1	14,258.3	29.1%
Discounted bills	**16.1**	4.2	11.9	283.3%
Subtotal	**63,281.5**	49,011.3	14,270.2	29.1%
Personal loans and advances				
Loans for business operations	**7,086.6**	6,488.7	597.9	9.2%
Mortgage	**5,735.8**	3,926.7	1,809.1	46.1%
Others	**3,276.5**	1,306.3	1,970.2	150.8%
Subtotal	**16,098.9**	11,721.7	4,377.2	37.3%
Loans to margin clients	**4,075.0**	3,716.3	358.7	9.7%
Gross loans and advances	**83,455.4**	64,449.3	19,006.1	29.5%
Less: Allowance for impairment losses	**(1,830.2)**	(1,209.9)	(620.3)	51.3%
Total	**81,625.2**	63,239.4	18,385.8	29.1%

9. Management Discussion and Analysis

As of December 31, 2014 and 2015, the Group's loans and advances to customers amounted to RMB63,239.4 million and RMB81,625.2 million, respectively, representing an increase of 29.1%. The increase was mainly due to the accelerated development of Huarong Xiangjiang Bank's business and enhancing the quality of marketing to corporate customers while developing personal loans, hence expanding the scale of corporate loans.

Finance lease receivables

The following table sets forth the principal components of finance lease receivables at the dates indicated.

	As of December 31,			
	2015	**2014**	**Changes**	**Change in percentage**
	(in millions of RMB, except for percentages)			
Minimum finance lease receivables				
Within 1 year (inclusive)	**28,131.3**	24,957.9	3,173.4	12.7%
1 year to 5 years (inclusive)	**52,481.5**	46,771.7	5,709.8	12.2%
Over 5 years	**2,191.1**	2,220.4	(29.3)	(1.3%)
Subtotal	**82,803.9**	73,950.0	8,853.9	12.0%
Less: Unearned finance income	**(9,931.2)**	(9,556.8)	(374.4)	3.9%
Less: Allowance for impairment losses	**(1,200.2)**	(898.9)	(301.3)	33.5%
Carrying amount of finance lease receivables	**71,672.5**	63,494.3	8,178.2	12.9%
Present value of minimum finance lease receivables				
Within 1 year (inclusive)	**24,467.8**	21,429.1	3,038.7	14.2%
1 year to 5 years (inclusive)	**45,600.8**	40,158.7	5,442.1	13.6%
Over 5 years	**1,603.9**	1,906.5	(302.6)	(15.9%)
Total	**71,672.5**	63,494.3	8,178.2	12.9%

As of December 31, 2014 and 2015, the Group's finance lease receivables amounted to RMB63,494.3 million and RMB71,672.5 million, respectively, representing an increase of 12.9%. The increase was mainly due to the continuous expansion of the leasing business of Huarong Financial Leasing, reflecting its business strengths.

9. Management Discussion and Analysis

Liabilities

The principal components of the Group's liabilities include (i) borrowings, such as borrowings from banks and other financial institutions; (ii) financial assets sold under repurchase agreements; (iii) due to customers; and (iv) bonds and notes issued. As of December 31, 2015, each of the above principal liabilities accounted for 39.5%, 4.1%, 18.7% and 19.1% of the total liabilities of the Group, respectively.

The following table sets forth the breakdown of our major liabilities based on the remaining terms as at the date indicated.

	As of December 31, 2015				
	On demand	Within 1 year	1–5 years	Over 5 years	Total
			(in millions of RMB)		
Borrowings	5,054.6	162,484.8	101,405.5	26,086.9	295,031.8
Financial assets sold under repurchase agreements	—	28,561.9	1,800.0	—	30,361.9
Due to customers	77,437.6	36,869.9	24,691.4	1,000.0	139,998.9
Bonds and notes issued	—	18,561.9	110,132.8	14,359.1	143,053.8

Borrowings

As of December 31, 2014 and 2015, the Group's borrowings amounted to RMB239,885.2 million and RMB295,031.8 million, respectively. The increase in borrowings was primarily due to (i) the increase in borrowings to support the investment of distressed debt assets classified as receivables; and (ii) the increase in borrowings of Huarong Financial Leasing in order to support the growth of business.

Financial assets sold under repurchase agreements

As of December 31, 2014 and 2015, the Group's financial assets sold under repurchase agreements amounted to RMB26,203.1 million and RMB30,361.9 million, respectively. The Group's financial assets sold under repurchase agreements are mainly from Huarong Xiangjiang Bank. The increase in the amount of financial assets sold under repurchase agreements was mainly due to the change of deployment strategy of short-term fund through adjustment of liquidity and optimization of assets and liabilities structure, according to Huarong Xiangjiang Bank's general liquidity and the market interest rates.

9. Management Discussion and Analysis

Due to customers

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

	As of December 31,			
	2015	2014	Changes	Change in percentage
	(in millions of RMB, except for percentages)			
Demand deposits				
Corporate customers	46,938.2	38,134.7	8,803.5	23.1%
Individual customers	13,510.9	11,622.3	1,888.6	16.2%
Time deposits				
Corporate customers	35,548.6	27,707.3	7,841.3	28.3%
Individual customers	20,553.8	17,522.9	3,030.9	17.3%
Pledged deposits	13,322.2	15,071.0	(1,748.8)	(11.6%)
Others	10,125.2	7,187.9	2,937.3	40.9%
Total	139,998.9	117,246.1	22,752.8	19.4%

As of December 31, 2014 and 2015, the amount due to customers was RMB117,246.1 million and RMB139,998.9 million, respectively. The increase in the amount of due to customers was mainly attributable to the significant increase in the corporate demand deposits and time deposits as Huarong Xiangjiang Bank strived to attract quality corporate customers. Furthermore, the retail banking business also developed, resulting in the increase in the balance of personal deposit.

Bonds and notes issued

The following table sets forth the components of the Group's bonds and notes issued as at the dates indicated.

	As of December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Financial bonds	81,614.6	35,324.1	46,290.5	131.0%
Mid-term U.S. dollar notes	32,672.7	—	32,672.7	N/A
U.S. dollar bonds	9,838.0	9,081.0	757.0	8.3%
Negotiable certificates of deposit	9,833.3	—	9,833.3	N/A
Subordinate bonds	2,994.3	2,994.0	0.3	0.0%
Tier II capital bonds	2,989.6	—	2,989.6	N/A
Leasing asset — backed securities	2,426.6	573.0	1,853.6	323.5%
Beneficiary certificates	362.6	30.0	332.6	1,108.7%
Corporation bonds	300.0	—	300.0	N/A
Convertible notes	22.1	—	22.1	N/A
Total	143,053.8	48,002.1	95,051.7	198.0%

9. Management Discussion and Analysis

As of December 31, 2014 and 2015, the Group's bonds and notes issued amounted to RMB48,002.1 million and RMB143,053.8 million, respectively. The increase in the outstanding balance of bonds and notes issued was mainly because the Group extended low-cost financing channels, optimized capital structure and expanded the scale of bond issuance to support the business development. In particular, (i) the Company issued additional financial bonds of RMB35.00 billion; (ii) Huarong International issued additional U.S dollar bonds of USD5.00 billion; (iii) Huarong Xiangjiang Bank issued additional tier II capital bonds of RMB3.00 billion and negotiable certificates of deposit of RMB10.0 billion; (iv) Huarong Financial Leasing issued additional financial bonds of RMB5.00 billion and asset-backed securities of RMB2,855 million; (v) Huarong Securities issued additional financial bonds of RMB6.20 billion and beneficiary certificates of RMB363 million; and (vi) Huarong Rongde issued additional financial bonds of RMB3.00 billion.

9.2.3 Contingent Liabilities

Due to the nature of the Group's business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Group makes provision, from time to time, for the probable losses with respect to those claims when the Group's management can reasonably estimate the outcome of the proceedings, in light of the legal advice we have received. The Group does not make provision 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 adverse effect on our financial condition or business operations.

As at December 31, 2014 and 2015, the Group made provisions of RMB117.5 million and RMB110.1 million respectively in respect of the litigation. The Directors believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

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

There is no difference in net profit and shareholders' equity for the Reporting Period between the consolidated financial statements prepared by the Group under the PRC GAAP and IFRS.

9.3 Business Overview

The Group's principal business segments are (i) distressed asset management, (ii) financial services, and (iii) asset management and investment.

9. Management Discussion and Analysis

The tables below set forth the total income and profit before tax of each of the Group's business segments for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Total income				
Distressed asset management	**40,648.4**	**53.9%**	28,647.4	56.1%
Financial services	**23,463.2**	**31.1%**	17,915.2	35.1%
Asset management and investment	**12,003.0**	**15.9%**	5,049.7	9.9%
Inter-segment elimination	**(728.8)**	**(0.9%)**	(551.6)	(1.1%)
Total	**75,385.8**	**100.0%**	51,060.7	100.0%

	For the year ended December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Profit before tax				
Distressed asset management	**11,940.1**	**53.7%**	9,340.3	55.7%
Financial services	**7,247.1**	**32.6%**	5,523.9	32.9%
Asset management and investment	**3,089.3**	**13.8%**	1,910.2	11.4%
Inter-segment elimination	**(30.6)**	**(0.1%)**	—	—
Total	**22,245.9**	**100.0%**	16,774.4	100.0%

In 2015, the total income from distressed asset management, financial services and asset management and investment of the Group accounted for 53.9%, 31.1% and 15.9% of its total income, respectively, and the profit before tax of these segments accounted for 53.7%, 32.6% and 13.8% of our total profit before tax, respectively.

9.3.1 Distressed Asset Management Business

Distressed asset management business is the core business of the Group and is the primary source of our income and profit. In 2014 and 2015, total income from the Group's distressed asset management business was RMB28,647.4 million and RMB40,648.4 million, respectively, accounting for 56.1% and 53.9% of our total income, respectively. Profit before tax from the Group's distressed asset management business was RMB9,340.3 million and RMB11,940.1 million, respectively, accounting for 55.7% and 53.7% of our total profit before tax, respectively.

9. Management Discussion and Analysis

The Group's distressed asset management business is mainly comprised of (i) distressed debt asset management; (ii) DES asset management; (iii) custody and agency services for distressed assets; (iv) distressed asset-based special situations investments; and (v) distressed asset-based property development.

The table below sets forth some key financial indicators of the distressed asset management business of the Group as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(in millions of RMB)	
Distressed debt asset management business		
Gross amount of distressed debt assets[1]	270,869.4	191,750.4
Less: Allowance for impairment of distressed debt assets[2]	(19,382.4)	(11,474.1)
Carrying amount of distressed debt assets	251,487.0	180,276.3
Acquisition cost of newly added distressed debt assets	224,408.4	150,091.9
Total income from distressed debt assets		
Operating income from distressed debt assets[3]	24,622.7	16,548.2
Financial advisory income from acquisition-and restructuring business	2,919.9	2,954.8
Total	27,542.6	19,503.0
DES asset management business		
Carrying amount of DES Assets	24,202.9	24,388.6
Dividend income from DES Assets	145.4	234.3
Acquisition cost of DES Assets disposed	2,039.5	2,790.5
Net gain from the disposal of DES Assets	5,523.5	2,477.1
Custody and agency services for distressed asset business		
Income from asset management business	336.9	452.2
Distressed asset-based special situations investments business		
Income	3,036.7	2,006.1
Distressed asset-based property development business		
Income	2,502.2	2,628.5
Other income[4]	1,561.1	752.2

(1) Gross amount of distressed debt assets equals the sum of the Company's (i) distressed debt assets designated at fair value through profit or loss, and (ii) distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(2) Allowance for impairment of distressed debt assets equals the Company's allowance for impairment of losses for distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(3) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(4) Other income primarily consists of interest income related to distressed asset management business.

9. Management Discussion and Analysis

Distressed debt asset management business

The Company acquires distressed debt assets from financial institutions and non-financial enterprises primarily through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of the distressed debt assets, the repayment abilities of the debtors, the conditions of the collateral securing the distressed debt assets and the level of risks involved, the Company realizes value preservation and appreciation of these assets through flexible disposal or restructuring, and obtain cash proceeds or assets with operational value. The Company finances its acquisition of distressed debt assets primarily through our own capital, bank borrowings and bond and share issuances.

Sources for acquisition of distressed debt assets

Classified by the source of acquisition, the Company's distressed debt assets mainly include: (i) distressed assets acquired from financial institutions ("FI Distressed Assets") and (ii) accounts receivable and other distressed assets from non-financial enterprises ("NFE Distressed Assets"). The table below sets forth some key financial indicators of distressed debt assets of the Company by acquisition sources as of the dates and for the years indicated.

	As of or for the year ended December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
FI Distressed Assets	77,494.1	34.5%	44,516.6	29.7%
NFE Distressed Assets	146,914.3	65.5%	105,575.3	70.3%
Total	224,408.4	100.0%	150,091.9	100.0%
Gross amount of distressed debt assets at the end of the period(1)				
FI Distressed Assets	94,518.0	34.9%	80,183.5	41.8%
NFE Distressed Assets	176,351.4	65.1%	111,566.9	58.2%
Total	270,869.4	100.0%	191,750.4	100.0%
Operating income from distressed debt assets for the period(2)				
FI Distressed Assets	7,445.9	30.2%	8,292.7	50.1%
NFE Distressed Assets	17,176.8	69.8%	8,255.5	49.9%
Total	24,622.7	100.0%	16,548.2	100.0%

(1) Gross amount of distressed debt assets equals the sum of the Company's (i) distressed debt assets designated at fair value through profit or loss, and (ii) distressed debt assets classified as receivables as shown in the consolidated financial statements contained in this annual report.

(2) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

9. Management Discussion and Analysis

FI Distressed Assets

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

The table below sets forth a breakdown of our FI Distressed Assets acquired from each type of financial institution based on acquisition costs as of the dates indicated.

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(In millions of RMB, except for percentages)			
Banks				
Large Commercial Banks	17,508.0	22.6%	13,943.2	31.3%
Joint Stock Commercial Banks	26,716.9	34.4%	5,688.1	12.8%
City and rural commercial banks	11,158.9	14.4%	4,036.0	9.1%
Other banks	279.9	0.4%	472.1	1.0%
Subtotal	55,663.7	71.8%	24,139.4	54.2%
Non-bank financial institutions	21,830.4	28.2%	20,377.2	45.8%
Total	77,494.1	100.0%	44,516.6	100.0%

NFE Distressed Assets

The NFE Distressed Assets the Company acquired so far mainly include accounts receivable and other distressed debts of NFEs. These distressed debts assets include: (i) overdue receivables, (ii) receivables expected to be overdue, and (iii) receivables from debtors with liquidity issues.

Business models of distressed debt asset management

We employ two business models in the Company's distressed debt asset management business, the acquisition-and-disposal model and the acquisition-and-restructuring model.

9. Management Discussion and Analysis

The table below sets forth the breakdown of the Company's distressed asset management business by business model as at the dates and for the years indicated.

	As of or for the year ended December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(In millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
Acquisition-and-disposal	58,024.4	25.9%	21,713.6	14.5%
Acquisition-and-restructuring	166,384.0	74.1%	128,378.3	85.5%
Total	224,408.4	100.0%	150,091.9	100.0%
Gross amount of distressed debt assets at the end of the period				
Acquisition-and-disposal(1)	48,735.5	18.0%	22,337.6	11.6%
Acquisition-and-restructuring(2)	222,133.9	82.0%	169,412.8	88.4%
Total	270,869.4	100.0%	191,750.4	100.0%
Income from distressed debt assets				
Acquisition-and-disposal	1,527.7	5.5%	886.2	4.5%
Acquisition-and-restructuring	26,014.9	94.5%	18,616.8	95.5%
Total	27,542.6	100.0%	19,503.0	100.0%

(1) Gross amount of acquisition-and-disposal distressed debt assets equals the Company's distressed debt assets designated at fair value through profit or loss, as shown in the consolidated financial statements contained in this annual report.

(2) Gross amount of acquisition-and-restructuring distressed debt assets equals the Company's distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

Acquisition-and-disposal model

As a major participant of the primary market for distressed debt assets, the Company acquires packages of distressed assets in batches from financial institutions through public bidding or negotiated transfers. To maximize the recovery value of the Company's distressed debt assets, the Company chooses the disposal methods for these assets based on the characteristics of the assets, the conditions of the debtors and quality of collateral. Disposal methods include: interim participation in operations, asset restructuring, debt-to-equity swaps, individual transfer, package-and-transfer, discounted collection from debtors, liquidation, regular collection, collection through litigation, receipts of other assets in satisfaction of debts and debt restructuring. Our core competitive advantage under the acquisition-and-disposal model is our ability to price and dispose of distressed assets.

9. Management Discussion and Analysis

The table below sets forth certain details of the general operation of the acquisition-and-disposal business of the Company as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(In millions of RMB, except for percentages)	
Gross amount of distressed debt assets at the beginning of the period	22,337.6	8,134.2
Acquisition cost of newly added distressed debt assets	58,024.4	21,713.6
Gross amount of distressed debt assets disposed	31,818.4	7,639.5
Gross amount of distressed debt assets at the end of the period(1)	48,735.5	22,337.6
Net gain or loss from disposal of distressed debt assets(2)		
Realized gain	1,335.8	756.9
Unrealized fair value changes	191.9	129.3
Total	1,527.7	886.2
IRR on completed projects(3)	20.2%	16.0%

(1) Gross amount of acquisition-and-disposal distressed debt assets at the end of the period equals the Company's distressed debt assets designated at fair value through profit or loss, as shown in the consolidated financial statements contained in this annual report.

(2) Net gain or loss from acquisition-and-disposal distressed debt assets equals the Company's fair value changes on distressed debt assets, as shown in the consolidated financial statements contained in this annual report.

(3) IRR, or the internal rate of return, on completed projects is the rate of return that makes the net present value of all cash inflows and outflows from all the acquisition-and-disposal projects completed in a given period from the time of acquisition to the time of disposal equal to zero.

9. Management Discussion and Analysis

The table below sets forth, as of the dates indicated, a breakdown of the gross amount of distressed debt assets under the acquisition-and-disposal model by the geographic location of the sources of acquisitions of distressed asset packages.

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(In millions of RMB, except for percentages)			
Yangtze River Delta[1]	**16,890.0**	**34.7%**	10,899.1	48.8%
Pearl River Delta[2]	**8,335.9**	**17.1%**	1,975.0	8.8%
Bohai Rim Region[3]	**10,393.2**	**21.3%**	1,217.7	5.5%
Central Region[4]	**4,886.3**	**10.0%**	2,090.3	9.4%
Western Region[5]	**6,446.8**	**13.2%**	5,068.4	22.7%
Northeastern Region[6]	**1,783.3**	**3.7%**	1,087.1	4.8%
Total	**48,735.5**	**100.0%**	22,337.6	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.

(2) Pearl River Delta is comprised of Guangdong and Fujian.

(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.

(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.

(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet.

(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

The Company's acquisition-and-disposal distressed debt assets were mainly sourced from Yangtze River Delta, Bohai Rim Region and Pearl River Delta.

Acquisition-and-restructuring model

The Company was the first AMC to carry out businesses on a large scale based on the acquisition-and-restructuring model. Focusing on enterprises with temporary liquidity issues, the Company adopts flexible and customized restructuring approaches to reassess the debtors' credit risks, front-load the elimination of credit risks, redeploy distressed debt assets with operational value and restore the debtors' enterprise credit profile. We carry out assessments on the price and operational value of the debtors' core assets in order to realize value discovery and enhancement for these assets and achieve high returns with controlled risks. The Company's core competitive advantage under the acquisition-and-restructuring model is the ability to discover, reassess and enhance the overall value of the distressed assets.

9. Management Discussion and Analysis

The table below sets forth certain details of the general operation of the acquisition-and-restructuring business of the Company as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	Amount	Amount
	(in millions of RMB, except for percentages)	
Number of new projects	768	591
Number of existing projects as of the end of the period	1,154	853
Gross amount of distressed debt assets(1)	222,133.9	169,412.8
Less: Allowance for impairment losses(2)	(19,382.4)	(11,474.1)
Carrying amount of distressed debt assets(3)	202,751.5	157,938.7
Acquisition cost of newly added distressed debt assets	166,384.0	128,378.3
Income from distressed debt assets		
Operating income from distressed debt assets(4)	23,095.0	15,662.0
Financial advisory income	2,919.9	2,954.8
Total	26,014.9	18,616.8
Annualized return on monthly average gross amount of distressed debt assets(5)	12.5%	13.1%
Impaired distressed debt assets(6)	3,301.1	2,754.7
Impaired distressed debt assets ratio(7)	1.5%	1.6%
Allowance to distressed debt assets ratio(8)	8.7%	6.8%
Impaired distressed debt assets coverage ratio(9)	587.1%	416.5%

(1) Gross amount of distressed debt assets equals the Company's distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(2) Allowance for impairment losses equals to the Company's allowance for impairment for distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(3) Carrying amount of distressed debt assets equals the Company's distressed debt assets classified as receivables minus allowance for impairment losses for distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(4) Operating income from distressed debt assets equals to the Company's income from distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(5) Annualized return on monthly average gross amount of distressed debt assets equals income from distressed debt assets for the year divided by the average gross amount of distressed debt assets at the end of each month.

(6) Impaired distressed debt assets equals to the Company's impaired distressed debt assets classified as receivables, as shown in the consolidated financial statements contained in this annual report.

(7) Impaired distressed debt assets ratio equals impaired distressed debt assets divided by the gross amount of distressed debt assets.

(8) Allowance to distressed debt assets ratio equals allowance for impairment losses divided by the gross amount of distressed debt assets.

(9) Impaired distressed debt assets coverage ratio equals allowance for impairment losses divided by the impaired distressed debt assets.

9. Management Discussion and Analysis

The table below sets forth, as of the dates indicated, a breakdown of the gross amount of distressed debt assets under the acquisition-and-restructuring model by the geographic location of the debtors.

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(In millions of RMB, except for percentages)			
Yangtze River Delta[1]	42,771.6	19.3%	33,731.3	19.9%
Pearl River Delta[2]	31,568.3	14.2%	20,143.9	11.9%
Bohai Rim Region[3]	19,072.7	8.6%	20,787.1	12.3%
Central Region[4]	49,248.5	22.2%	33,311.2	19.7%
Western Region[5]	66,145.4	29.7%	52,020.6	30.6%
Northeastern Region[6]	13,327.4	6.0%	9,418.7	5.6%
Total	222,133.9	100.0%	169,412.8	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.

(2) Pearl River Delta is comprised of Guangdong and Fujian.

(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.

(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.

(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet.

(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

9. Management Discussion and Analysis

The table below sets forth, as of the dates indicated, a breakdown of the gross amount of distressed debt assets under the acquisition-and-restructuring model by the industrial composition of the ultimate debtors.

	As of December 31,			
	2015		2014	
	Gross amount	Percentage	Gross amount	Percentage
	(In millions of RMB, except for percentages)			
Real estate	**146,157.2**	**65.8%**	105,985.0	62.6%
Manufacturing	**21,190.4**	**9.5%**	15,483.5	9.1%
Construction	**9,996.2**	**4.5%**	9,252.4	5.5%
Leasing and commercial services	**6,652.7**	**3.0%**	6,005.9	3.5%
Water, environment and public utilities management	**6,564.7**	**3.0%**	4,079.6	2.4%
Mining	**6,451.7**	**2.9%**	5,383.0	3.2%
Transportation, logistics and postal services	**3,116.5**	**1.4%**	4,387.0	2.6%
Others	**22,004.5**	**9.9%**	18,836.4	11.1%
Total	**222,133.9**	**100.0%**	169,412.8	100.0%

DES asset management business

The Company obtains DES Assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. The Company enhances the value of our DES Assets by improving the business operations of the DES Companies. The Company exits such investments primarily through asset swaps, trade sales, restructuring and listing of DES Companies and realize gain from the appreciation of our DES Assets. The Company's DES Assets are classified as shares of unlisted DES Companies ("Unlisted DES Assets") and shares of listed DES Companies ("Listed DES Assets"). As of December 31, 2015, we held Unlisted DES Assets in 189 DES Companies, with carrying amount of RMB11,104.9 million, and Listed DES Assets in 28 DES Companies, with carrying amount of RMB13,098.0 million. The table below sets forth certain details of our DES Assets portfolio as of the dates indicated.

	As of December 31,	
	2015	2014
	(in millions of RMB, except for numbers of companies)	
Composition of existing DES asset portfolio		
Number of DES companies	**217**	230
Including:		
Unlisted	**189**	197
Listed	**28**	33
Carrying amount	**24,202.9**	24,388.6
Including:		
Unlisted	**11,104.9**	11,736.9
Listed	**13,098.0**	12,651.7

9. Management Discussion and Analysis

Income from DES asset management business

The Company derives the following income from its DES asset management business: (i) disposal income, which is the income from transfer of the Company's equity interests in DES Companies; (ii) restructuring income, which is the income the Company recognizes when exchanging the equity interests in DES Companies into equity interests in related parties of the DES Companies based on the fair value of the equity interests; (iii) dividend income, which are dividends and other distributions from DES Companies; (iv) investment income from follow-on investments, which is the income from transfer of additional equities acquired through private placements of DES Companies; and (v) financial services income, which is the income from providing various financial services to the DES Companies through the Company's financial services subsidiaries. In addition, through the Company's DES Companies, the Company forms reliable and win-win cooperative relationships with local governments where the Company's DES Companies are located and the affiliated enterprises of the DES Companies to explore more business opportunities and income.

The table below sets forth certain details of the Company's disposal of DES Assets by asset types as of the dates and for the years indicated.

	As of and for the year ended December 31,	
	2015	2014
	(in millions of RMB, except for numbers of companies)	
Number of DES Companies disposed	14	29
Acquisition cost of DES Assets disposed	2,039.5	2,790.5
Net gain on DES Assets disposed	5,523.5	2,477.1
Exit multiple of DES Assets disposed[1]	3.7x	1.9x
Dividend Income from DES Companies	145.4	234.3

(1) Exit multiple of DES Assets disposed equals the sum of (i) the net gain on DES Assets disposed in a particular year and (ii) the acquisition cost of DES Assets disposed divided by the acquisition cost of the DES Assets disposed.

In 2015, the Company's net gain on DES Assets disposed was RMB5,523.5 million and the average exit multiple was 3.7 times.

9. Management Discussion and Analysis

Custody and agency services for distressed assets

Through the Company's custody and agency services for distressed assets, the Company acts on behalf of principals to operate, manage, dispose, liquidate or restructure distressed assets or distressed companies. The Company also provides agency, consulting and advisory services related to distressed asset management. The table below sets forth the basic operating information of the Company's custody and agency services for distressed assets as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(in millions of RMB)	
Newly added assets under management	20,735.0	6,008.9
Disposed assets under management	9,599.4	8,355.5
Balance of assets under management	45,877.8	34,742.2
Income from assets under management	336.9	452.2

Distressed asset-based special situations investment

The Group's distressed asset-based special situations investment business invests through debt, equity or mezzanine instruments in assets with value appreciation potential and enterprises with short-term liquidity issues, which the Group has identified during the course of its distressed asset management business. Through debt restructuring, asset restructuring, business restructuring and management restructuring, the Group then improves the capital structure, management and operation of the investee enterprises, and then exit and realize asset appreciation income through debt collection, share transfers, share repurchases, listing and mergers and acquisitions.

The Group primarily conduct our distressed asset-based special situations investment business through Huarong Rongde. In 2014 and 2015, the net profit per capita of Huarong Rongde, calculated by dividing the net profit by the total number of employees of Huarong Rongde, was RMB14.0 million and RMB11.5 million, respectively, which remained a relatively high level.

9. Management Discussion and Analysis

The table below sets forth the basic operating information of Huarong Rongde as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(in millions of RMB, except for percentages)	
Total assets	**23,757.4**	21,515.7
Third party assets under management	**10,921.0**	9,089.7
Total income	**3,036.7**	2,600.1
Net profit	**1,036.5**	979.7
ROAA	**4.6%**	5.7%
ROAE	**23.8%**	25.6%
Total assets to total equity multiple	**3.9x**	3.9x
Cost-to-income ratio	**18.2%**	17.5%

Distressed assets-based property development business

The Group's distressed assets-based property development business restructures, invests in and develops high quality property projects acquired in the course of its distressed asset management business and generates profits from appreciation in the value of the related assets. Through the Group's property development business, the Group discovers the value of existing property development projects, provide liquidity to existing distressed assets, extend the value chain of distressed asset management, and further enhance the value of our distressed assets.

The Group conducts its distressed assets-based property development business through Huarong Real Estate. In 2014 and 2015, income of Huarong Real Estate amounted to RMB2,628.5 million and RMB2,502.2 million, respectively, including income from property development business of RMB2,487.1 million and RMB2,160.3 million, respectively.

9. Management Discussion and Analysis

9.3.2 Financial Services Business

By leveraging the Group's multiple financial licenses, the Group provides its clients with flexible, customized and diversified financing channels and financial products through a comprehensive financial services platform composed of Huarong Securities, Huarong Futures, Huarong Financial Leasing and Huarong Xiangjiang Bank. This creates a comprehensive financial service system which covers the different business life cycles and the entire value chain of clients. In 2014 and 2015, the total income from the Group's financial services business accounted for 35.1% and 31.1% of our total income, respectively. The table below sets forth the key financial data of the business lines of our financial services business as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(in millions of RMB)	
Securities and futures		
Total income	7,435.0	3,799.6
Profit before tax	2,435.2	1,145.7
Total assets	75,828.3	43,041.0
Total equity	8,963.4	7,303.2
Financial Leasing		
Total income	5,625.5	5,218.5
Profit before tax	1,870.8	1,719.8
Total assets	83,698.4	72,098.7
Total equity	10,099.2	7,329.5
Banking		
Total income	10,402.7	8,897.1
Profit before tax	2,941.1	2,658.3
Total assets	211,124.5	165,326.1
Total equity	12,879.1	11,090.9

9. Management Discussion and Analysis

Securities and futures

The Group conducts its securities business through Huarong Securities. The Group's securities business mainly includes proprietary trading, securities brokerage and wealth management, investment banking and asset management businesses. The Group also conducts futures and direct investment businesses through Huarong Futures and Huarong Tianze Investment Limited ("Huarong Tianze") (subsidiaries of Huarong Securities), respectively. The financial information for Huarong Securities discussed in this section is consolidated financial information that includes the financial condition and results of operation of Huarong Futures and Huarong Tianze. In 2015, Huarong Securities was rated as a securities company with AA Grade by the CSRC for the first time. Total income increased by 95.7% from RMB3,799.6 million in 2014 to RMB7,435.0 in 2015 and profit before tax increased by 112.6% from RMB1,145.7 million in 2014 to RMB2,435.2 in 2015. During the Track Record Period, by optimizing operational efficiency and encouraging innovation, Huarong Securities maintained a prudent risk level and realized a significant increase in profitability with various regulatory indicators above regulatory requirements. The table below sets forth certain key financial and business indicators of Huarong Securities as of the dates and for the years indicated.

	As of or for the year ended December 31,		
	2015	2014	Regulatory requirements
	(percentage)		
Profitability indicators[1]			
Net profit margin[2]	**24.5%**	22.8%	N/A
ROAE[3]	**22.9%**	13.6%	N/A
ROAA[4]	**3.1%**	2.6%	N/A
Cost-to-income ratio	**26.6%**	37.2%	N/A
Risk control indicators[5]			
Net assets to total risks ratio	**617.5%**	741.4%	No less than 100%
Net capital to net assets ratio	**102.4%**	95.4%	No less than 40%
Net capital to liabilities ratio	**47.2%**	51.4%	No less than 8%
Net assets to liabilities ratio	**46.1%**	53.9%	No less than 20%
Equity securities and derivatives of proprietary trading to net capital ratio	**71.9%**	63.0%	No more than 100%
Fixed income securities of proprietary trading to net capital ratio	**102.4%**	93.2%	No more than 500%

(1) Profitability indicators are calculated based on the consolidated financial information of Huarong Securities.

(2) Net profit margin equals profit for the period divided by total income.

(3) ROAE equals net profit attributable to owners of the Group divided by the average balance of owners' equity as of the beginning and the end of the period.

(4) ROAA equals net profit divided by the average balance of total assets as of the beginning and the end of the period.

(5) Risk control indicators are calculated based on the unconsolidated financial information of Huarong Securities.

9. Management Discussion and Analysis

The table below sets forth the breakdown of the Group's revenue from securities business by business line for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Proprietary trading	**3,100.7**	**41.7%**	2,197.8	57.8%
Securities brokerage and wealth management	**3,140.5**	**42.2%**	1,212.0	31.9%
Investment banking	**394.0**	**5.3%**	146.9	3.9%
Asset management	**405.8**	**5.5%**	137.0	3.6%
Others	**394.0**	**5.3%**	105.9	2.8%
Total	**7,435.0**	**100.0%**	3,799.6	100.0%

Proprietary trading: The income of Huarong Securities from proprietary trading increased by 41.1% from RMB2,197.8 million of 2014 to RMB3,100.7 million in 2015. As of December 31, 2014 and 2015, the investment in proprietary trading amounted to RMB6,575.6 million and RMB11,647.2 million, respectively. In 2015, Huarong Securities was elected as an Excellent Member of the Chinese Bond Market and granted the first prize of the Progress Award of Bond Business.

Securities brokerage and wealth management: The income of Huarong Securities from its securities brokerage and wealth management business increased by 159.1% from RMB1,212.0 million in 2014 to RMB3,140.5 million in 2015. The trading volume of margin financing and securities lending business increased by 198.7% from RMB67.43 billion in 2014 to RMB201.43 billion in 2015. The total trading volume of equity and funds increased by 302.3% from RMB403.78 billion in 2014 to RMB1,624.52 billion in 2015. Our market share of equity and funds was approximately 3.1‰. The sales volume of financial products increased by 409.3% from RMB34.3 million in 2014 to RMB174.7 million in 2015.

Investment banking: The income of Huarong Securities from its investment banking business increased by 168.2% from RMB146.9 million in 2014 to RMB394.0 million in 2015. According to operating data on securities companies published by the Securities Association of China, Huarong Securities ranked 7th among the industry in terms of the consolidated net income from financial advisory services. In 2015, Huarong Securities was the sponsor and lead underwriter of the initial public offering project of Guotai Junan, which was the largest initial public offering project of China's A share market over the last five years. In 2015, Huarong Securities's sponsoring of NEEQ projects ranked first in the industry as 18% of the projects were qualified for the innovation standards. Its NEEQ business also ranked among top 10 in the industry.

Asset management: The income of Huarong Securities from its asset management business increased by 196.2% from RMB137.0 million in 2014 to RMB405.8 million in 2015. As of December 31, 2014 and 2015, the asset under the management of Huarong Securities was RMB79,184.6 million and RMB172,840.0 million, respectively. In 2015, Huarong Securities received the Best Innovative Product Award of Asset Management in China.

9. Management Discussion and Analysis

Financial leasing

The Group operates its financial leasing business through Huarong Financial Leasing. Huarong Financial Leasing mainly engages in financial leasing of equipment and provides customized financial solutions to clients, including sale and leaseback, direct leasing and operating leasing. As of December 31, 2015, the financial leasing business of Huarong Financial Leasing has expanded its coverage to 30 provinces, autonomous regions and municipalities in China.

As of December 31, 2015, Huarong Financial Leasing had total assets of RMB83,698.4 million, net assets of RMB10,099.2 million and ROAE of 16.1%, ranking eighth, seventh and second among the 40 financial leasing companies in China, respectively. As of December 31, 2014 and 2015, the net finance lease receivables of Huarong Financial Leasing was RMB64,393.1 million and RMB72,872.6 million, respectively. In 2014 and 2015, the net profit of Huarong Financial Leasing was RMB1,318.0 million and RMB1,401.4 million, respectively, representing a growth rate of 6.3%.

The table below sets forth certain key financial and operation indicators of Huarong Financial Leasing as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(percentage)	
Profitability indicators		
ROAA[(1)]	1.8%	2.0%
ROAE[(2)]	16.1%	19.3%
Net interest spread[(3)]	2.3%	3.0%
Net interest margin[(4)]	3.0%	3.3%
Cost-to-income ratio[(5)]	16.8%	17.4%
Asset quality indicators		
Non-performing asset ratio[(6)]	1.1%	1.1%
Provision coverage ratio[(7)]	155.4%	132.7%
Capital adequacy indicators		
Core capital adequacy ratio[(8)]	12.5%	10.3%
Capital adequacy ratio[(8)]	13.0%	10.6%

(1) ROAA equals net profit for the period divided by the average of total assets at the beginning and end of the period.

(2) ROAE equals net profit attributable to owners of parent for the period divided by the average balance of owners' equity at the beginning and end of the period.

(3) Net interest spread equals the difference between the average yield of interest-earning assets and the average cost of interest-bearing liabilities.

9. Management Discussion and Analysis

(4) Net interest margin equals net interest income divided by the average balance of total interest-earning assets.

(5) Cost-to-income ratio equals the ratio of other expenses divided by total income (excluding commission and fee expenses and interest expenses).

(6) Non-performing asset ratio equals the balance of non-performing assets divided by finance lease receivables. Non-performing assets are defined as those initially recognized lease receivables which have objective evidence of impairment as a result of one or more events and such events have had an impact on the estimated future cash flows of lease receivables that can be reliably estimated.

(7) Provision coverage ratio equals the balance of asset impairment provisions divided by the balance of non-performing assets.

(8) Core capital adequacy ratio and capital adequacy ratio are calculated according to CBRC regulations.

The table below sets forth a breakdown of the Group's income from the business of Huarong Financial Leasing based on business lines for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Sale and lease-back	**4,492.0**	**79.9%**	4,190.7	80.3%
Direct leasing	**968.7**	**17.2%**	963.5	18.5%
Others	**164.8**	**2.9%**	64.3	1.2%
Total	**5,625.5**	**100.0%**	5,218.5	100.0%

The table below sets forth the components of the balance of finance lease receivables of Huarong Financial Leasing by industry as of the dates indicated.

	As of December 31,			
	2015		2014	
	(in millions of RMB, except for percentages)			
	Amount	Percentage	Amount	Percentage
Manufacturing	**21,336.4**	**29.3%**	21,776.4	33.8%
Water resources, environment and public facility management	**20,286.8**	**27.8%**	13,353.9	20.7%
Transportation, warehousing and postal services	**8,428.1**	**11.6%**	7,725.2	12.0%
Construction	**1,518.2**	**2.1%**	1,718.9	2.7%
Mining	**985.7**	**1.4%**	1,421.8	2.2%
Leasing and business services	**2,852.6**	**3.9%**	3,030.9	4.7%
Real estate	**240.6**	**0.3%**	302.4	0.5%
Others	**17,224.2**	**23.6%**	15,063.6	23.4%
Total	**72,872.6**	**100.0%**	64,393.1	100.0%

9. Management Discussion and Analysis

Banking

The Group conducts its banking business in China through Huarong Xiangjiang Bank. Huarong Xiangjiang Bank ranked 27th among the top 100 enterprises in Hunan province in 2015. As of December 31, 2014 and 2015, total assets of Huarong Xiangjiang Bank was RMB165,326.1 million and RMB211,124.5 million, respectively; total loans was RMB60,765.0 million and RMB79,380.4 million, respectively; total deposits was RMB117,402.0 million and RMB140,072.5 million, respectively. In 2014 and 2015, net profit attributable to the parent company was RMB2,037.1 million and RMB2,277.5 million, respectively, with an increase of 11.8%.

As of December 31, 2015, the non-performing loans ratio and allowance to non-performing loans of Huarong Xianjang Bank was 0.99% and 228.2%, respectively. Its core tier 1 capital adequacy ratio was 9.5% and its capital adequacy ratio was 13.2%. As of the end of 2015, all major businesses indicators of Huarong Xiangjiang Bank either satisfied or outperformed regulatory requirements. Huarong Xiangjiang Bank was rated as an A-class commercial bank in the comprehensive evaluation by the PBOC, which is the highest rating for city commercial banks. The rating of Huarong Xiangjiang Bank was "AA" as assessed by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級公司) .

The table below sets forth certain key financial and operation indicators of Huarong Xiangjiang Bank as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(percentage)	
Profitability indicators		
ROAA[1]	1.2%	1.3%
ROAE[2]	19.1%	19.9%
Net interest spread[3]	2.8%	2.9%
Net interest margin[4]	2.8%	3.0%
Cost-to-income ratio[5]	38.3%	39.5%
Asset quality indicators		
Non-performing loans ratio[6]	0.99%	0.78%
Allowance to non-performing loans[7]	228.2%	250.1%
Allowance to total loans[8]	2.3%	2.0%
Capital adequacy indicators		
Core tier-1 capital adequacy ratio[9]	9.5%	9.3%
Capital adequacy ratio[9]	13.2%	10.9%
Other indicators		
Loan to deposit ratio[10]	56.7%	51.8%
Liquidity ratio[11]	40.6%	40.0%

9. Management Discussion and Analysis

(1) ROAA equals net profit for the period divided by the average of total assets at the beginning and end of the period.
(2) ROAE equals net profit attributable to shareholders of parent for the period divided by the average of shareholders' equity at the beginning and end of the period.
(3) Net interest spread equals the difference between the average yield of interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin equals net interest income divided by the average balance of total interest-earning assets.
(5) Cost-to-income ratio equals the ratio of other expenses divided by total income (excluding commission and fee expenses and interest expenses).
(6) Non-performing loan ratio equals the balance of non-performing loan divided by total loans and advances to customers.
(7) Allowance to non-performing loans equals the balance of loan allowance divided by the balance of non-performing loans.
(8) Allowance to total loans equals the balance of loan allowance divided by total loans and advances to customers.
(9) Core capital adequacy ratio and capital adequacy ratio are calculated according to CBRC regulations.
(10) Loan to deposit ratio equals total loans and advanced to customers divided by total deposits of customers.
(11) Liquidity ratio calculated according to CBRC regulations.

Main businesses

Huarong Xiangjiang Bank is dedicated to providing quality, efficient and diversified banking products and services. Its main business includes corporate banking, retail banking and financial market services.

Corporate banking business

Huarong Xiangjiang Bank provides diversified financial products and services, such as corporate loans, discounted bills, corporate deposits, and commission and fee based services, for corporate clients under the brand of "Cai Zhi Rong" (財智融) . The balance of corporate loans of Huarong Xiangjiang Bank increased by 29.0% from RMB49,043.3 million as of December 31, 2014 to RMB63,281.5 million as of December 31, 2015, accounting for 79.7% of its total balance of loans. The balance of corporate deposits of Huarong Xiangjiang Bank increased by 25.1% from RMB65,997.9 million as of December 31, 2014 to RMB82,560.5 million as of December 31, 2015, accounting for 58.9% of its total balance of deposits.

As of December 31, 2014 and 2015, the balance of loans to small and micro enterprises of Huarong Xiangjiang Bank was RMB12,213.2 million and RMB20,942.6 million, respectively, representing 24.9% and 26.4% of its total corporate loans, respectively.

Retail banking business

Huarong Xiangjiang Bank provides diversified products and services to retail clients, such as retail loans, retail deposits, bank cards as well as fee and commission based services. The balance of retail loans of Huarong Xiangjiang Bank increased by 37.3% from RMB11,721.7 million as of December 31, 2014 to RMB16,098.9 million as of December 31, 2015, accounting for 20.3% of its total balance of loans. The balance of retail deposits increased by 16.9% from RMB29,145.2 million as of December 31, 2014 to RMB34,064.7 million as of December 31, 2015, accounting for 24.3% of its total balance of deposits.

9. Management Discussion and Analysis

The table below sets forth the breakdown of the balance of loans within the retail banking business of Huarong Xiangjiang Bank by loan category as of the dates indicated.

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Loans for business operations	7,086.6	44.0%	6,488.7	55.4%
Mortgage	5,735.8	35.6%	3,926.7	33.5%
Others	3,276.5	20.4%	1,306.3	11.1%
Total	16,098.9	100.0%	11,721.7	100.0%

Financial market business

The table below sets forth the breakdown of the general operating results of the financial market services of Huarong Xiangjiang Bank as of the dates indicated.

	As of December 31,	
	2015	2014
	(in millions of RMB)	
Deposits with financial institutions, placements with financial institutions and financial assets purchased under resale agreements	32,260.4	26,001.7
Deposits from financial institutions, placements from financial institutions and financial assets sold under repurchase agreements	37,800.6	32,009.4

9.3.3 Asset Management and Investment Business

Benefiting from capital, customer and technical advantages accumulated from the distressed asset management business and financial services business of the Group, the asset management and investment business of the Group includes asset management, financial investments, international business and other businesses. It primarily generates commission and fee income, as well as investment income. The Group's asset management and investment business enhances the overall profitability of its distressed asset management business and improves the business and income structure of the Group. Our asset management and investment business is a natural extension and supplement of the distressed asset management business of the Group and serves as an important platform for providing the clients of the Group with diversified asset management, investment and financing services. As of December 31, 2014 and 2015, the total assets of the Group's asset management and investment business was RMB42,100.8 million and RMB138,763.6 million, respectively, representing 7.0% and 16.0%, respectively, of the total assets of the Group. In 2014 and 2015, the total income from the Group's asset management and investment business was RMB5,049.7 million and RMB12,003.0 million, respectively, representing 9.9% and 15.9%, respectively, of the total income of the Group.

9. Management Discussion and Analysis

The table below sets forth key financial indicators of the Group's asset management and investment business as of the dates and for the years indicated.

	As of and for the year ended December 31,	
	2015	2014
	(in millions of RMB)	
Asset management		
Trust		
Outstanding trust AUM	**212,448.5**	145,001.5
Total trust income	**2,119.5**	2,073.7
Including: Trust commission and fee income for the period	**1,439.9**	1,505.9
Profit before tax	**993.1**	979.8
Private fund		
Total committed capital	**64,282.9**	14,034.1
Total income	**1,042.6**	267.7
Financial investments		
Balance of financial investments(1)	**36,742.4**	12,244.1
Investment income from financial investments(2)	**1,984.1**	1,109.9
International business		
Total assets	**60,451.1**	13,389.0
Total income	**5,547.3**	714.9
Profit before tax	**2,942.8**	384.5
Other businesses		
Total income	**1,309.5**	883.5

(1) Equivalent to financial investments in funds, fixed income products and structured entities, classified under "financial assets held for trading", "financial assets classified as receivables" and "interests in consolidated structured entities", and investments in stock and funds, classified under "available-for-sale financial assets", as shown in the consolidated financial statements in this annual report attributable to the asset management and investment segment of the Company.

(2) Equivalent to investment income from financial assets classified as receivables and available-for-sale financial assets, as shown in the consolidated financial statements in this annual report attributable to the asset management and investment segment of the Company.

9. Management Discussion and Analysis

Asset management business

The Group's asset management business mainly includes its trust business and private fund business.

Trust business

The Group conducts its trust business primarily through Huarong Trust. The trust business of the Group primarily involves: (1) acting as a trustee to manage, operate and dispose of trust assets and receiving trust business income; and (2) providing financial advisory and other consulting services and receiving commission and fee income. Huarong Trust has implemented a comprehensive system of risk management and internal controls. It conducts whole-process risk management for trust projects through industry-leading business and risk management systems, comprehensively covering compliance risk, credit risk, market risk and operational risk in the trust business. As of the Latest Practicable Date, the principal and interest of all the mature trust products of Huarong Trust have been fully repaid.

As of December 31, 2014 and 2015, the outstanding trust assets under management of Huarong Trust was RMB145,001.5 million and RMB212,448.5 million, respectively, representing an increase of 46.5%. As of December 31, 2014 and 2015, we managed 331 and 387 existing trust projects, respectively.

In 2014 and 2015, the income generated from Huarong Trust's trust business was RMB1,505.9 million and RMB1,439.9 million, respectively.

The table below sets forth the breakdown of the distribution of trust products of Huarong Trust, by industry, as of the dates indicated.

	As of December 31,	
	2015	2014
	(in millions of RMB)	
Financial institutions	71,709.3	33,457.3
Securities investment	39,654.8	23,405.8
Industry and commerce	39,143.0	43,469.6
Infrastructure	30,064.3	21,952.9
Real estate	28,481.8	18,237.6
Others	3,395.3	4,478.3
Total	212,448.5	145,001.5

9. Management Discussion and Analysis

Private fund business

Private fund business of the Group covers equity investment, equity investment management, fixed income investment and investment advisory services. We conduct our private fund business mainly through Huarong Yufu Equity Investment Fund Management Co., Ltd. ("Huarong Yufu").

As of December 31, 2015, Huarong Yufu managed a total of 36 private funds. These funds cover major private fund categories including high yield funds, merger and acquisition funds, growth capital funds and industry funds. Principal investors in the funds managed include various types of investment companies, fund companies, banks, insurance companies, industry leading enterprises, real estate companies, trading companies and individuals.

The table below sets forth the basic operational details of the private fund business of the Group as of the dates and for the years indicated.

	As of or for the year ended December 31,	
	2015	2014
	(in millions of RMB, except for numbers of funds)	
Number of funds managed[1]	36	17
Total committed capital	64,282.9	14,034.1
Total paid-in capital	29,684.5	13,793.0
Total income	1,042.6	267.7

(1) Including funds that raised third-party capital and in which members of the Group act as a general partner (or manager).

9. Management Discussion and Analysis

Financial investment business

Financial investment business of the Company mainly refers to the fixed income investments and equity investments conducted by the Company. As of December 31, 2014 and 2015, the balance of our financial investments was RMB12,244.1 million and RMB36,742.4 million, respectively. In 2014 and 2015, income from our financial investment business was RMB1,109.0 million and RMB1,984.1 million, respectively. The table below sets forth the balance of our financial investment, by investment type, as of the dates indicated.

	As of December 31,			
	2015		2014	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Fixed income investments	33,598.6	91.4%	10,798.9	88.2%
Equity investments	3,143.8	8.6%	1,445.2	11.8%
Total	36,742.4	100.0%	12,244.1	100.0%

Fixed income investments

Fixed income investment business of the Company utilizes its own funds and funds from external institutional investors to invest in target enterprises through investment instruments such as funds and trusts, and to recover principal and receive investment income on the relevant due dates for the purpose of gaining fixed return. The Company mainly provides financing to borrowers through trust plans established by independent third parties, limited liability partnerships and dedicated asset management plans. As of December 31, 2014 and 2015, the balance of our fixed income financial investment was RMB10,798.9 million and RMB33,598.6 million, respectively.

Equity investments

The Company utilizes its own funds to invest in stocks of unlisted and listed enterprises and other equity interests. The Company makes equity investments in unlisted enterprises which are qualified for listing and have clear listing plans, or participates in strategic placings of enterprises at offering stage. We make equity investments in listed companies mainly through participating in their placings or private placements. The Company's investment in other equity interests includes investments in wealth management products of securities companies and interests in limited partnership entities. Equity investments of the Company focus on the energy industry and the machinery manufacturing industry. The Company accelerates the consolidation and reorganization of such enterprises through its investment to facilitate the optimization and upgrade of their industrial structures, increase their enterprise values and realize investment returns mainly through exits in the capital markets.

As of December 31, 2014 and 2015, the balance of equity financial investments of the Company was RMB1,445.2 million and RMB3,143.8 million, respectively.

9. Management Discussion and Analysis

International business

The Group conducts its international business mainly through Huarong International. As the overseas investment and financing platform of China Huarong, Huarong International takes advantage of the developed capital markets and established legal environment of Hong Kong, penetrates the multi-level overseas financing channels and broadly conducts debt, equity and mezzanine capital investment and financing business. To exploit the geographic advantage and bridging function of Hong Kong, Huarong International uses overseas funds to build cross-border financing channels in order to facilitate movement of domestic and overseas funds and businesses. In the meantime, Huarong International is engaging in studying the overseas markets so that it may choose opportunities to get involved in overseas project investments and work towards conducting globalized asset management business.

As of December 31, 2015, the total assets of Huarong International was RMB60,451.1 million. In 2015, total income was RMB5,547.3 million while the profit before tax and net profit attributable to equity holders of the company were RMB2,942.8 million and RMB2,442.6 million, respectively. The table below sets forth the asset distribution of Huarong International as of the dates indicated.

	As of December 31, 2015	
	Amount	Percentage
	(in millions of RMB, except for percentages)	
Deposits with financial institutions	**7,605.9**	12.6%
Financial assets held for trading	**3,417.2**	5.7%
Financial assets designated as at fair value through profit or loss	**9,323.4**	15.4%
Available-for-sale financial assets	**7,843.1**	13.0%
Financial assets classified as receivables	**20,422.5**	33.8%
Other assets	**11,839.0**	19.6%
Total	**60,451.1**	100.0%

Other businesses

The Group also provides consulting and advisory services related to our asset management and investment business, as well as property leasing and management services.

In 2014 and 2015, the income from the Group's other business was RMB883.5 million and RMB1,309.5 million, respectively.

9. Management Discussion and Analysis

9.3.4 Business Synergy

The Group established a synergistic mechanism by leveraging its corporate culture of collaboration and cooperation, its synergistic management system and its profit distribution, incentive and appraisal guidelines based on market principles. The Group's synergistic mechanism takes its diversified business platforms as its core, utilizing resource sharing as its means and providing excellent client services and maximizing the value of the Group as its aims. With synergies of strategies, products, business, business network, clients and internal resources, the Group sets up clear positioning for the Head Office, Company Branches and subsidiaries of the Group to enhance effective resource sharing and maintain complementary development and coordination.

In 2015, the Group strived to encourage the business cooperation between the Head Office, Company Branches and subsidiaries and the synergies effect was enhanced significantly. Through the cooperation between (i) Company Branches and subsidiaries; (ii) Company Branches and Company Branches; (iii) Company Branches and business department of the Head Office; (iv) subsidiaries and subsidiaries; and (v) subsidiaries and business department of the Head Office, the financing provided by all operation units amounted to RMB156,001.7 million and the total income of all operation units amounted to RMB6,424.7 million.

9.3.5 Major Investment and Acquisition

During the Reporting Period, the Group did not have any major investment and acquisition required to be disclosed pursuant to the Listing Rules.

9.3.6 Development of Information Technology

Management of information technology

The Company has established a comprehensive governance structure for information technology. An information technology management committee was set up under the senior management, responsible for overseeing, leading and promoting the use of information technology within the Company. The information technology department, risk management department and audit department are responsible for provision of relevant services and support on information technology, supervision of the management of information technology as well as the audit and inspection of information technology, respectively. Under the Company's management model, its own information technology team leads the development, operation and maintenance of its information technology system with technical support from third-party technical service providers.

9. Management Discussion and Analysis

Establishment of information system

In 2015, the Company focused on the establishment of information system in accordance with the needs of the management, business development and customer services of the Company. The Company established an information system, particularly for financial management, risk management and information disclosure. Financial accounting system, management accounting system, related party transaction and internal transaction system, data collection and reporting system of the PBOC, litigation management system, database and disclosure system and website renovation were launched and put online. The Company further refined the integrated business system of its three major segments, including distressed asset management, financial services and asset management and investment to support the business expansion of the Group.

Management of information technology risks

The Company further refined its information technology risks prevention system and conducted evaluation on information technology risks, special security inspection and security technology inspection under ISO 27001:2005 information security management system and other regulatory requirements of the CBRC. The Company also passed the annual system certification test conducted by the China Information Security Certification Center (ISCCC) and obtained the annual renewal of its ISO 27001:2005 certification. There were no significant information security incidents during the year.

9.3.7 Human Resources Management

In 2015, based on its development strategy of being market-oriented, professional, diversified, comprehensive and global, the Group further reformed its human resources system, optimized the organization structure of its employees and exerted efforts in attracting professional talents. Through improving remuneration packages, incentive and disciplinary system and employee insurance systems, the Group managed to enhance its employees' sense of belonging and team spirit. To enhance the competitiveness of the Company through the development of a strong management team in terms of size as well as quality, the Company seeks to provide effective and comprehensive training covering all aspects, general and specific, breadth and depth, concepts and practices as well as theory and experience to facilitate the transformation and development after listing.

Employees

The Group had 9,224 employees as of December 31, 2015, including 2,349 employees working for the Company and 6,875 employees working for various subsidiaries. The Group's employees hold over 50 types of professional qualifications, including, among others, Certified Public Accountant, Chartered Financial Analyst, attorneys, Financial Risk Managers, Certified Practising Valuer, Certified International Internal Auditor, banking practice qualifications and securities practice qualifications.

9. Management Discussion and Analysis

The table below sets forth a breakdown of our employees, by age, as of December 31, 2015.

	Number	% of total
Aged 35 and below	4,807	52%
Aged 36–45	2,388	26%
Aged 46–55	1,793	19%
Above 55	236	3%
Total	9,224	100%

The table below sets forth a breakdown of our employees, by education level, as of December 31, 2015.

	Number	% of total
Doctoral degree or doctoral candidate	157	2%
Master degree or master candidate	2,229	24%
Bachelor degree or undergraduate	5,138	56%
Junior college and below	1,700	18%
Total	9,224	100%

Remuneration policy

Based on the strategies, business development and talent recruitment of the Group, the remuneration policy of the Group is formulated to maximize operation efficiency. A "performance-based" remuneration system is adopted to achieve operation targets. Salaries are determined according to the duties, competence and contributions of employees under the employee remuneration management system with the principles of "position-based salary and performance-based bonus". The profit-based incentive system was further optimized. Remuneration is determined on the basis of matching profits and risks, balancing of long-term and short-term incentives. The Group has established a healthy and competitive remuneration management system based on its operating results and the principle of fairness.

Training

In 2015, the Group established a multi-level, diversified and comprehensive training system which covers a wide range of areas and mixed businesses and provides integrated training programs. Highly practical training programs in respect of different business lines with essential contents were provided to different levels of employees in various forms, including on-the-job training such as system introduction, case studies, seminars, promotion of knowledge and skills and research. Employees were encouraged to take part in online learning through knowledge sharing platforms such as online colleges. In 2015, over 700 training programs were held by the Group with more than 54,000 participants, providing sufficient human resources for the sound and sustainable development of the Group.

9. Management Discussion and Analysis

9.4 Risk Management

In 2015, focusing on enhancement of operating standard and risk management and implementation of temporary and permanent solutions, the Group continued to promote the establishment of its comprehensive risk management system. The risk management structure was further improved and the risk management system was refined. Through setting proper risk appetite and enriching and improving the methods and tools of risk management, the Group further strengthened the risk management of its subsidiaries, standardized and optimized the establishment of internal control system, improved the risk assessment and accountability system and enhanced the establishment of risk management information system to continuously upgrade the risk management level of the Group.

9.4.1 Comprehensive Risk Management System

In 2015, the Group continued to implement the five-year plan for the comprehensive risk management system from 2014 to 2018 and achieved the expected results. The Group formulated the 2015 Risk Appetite Policy to expand the dimensions of risk indicators and organized the determination of risk appetite of its subsidiaries. The Group properly allocated its risk appetite among different levels and lines of business. The Group issued the Basic Rules and Procedures on Risk Management to establish a comprehensive and systematic framework of risk management of the Company and the Group through a vertical approach. The Group also formulated the Provisional Measures for Risk Management of Subsidiaries to enhance the risk management of subsidiaries by the Group and established a risk management system of subsidiaries based on corporate governance, under the management of the risk management committee of the Board, with a focus on risk appetite and by means of assessment and supervision. The Group improved the establishment of the risk management information system and established a risk management database to improve the quality and efficiency of risk management of the Group.

9.4.2 Structure of Risk Management

The Group has set up a risk management framework which is a three-dimensional risk management system consisting of three hierarchies within our corporate governance structure, three tiers of professional teams specialized in risk management and three lines of defense in our practical operations.

The three hierarchies within our corporate governance structure refer to the Board, the senior management, and the Board of Supervisors. The Board is the highest policy-making body in respect of the risk management. The Group has established a risk management committee under the Board, which is responsible for setting forth risk management objectives and policies. Senior management are responsible for implementing the overall target of risk management and risk appetite set forth by the Board. The senior management has established a risk management and internal controls committee, which manages, discusses and controls risks in our operations. The Board of Supervisors is responsible for supervising the effectiveness of our risk management and internal controls.

9. Management Discussion and Analysis

The Group's three tiers of professional teams specialized in risk management refer to the chief risk officer of the Group; the risk management department and other departments of the Group involved in risk management; and the risk directors of the business departments of the Head Office and the Company Branches, and the chief risk officers or risk directors of the subsidiaries. The chief risk officer of the Group is in charge of our professional risk management team, who assists the President to conduct supervision over, and make decisions in connection with the risk management of the Group. The risk management department is mainly responsible for comprehensive risk management. The other risk management related functional departments carry out daily management over different types of risks. The Group has chief risk officer in the business department and independent risk management officer at the Head Office and has risk directors and risk management departments in branches. Each subsidiary has its chief risk officer and independent risk management department. Such risk management structure ensures the independence, professionalism and centralization of risk management.

The three lines of defense in operations refer to the three lines of defense in respect of risk management comprised of the business departments, the risk management department and other risk management related functional departments of the Group and the audit department of the Group. Business departments of the Group are responsible for identifying, evaluating and controlling risks in business operation. The risk management department and other risk management related functional departments of the Group are responsible for managing all kinds of risks. The audit department of the Group is responsible for evaluating the effectiveness of risk management and internal control and furnishes suggestions for improvement, and supervises the implementation of improvement methods.

9.4.3 Credit Risk Management

Credit risk refers to the risk of loss due to the failure of debtors or counterparties to perform their contractual obligations or deterioration of its credit condition. Credit risk of the Group is mainly related to the distressed debt asset management business, trust business, securities business, financial leasing business and banking business of the Group.

In 2015, in response to the slowdown in economic growth and changes in regulatory requirement in China, the Group continued to refine its credit risk management system. Through adoption of additional management tools and measures, the Group strengthened the identification, assessment, monitoring and control of credit risks. The Group improved its credit risk management process in respect of approval of project proposals, due diligence, operation review, pre-investment review, post-investment management and asset security. As at December 31, 2014 and 2015, the ratio of the gross amount of the acquisition-and-restructuring distressed debt assets of the Company secured by collateral to the total appraised value of the collateral securing these assets was 35.7% and 36.2%, respectively.

The Group has improved its credit risk management systems. The Group formulated the Interim Measures on Classification of Asset Risks (資產風險分類暫行辦法) to establish standards which can effectively reflect the asset quality. The asset depreciation standard is formulated to provide a basis for the calculation of risk cost. The Group formulated the Asset Loss Management System (資產損失管理制度) to strengthen its management over losses of assets and to enhance its risk prevention capability.

The Group has pushed forward the establishment of measures and tools of credit risk management. The Group worked on the establishment of internal rating system of credit risks, the development of measuring model and the design of application plan of internal rating for better credit risk management. To maintain the risk of customer concentration within the limit of loss of the Company and the limit of borrowing of customers, the Group improved its limit management mechanism, risk management measurement, risk assessment and establishment of limit management information system. The Group has adopted a screen-out approach to manage credit risk by updating the approval standards for various industries according to the policy and regulations as well as changes in the market in order to control risk from the source. The Group has completed the establishment of internal management for credit enquiry and the connection with the corporate credit information enquiry of the PBOC for immediate enquiry of credit risk of clients. The post-disbursement management system is strengthened by refining management tools and measures to monitor the changes in value of collateral and maintain adequate provision for impairment. Risk asset preservation is boosted by the adoption of new approaches and measures for risk mitigation for effective disposal of risk assets.

9.4.4 Market Risk Management

Market risk refers to the situation where business may suffer losses due to adverse movements in market prices, such as interest rates, exchange rates and stock and commodity prices. The Group's market risks primarily relate to its equity investment business, acquisition-and-disposal business, stocks, funds, bonds, wealth management and changes in interest rates.

The Group has formulated the "Interim Measures for Management of Market Risks" (《市場風險管理暫行辦法》) in 2015 to specify the targets and coverage of market risk management, classification of accounts, organization and division of duties for market risk management. We have also determined the standards of management processes and technique for market risks, measurement of capital and the related database.

In respect of interest rate risk, the Group actively focused on adapting to the liberalization of interest rates and proactively managed our assets and liabilities, and applied the results of gap analysis to adjust the portfolio, in order to control the increase of costs of indebtedness. We manage risks arising from interest rate fluctuations by strictly controlling the duration of the debt restructuring and strengthening the matching between the duration of liabilities, distressed assets and the interest rate structures of our acquisition-and-restructuring business. The Group also manage interest rate risks through quantitative analysis, including regular sensitivity analyses.

With respect to the risk of exchange rate, the Group closely monitored the changes in exchange rate and hedged the risk by swapping the currencies. The Group mainly operates in China and its accounts are denominated in RMB. The Group has flexibility to flexibly remit the proceeds from its overseas listing when

9. Management Discussion and Analysis

the exchange rate is favourable. As at the end of the Reporting Period, the balance of the proceeds from listing will be remitted when the exchange rate is favourable and will be used to strengthen the distressed asset management business, to improve our integrated financial services platform and to develop our asset management and investment business. The proceeds from overseas U.S. dollar bonds issued by our overseas subsidiaries and the U.S. dollar borrowings of our overseas subsidiaries were used on investment assets denominated in US dollar or HK dollar, which was pegged to the US dollar. The denominated currencies of our assets and liabilities are basically the same, therefore exchange rate risk is insignificant.

With respect to the price risks of listed stocks, the Group closely monitored the impact of changes in domestic and overseas economic conditions and industry fundamentals as well as operating environment of capital market on the operations, financial conditions and valuation of such listed companies, and formulated and adjusted its market value management strategies accordingly. Huarong Securities and the Group jointly conducted professional analysis on the market value of listed stocks held by them and closely monitored the general economic environment and market trend. The Measurement of Fair Value of Operating Assets was formulated and the operating assets measured by fair value were regularly evaluated, so as to accurately reflect the real value of assets and to reasonably measure the market risk of the Group during its business operations.

9.4.5 Liquidity Risk Management

Liquidity risk refers to the risks associated with failure to obtaining sufficient funds promptly or at reasonable cost. The funds are intended for repaying debts or other obligations or supporting the asset growth or other business development. Liquidity risks can be further divided into financing liquidity risks and market liquidity risks. Financing liquidity risk refers to the situation where the Group fail to meet the funding requirement effectively without affecting the Group's daily operations or financial conditions. Market liquidity risk refers to the situation where the Group fails to dispose of assets at a reasonable market price to obtain funds due to the limited depth of the market or market fluctuations. The Group's liquidity risks arise primarily from the delay in payment by its debtors, mismatch of asset and liability structure, difficulty in asset monetization, operational loss and difficulty in market-based financing.

The Group has adopted a centralized liquidity management system to enhance the structure of its liquidity risk management. By focusing on asset and liability management, the Group maintained the mismatch of assets and liabilities at an acceptable liquidity risk level. Maximum leverage ratio was determined in accordance with regulatory requirements to effectively control leverage and to guarantee its long-term liquidation.

The Group monitored the maturity mismatch between assets and liabilities, and implemented liquidity management through cash flow forecasts and controls. With respect to asset management, the Group optimized capital planning and position management, adopted transfer pricing method and other measures to expedite the turnover of funds, and maintained fund positions at a reasonable level. With respect to liability management, external financing was centrally managed and efforts were made to explore more important financing channels from direct bank borrowings to interbank market borrowings, financial bond offerings and long-term financing. Other less important financing channels included interbank advances. The structure of the Group's liabilities was optimized through the increase the proportion of medium and long-term borrowing and the addition of market financing methods in terms of the maturity and types of borrowings.

The methods for monitoring and controlling liquidity risks of the Group include indicator monitoring, alert management, stress tests and contingency plans. The Group strengthened the centralized management of its funding and liquidity, enhanced the maturity alert of assets and liabilities by setting and monitoring indicators in accordance with regulatory requirements for dynamic supervision and control of liquidity risk. Management of liquidity risk were also formulated on the basis of regular stress tests.

9.4.6 Management of Operational Risks

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency relating to the internal process, staff or IT system, or risks caused by external events during the ordinary business operations or management, including legal risks. The Group's operational risks mainly arise from internal fraud, external fraud, employment practices and accidents on our premises, business activities of customers or related to our products, damage to physical assets, incidents related to IT system and incidents related to execution, delivery and process management.

The Group placed great emphasis on the management of operational risks and has been improving its management system of operational risks. Through formulating Provisional Administrative Measures on Management of Operational Risks (操作風險管理暫行辦法), the Group established the management structure and management system for operational risks. The Group also defined a set of standards of major management processes to standardize business operation. All business segments also established their respective management systems.

The Group aimed to improve prevention and control system of legal risks covering all processes so as to completely prevent and control legal risks of projects. The Group refined its system relating to legal matters and regulated its investigation on legal matters. The Group also innovated a system for case management. The Group strengthened its research on legal matters based on its business development and strengthened the guidance on legal matters to employees of branches and subsidiaries.

The Group further refined its information technology risks prevention system and conducted evaluation on information technology risks and special inspection on information security based on the information security control measures set forth in ISO 27001:2005 information security management system and other regulatory requirements of CBRC. The Group has passed the information security management system certification test for 2015 conducted by China Information Security Certification Center (ISCCC). There was no significant event in relation to information security.

9. Management Discussion and Analysis

9.4.7 Reputational Risk Management

Reputational risk refers to the risk of receiving negative comments from stakeholder(s) by a group as a consequence of operation, management or other behaviours of that group or external events.

The Group has established a reputational risk management system to conduct spontaneous reputational risk management. The aim of reputational risk management is to discover and promptly deal with incidents in relation to or may lead to reputational risk of the Group and to prevent it from happening, to protect and improve the social image of the Group, minimize negative impacts on the Group and hence improve the operation management and service level of the Group.

The Group placed importance on reputational risk management. In its daily operation, the Company has worked in accordance with the principles of proactive management, prudent management, division of duties and responsibility, process management, full involvement and classification management to reinforce the awareness of reputational risk management and further improve the ability of reputational risk management so as to safeguard and promote its social reputation, brand name and image. In 2015, the Group did not have any significant event of reputational risk.

9.4.8 Internal Controls

The objectives of the internal controls of the Group are to ensure efficient operation, reliability of reports and compliance of operations. The Group has implemented all regulatory requirements, continuously improved the organization structure of internal controls, enhanced system management and reinforced business control measures.

The Group has developed an organization structure and authorization system of clear hierarchies, reasonable job allocation and definite reporting order. A three-lines defense system of internal controls comprising operation management department, risk management department and internal audit department was formed. Units at all levels and each of the defense lines worked together to prevent and control risks. In 2015, the Group revised the Rules of Internal Control (《內部控制規程》) and the Rules of System Management (《制度管理規程》) to further improve the upper structure of internal control, to specify the requirements of system configuration and to ensure the quality and effectiveness of system management.

For more details about the internal control of the Group, please refer to "14. Internal Control" of this annual report.

9. Management Discussion and Analysis

9.4.9 Internal Audit

The Group has adopted an internal audit system and has professional auditors responsible for the independent and objective supervision, examination and evaluation of the Group's conditions such as revenues and expenditures, business activities, risk conditions and internal control. The auditors shall report to the Board or the audit committee of the Board and the Board of Supervisors if material problems are discovered during audits.

In 2015, the Group has duly performed its audit duties. To prevent risks and to promote efficiency, the Company conducted routine audits, special audits, economic responsibility audits and evaluation of internal control. The Company also sought to optimize the internal audit management system and improved the professional quality of the audit team as well as thoroughly completed the audit plan for the year by organized planning and effective implementation.

Improvement of the internal audit and management systems. The Group has conducted studies on internal audit and management applicable to listed companies to improve and consolidate its audit and management systems, and further specify the objectives of and improve the applicability of the documents of the systems. The Group has optimized the internal audit examination system to further enhance the daily supervision and management of the internal audit of its branches and subsidiaries.

Regular audits and special audits. The Group has conducted regular and special audits of major projects, businesses and financial matters, internal management and internal control of its branches and subsidiaries. The Group has also conducted economic responsibility audits of the middle and senior management during their term of office.

Evaluation of internal control. The Group has evaluated the efficiency of its internal control by completing self-evaluation by all departments of the Head Office and all branches and subsidiaries, on-site examination and special inspection on risk management, internal supervision, financial management, business operation and information exchange and put forward recommendations for improvement of internal control.

Strengthened internal audit structure. The Group has strengthened its internal audit team by organizing trainings on laws and regulations, internal audit system and business knowledge. The Group has also improved audit technology and methods to develop an off-site audit system covering all lines of business. The Group has reallocated and organized the audit resources by assigning internal auditors from branches and subsidiaries to participate in the major audit projects in the Head Office so as to improve the overall level of its internal audit.

9. Management Discussion and Analysis

9.4.10 Anti-money Laundering Management

The Group has strictly complied with the anti-money laundering laws and regulations, and duly fulfilled its social responsibility and legal duty of anti-money laundering. The Company has formulated regulations such as Internal Control Regulations on Anti-money Laundering (《反洗錢內部控制規範》) and Management Measures on Money Laundering Risk Assessment and Customer Classification (《洗錢風險評估及客戶分類管理辦法》) to establish an anti-money laundering management system and working procedures. Daily anti-money laundering management was conducted by the off-site supervision system, project management system and customer relationship management system. Together with on-site audit and risk prevention and identification, the Company ensured the effective enforcement of the relevant laws and regulations and rules of the Company regarding anti-money laundering.

9.5 Capital Management

In accordance with the external regulatory requirements and the Group's own development strategies, the Group has continuously optimized capital measurement, planning, utilizations, monitoring and efficiency assessment mechanisms, and optimized its internal capital allocation to ensure a sound and compliant capital base, and to support the steady development of the Group.

As at December 31, 2014 and 2015, the capital adequacy ratio of the Company was 13.58% and 14.75%, respectively.

As at December 31, 2014 and 2015, the leverage ratio of the Company was 6.3:1 and 6.1:1, respectively. The slight decrease in the leverage ratio was mainly due to the proceeds from the Company's listing.

9.6 Outlook

In 2016, the global economy will continue its intensive rebalancing; global economic and financial development will be characterized by increasing divergence in economic growth among different countries, differentiated monetary policies of the major economies and intensified geopolitical development. Since China entered into the "new normal", though economic restructuring and adjustment and the transformation of the pattern of economic development have been the focus, there is still significant potential for further growth of the Chinese economy with strong resilience to volatility.

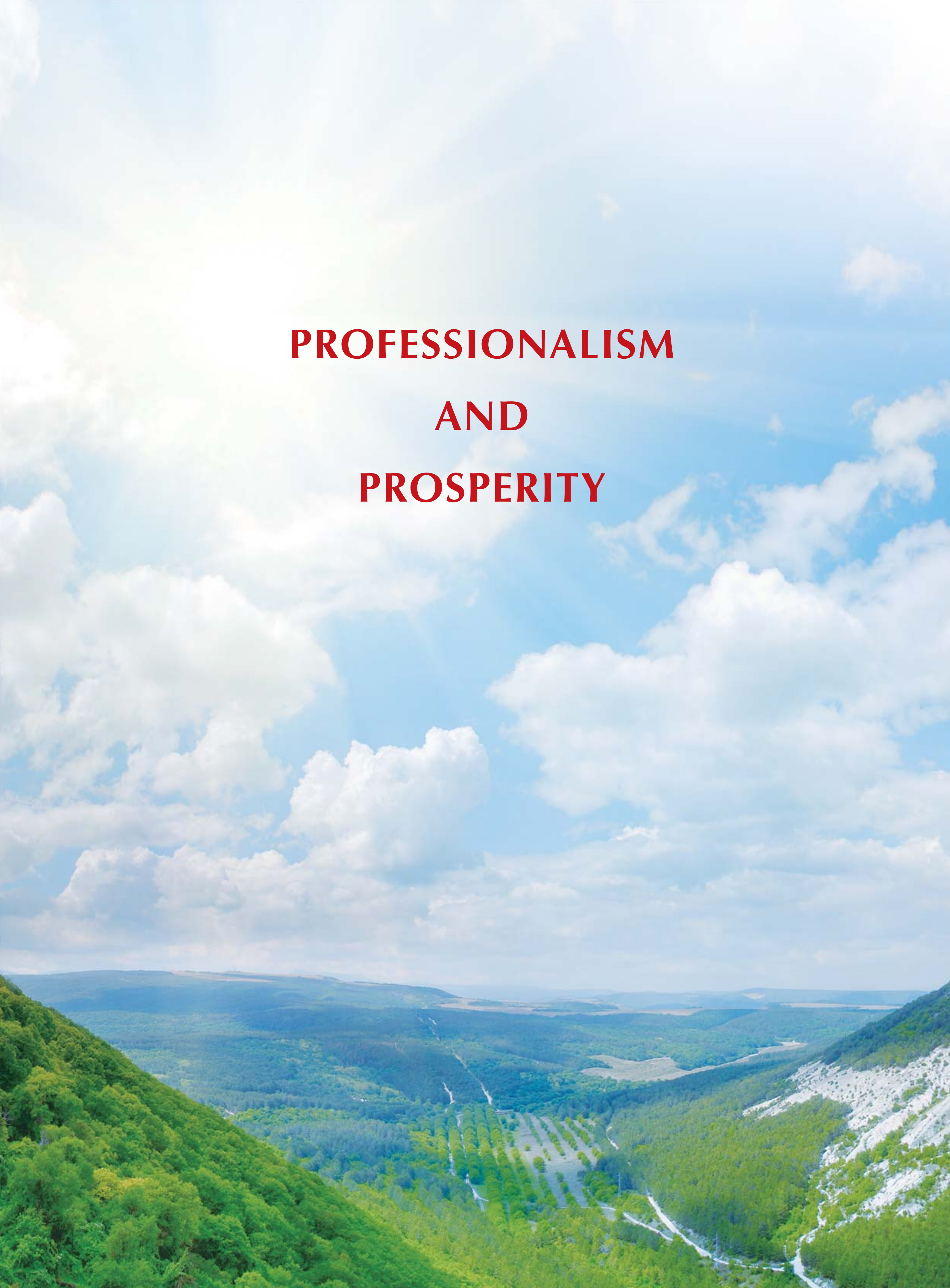
In 2016, the PRC government will focus on the structural reform of the supply front by implementing more proactive fiscal policies and prudent but flexible monetary policies for reducing overcapacity, destocking, deleveraging, reducing costs and shoring up weak growth areas, attaching more importance to the quality and efficiency of economic development.

9. Management Discussion and Analysis

As China's economic growth has become moderate and the economy undergoes restructuring, the need of deleveraging and revitalizing existing resources become stronger and the supply of financial and non-financial distressed assets continue to increase, which will present business opportunities for the distressed asset management industry. In addition, the supply-oriented structural reform proposed by the PRC government will further encourage industry restructuring, mergers, structural adjustment and upgrades. Business opportunities of acquisition and entrusted management, liquidation and restructuring of distressed entities will be more abundant, which in turn will drive the growth of distressed asset management business of AMCs.

In 2016, the Company will closely monitor domestic and international financial conditions and focus more on enhancing the quality and efficiency to raise the capability and efficiency of services for the real economy, in order to generate higher returns for shareholders and investors. Furthermore, capturing the opportunities from the financial market and the distressed asset market, the Company will put greater efforts on innovation to expand the principal business of distressed asset management and provide comprehensive and integrated high quality financial services to customers. Adhering to the five development concepts of "Innovation, Coordination, Environmental Protection, Open-mindedness and Sharing" and the development strategy of "the Belt and Road" in China, the Company will provide greater support to industries and sectors encompassed by the five development concepts, traditional industries and sectors undergoing transformation and upgrading, emerging strategic industries and technology innovation industries, and further expand international market to boost the sustainable development of the Company.

PROFESSIONALISM AND PROSPERITY



10. Social Responsibility

We believe that "a strong enterprise owns the present, while a responsible enterprise owns the future". We continued to actively support economic development and social advancement and fulfill the social responsibilities of a PRC state-owned enterprise in order to enhance our image as a responsible corporate citizen.

Strived to support national development strategies

In 2015, we continued to support the implementation of national strategies such as the development of "the Belt and Road" as well as the establishments of free trade zones. We further promoted the new strategic collaborative relationship between state-owned enterprises and local governments aiming to share resources, risks and profits in order to achieve mutual growth and mutual benefit for collaborative development. We have established various subsidiaries, including Huarong Gannan Industry-Finance Investment Co., Ltd. (華融贛南產融投資有限責任公司) and Huarong Guangdong Free Trade Zone Investment Holdings Co., Ltd (華融廣東自貿區投融資控股有限公司). The formation of these new platform companies is significant to the promotion of new concepts of "innovation, coordination, greening, opening and sharing", implementation of the system reforms of state-owned enterprises, enhancement of services for real local economic development, preventing and resolving financial risks, integration of industry and finance and realization of multilateral collaboration.

Committed to provide integrated financial services to customers

We are committed to satisfying customers' demands and growing with our customers. In 2015, we organized the 2015 working seminar for China Huarong's core clients with the theme of "value creation and cooperation for win-win situation" to improve the understanding between ourselves and our clients and to strengthen our relationship with our clients. Through the "core client strategy", China Huarong has successfully fostered a large base of high quality clients. The total number of clients and revenue contribution from our core clients continued to increase steadily every year and our customers' loyalty is rising.

10. Social Responsibility

Devoted to providing more room for career development and protecting interests of employees

In 2015, we continued to refine the remuneration package and the incentive and disciplinary system. The employee benefit system was implemented progressively to improve employees' loyalty and commitment. We actively seek to provide effective and comprehensive training to our employees covering every aspect from the inside and out, general and specific, breadth and depth, concepts and practices as well as theory and experience. In early 2015, the Serious Disease Relief Fund for Employees of China Huarong (中國華融員工大病救助基金) was set up under the proposal of Lai Xiaomin, the Chairman of the Board. Mr. Lai took the lead and donated RMB600,000 of his own money from book royalties to appeal for donations from all the employees. A total of over RMB3 million were raised upon the establishment of the fund. China Huarong's 3-in-1 integrated protection system was established, which aims to alleviate poverty, provide daily assistance to employees in need and offer relief to employees with serious disease.

Strive to contribute to the community

In 2015, we actively performed our social responsibilities as a state-owned enterprise with an aim to contribute to society and develop a harmonious environment. Particularly, the Company made further efforts in poverty alleviation. During the year, over RMB5 million were invested to special poverty alleviation projects. We provided support to 8 targeted poverty alleviation projects in Xuanhan County, Sichuan, set up the China Huarong Youth Responsibilities (Xuanhan County) Base, held the China Huarong Poverty Alleviation Day (中國華融愛心扶貧日) on October 17, 2015. During the year, we held certain activities including community-level visits by our young employees, "One-on-One" subsidies for poor students in Xuanhan County, and fundraising for the severe rainstorm relief on June 23, 2015.

11. Changes in Share Capital and Information on Substantial Shareholders

11.1 Changes in Share Capital

The Share capital of the Company as at December 31, 2015 is set out as follows:

Class of Shares	Number of Shares	Approximate percentage to the total issued share capital
H Shares	25,043,852,918	64.10%
Domestic Shares	14,026,355,544	35.90%
Total	39,070,208,462	100.00%

Note: Upon the listing of the Company on the Main Board of the Hong Kong Stock Exchange on October 30, 2015, completion of the global offering and before the exercise of over-allotment option, the total share capital of the Company was 38,465,750,462 Shares (including 24,411,745,353 H Shares and 14,054,005,109 Domestic Shares). The over-allotment option in relation to the global offering of the Company was partially exercised on November 20, 2015 in respect of 604,458,000 additional H Shares.

11.2 Listing and Issuance of Securities

Upon the approval of domestic and overseas regulatory authorities, the Company was listed on the Hong Kong Stock Exchange on October 30, 2015. Under the initial public offering of the Company, approximately 6.374 billion H Shares (including 604 million H Shares issued pursuant to the over-allotment option) were issued in total, representing 16.32% of the total share capital of the Company. The total issuance amount was HK$6.374 billion, and the offer price was HK$3.09 per Share. Total funds raised were approximately HK$19.7 billion, which were used to replenish our capital to further strengthen our distressed asset management ability, improve the integrated financial services platform, and develop the asset management and investment businesses. The over-allotment option was partially exercised on November 20, 2015, and the over-allotment Shares were listed and traded on the Hong Kong Stock Exchange since November 27, 2015. The total share capital of the Company increased from 32,695,870,462 Shares before the listing to 39,070,208,462 Shares after the completion of the initial public offering. The MOF held 24,752,711,088 Shares, accounting for 63.35% of the total share capital of the Company.

11. Changes in Share Capital and Information on Substantial Shareholders

11.3 Substantial Shareholders

11.3.1 Interests and Short Positions held by the Substantial Shareholders and Other Parties

As of 31 December 2015, the Company received notices from the following persons about their notifiable interests or short positions held in the Company's shares and underlying shares pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of Shares of the Company (%)[6]	Approximate percentage to the total share capital of the Company (%)[7]
MOF	Domestic Shares	Beneficial owner	12,376,355,544(L)	88.24(L)	31.68(L)
	H Shares[1]	Beneficial owner	12,376,355,544(L)	49.42(L)	31.68(L)
	H Shares[2]	Interest of controlled corporation	1,716,504,000(L)	6.85(L)	4.39(L)
China Life Insurance (Group) Company	Domestic Shares	Beneficial owner	1,650,000,000(L)	11.76(L)	4.22(L)
Warburg Pincus & Co.[3]	H Shares	Interest of controlled corporation	2,060,000,000(L)	8.23(L)	5.27(L)
Warburg Pincus Financial International Ltd[3]	H Shares	Beneficial owner	2,060,000,000(L)	8.23(L)	5.27(L)
Central Huijin Investment Ltd.[2]	H Shares	Interest of controlled corporation	1,716,504,000(L)	6.85(L)	4.39(L)
Sino-Ocean Land Holdings Limited[4]	H Shares	Interest of controlled corporation	1,716,504,000(L)	6.85(L)	4.39(L)
Ko Kwong Woon Ivan[5]	H Shares	Interest of controlled corporation	1,716,504,000(L)	6.85(L)	4.39(L)
Siu Lai Sheung[5]	H Shares	Interest of controlled corporation	1,716,504,000(L)	6.85(L)	4.39(L)
Fabulous Treasure Investments Limited[2][4][5]	H Shares	Beneficial owner	1,716,504,000(L)	6.85(L)	4.39(L)

Note: (L): long position; (S): short position; (P) lending pool.

11. Changes in Share Capital and Information on Substantial Shareholders

Notes:

(1) The data is based on the Corporate Substantial Shareholder Notice from the MOF filed with the Hong Kong Stock Exchange on December 1, 2015.

(2) According to the Corporate Substantial Shareholder Notices from the MOF and Central Huijin Investment Ltd. filed with the Hong Kong Stock Exchange, respectively, on December 17, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by the MOF and Central Huijin Investment Ltd., therefore, for the purpose of the SFO, the MOF, Central Huijin Investment Ltd., Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.

(3) According to the Corporate Substantial Shareholder Notice from Warburg Pincus & Co. filed with the Hong Kong Stock Exchange on November 13, 2015, Warburg Pincus Financial International Ltd directly holds 2,060,000,000 H Shares of the Company. As WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP Financial L.P., Warburg Pincus International L.P. and Warburg Pincus Financial International Ltd are all corporations directly or indirectly controlled by Warburg Pincus & Co., therefore, for the purpose of the SFO, Warburg Pincus & Co., WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP Financial L.P. and Warburg Pincus International L.P. are deemed to be interested in the long positions held by Warburg Pincus Financial International Ltd.

(4) According to the Corporate Substantial Shareholder Notice from Sino-Ocean Land Holdings Limited filed with the Hong Kong Stock Exchange on December 1, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As Shine Wind Development Limited, Fame Gain Holdings Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by Sino-Ocean Land Holdings Limited, therefore, for the purpose of the SFO, Sino-Ocean Land Holdings Limited, Shine Wind Development Limited, Fame Gain Holdings Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.

(5) According to the Individual Substantial Shareholder Notices from Ko Kwong Woon Ivan and Siu Lai Sheung filed with the Hong Kong Stock Exchange, respectively, on December 16, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As RECAS Global Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by Ko Kwong Woon Ivan and Siu Lai Sheung, therefore, for the purpose of the SFO, Ko Kwong Woon Ivan, Siu Lai Sheung, RECAS Global Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.

(6) Calculated based on 14,026,355,544 Domestic Shares or 25,043,852,918 H Shares in issue of the Company as at December 31, 2015.

(7) Calculated based on a total of 39,070,208,462 Shares in issue of the Company as at December 31, 2015.

11. Changes in Share Capital and Information on Substantial Shareholders

11.3.2 Substantial Shareholders

From the Listing Date to the end of the Reporting Period, the substantial shareholders of the Company remained unchanged. Details of the substantial shareholders of the Company are as follows:

MOF

As a department under the State Council of the PRC, MOF is responsible for the administration of revenue and expenditure and taxation policies of the PRC.

China Life Insurance (Group) Company (中國人壽保險（集團）公司)

It is a financial insurance company wholly owned by the MOF. China Life Insurance (Group) Company and its subsidiaries constitute the largest commercial insurance group in China. Its business scope includes life insurance, property insurance, pension insurance (corporate annuity), asset management, alternative investment, overseas business, e-commerce and various areas.

Warburg Pincus LLC

Warburg Pincus LLC, established in 1966, is a globally leading private equity investment company headquartered in New York. Its scope of investment covers the consumption, industry and services (CIS) segments, energy, financial services, pharmaceuticals and healthcare, technology, media and telecommunication (TMT) and other industries. Warburg Pincus LLC has established business in China since 1994, being one of the first international private equity investment groups operating in China.

Warburg Pincus Financial International Ltd is a wholly-owned subsidiary of Warburg Pincus International L.P.. Warburg Pincus LLC is the manager of Warburg Pincus International L.P.

Sino-Ocean Land Holdings Limited

Sino-Ocean Land Holdings Limited, established in 1993, is a leading real estate developer operating in the major economically developed regions in China. Its business scope mainly includes development of mid-to-high end residential buildings, high-end office buildings, retail properties and service apartments, sales of properties and related business, engineering and landscape construction, property management, operation of hotels and clubhouses, and holding diversified portfolios of development projects and investment properties in various regions.

12. Directors, Supervisors and Senior Management

12.1 Directors

As of December 31, 2015, details of the Directors of the Company were as follows:

No.	Name	Gender	Age	Position	Term of office
1	Lai Xiaomin	M	53	Chairman of the Board and Executive Director	From September 2012 to the election of the next session of the Board
2	Ke Kasheng	M	51	Executive Director and President	From September 2012 to the election of the next session of the Board
3	Wang Keyue	M	58	Executive Director and Vice President	From September 2012 to the election of the next session of the Board
4	Tian Yuming	M	51	Non-executive Director	From September 2012 to the election of the next session of the Board
5	Wang Cong	F	53	Non-executive Director	From September 2012 to the election of the next session of the Board
6	Dai Lijia	F	44	Non-executive Director	From September 2012 to the election of the next session of the Board
7	Wang Sidong	M	54	Non-executive Director	From March 2015 to the election of the next session of the Board
8	Li Hui[1]	M	47	Non-executive Director	From February 2015 to the election of the next session of the Board
9	Song Fengming	M	69	Independent Non-executive Director	From September 2012 to the election of the next session of the Board
10	Wu Xiaoqiu	M	56	Independent Non-executive Director	From March 2015 to the election of the next session of the Board
11	Tse Hau Yin	M	67	Independent Non-executive Director	From March 2015 to the election of the next session of the Board
12	Liu Junmin	M	65	Independent Non-executive Director	From June 2015 to the election of the next session of the Board

(1) Since March 3, 2016, Mr. Li Hui ceased to be the non-executive Director of the Company due to change of personal work arrangements. Please refer to "12. Directors, Supervisors and Senior Management — 12.4 Changes in Directors, Supervisors and Senior Management" of this annual report for details.

12. Directors, Supervisors and Senior Management

12.1.1 Executive Directors

Mr. Lai Xiaomin, aged 53, has been an executive Director and Chairman of the Board since September 27, 2012, and was accredited as a senior economist by PBOC in June 1993. Mr. Lai started his career at the Planning and Funding Department of PBOC in July 1983 and held various positions in PBOC and CBRC, including deputy director and director of the Central Funding Division of the Planning and Funding Department of PBOC from July 1987 to October 1994, director of the Banking Division II of the Planning and Funding Department of PBOC from October 1994 to May 1997, deputy director of the Credits Management Department of PBOC from May 1997 to August 1998, deputy director of the Banking Regulatory Department II of PBOC from August 1998 to April 2003, a deputy director level cadre of the Banking Regulatory Department II of CBRC from April 2003 to July 2003, head of the preparation team of CBRC Beijing Office from July 2003 to September 2003, director of CBRC Beijing Office from September 2003 to December 2005, director of the General Office (Party Committee Office) of CBRC from December 2005 to January 2009. Mr. Lai joined the Company in January 2009 and served as the President of the Company till September 2012. Mr. Lai also serves as the vice chairman of both China Enterprise Confederation and China Enterprise Directors Association since June 2009, and vice chairman of both the China Council for the Promotion of International Trade and China Chamber of International Commerce since November 2011. Mr. Lai graduated from Jiangxi College of Finance and Economics (now known as Jiangxi University of Finance and Economics), majoring in national economic planning, in July 1983, and obtained a bachelor's degree in economics. He also graduated from the Party School of Central Committee of the C.P.C, majoring in economics (economic management), in January 2011 with a postgraduate certificate. Mr. Lai used to serve as the chief spokesman of CBRC and is now a representative of the Twelfth NPC.

Mr. Ke Kasheng, aged 51, has been an executive Director and President of the Company since September 27, 2012, and was accredited as a senior economist by PBOC in November 1999. Mr. Ke started his career at the Currency Issue Department of Guangdong Branch of PBOC in July 1984 and held various positions in PBOC and CBRC, including deputy chief and chief of the Currency Issue Department of Guangdong Branch of PBOC from June 1989 to April 1992, deputy director of the General Office of Guangdong Branch of PBOC from April 1992 to April 1996, director of the Comprehensive Planning Division of Guangdong Branch of PBOC from April 1996 to November 1996, president of Shantou Branch of PBOC from November 1996 to April 2000, director of the Internal Audit Division and vice president of Guangzhou Branch of PBOC from April 2000 to July 2003, member of the preparation team and deputy director of CBRC Guangdong Office from July 2003 to May 2006, director of the Non-banking Financial Institution Regulatory Department of CBRC from May 2006 to September 2012. Mr. Ke graduated from the Central Institute of Finance and Economics (now known as the Central University of Finance & Economics), majoring in finance, in July 1984, and obtained a bachelor's degree in economics, graduated from the graduate school of Aichi University of Japan in March 1995, majoring in business operation, and obtained a master's degree in business operation, and graduated from Cheung Kong Graduate School of Business in September 2007 with an MBA degree for senior management.

Mr. Wang Keyue, aged 58, became Vice President of the Company in March 2009 and has been an executive Director and Vice President of the Company since September 27, 2012. He was accredited as a senior economist by Industrial and Commercial Bank of China Limited ("ICBC") in December 1994. Mr. Wang started his career in December 1976 and held various positions in PBOC and ICBC, including the head of the Publicity and Education Section and deputy director of the General Office of Langfang Sub-branch of PBOC from October 1982 to November 1984, deputy director and director of the Business Department of Langfang Central Sub-branch of ICBC, president of Langfang Sub-branch of ICBC and president of Langfang Branch of ICBC from November 1984 to September 1998, and vice president of Hebei Branch of ICBC from September 1998 to April 2000. Mr. Wang joined the Company in April 2000 as the general manager of Shijiazhuang Office, and then served as the general manager of the Asset Management Department III from August 2002 to March 2006, general manager of Beijing Office from March 2006 to October 2007, assistant to President from October 2007 to March 2009 (concurrently serving as the general manager of Beijing Office from October 2007 to March 2009), and Vice President since March 2009 (concurrently serving as chairman of the board of directors of Huarong Rongde from April 2009 to January 2011 and chairman of the board of directors of Huarong Financial Leasing from January 2009 to September 2012). Mr. Wang graduated from Correspondence College of the Party School of the Central Committee of the C.P.C in December 1994, majoring in economics, and then completed postgraduate courses in economic laws at Capital University of Economics and Business in June 1997 and postgraduate courses in finance at Southwestern University of Finance and Economics in February 1999.

12. Directors, Supervisors and Senior Management

12.1.2 Non-executive Directors

Mr. Tian Yuming, aged 51, has been a non-executive Director of the Company since September 27, 2012. Mr. Tian served in the People's Liberation Army for many years as a lecturer of Logistics Teaching and Research Department of the Military Economics Academy and staff officer of the Command of General Logistics Department. Mr. Tian was transferred to civilian work in the MOF in October 2006 and served as vice president (deputy director level) of China Financial and Economic News from January 2008 to September 2012. Mr. Tian graduated from the Naval Aeronautical Engineering Academy of People's Liberation Army in March 1992 and obtained a master's degree.

Ms. Wang Cong, aged 53, has been a non-executive Director of the Company since September 27, 2012. Ms. Wang was accredited as a deputy researcher by PBOC in October 1997. She worked at the Secretariat of Chinese Financial Society of Financial Research Institute of PBOC from August 1985 to March 1987 and then practiced in the Xicheng District office of ICBC Beijing Branch from March 1987 to March 1988. She served successively as a staff member, senior staff member, principal staff member and deputy director of the Scientific Research Organization Division of the Financial Research Institute of PBOC from March 1988 to August 1998, deputy director of the Fiscal and Taxation Research Division of the Research Bureau of PBOC from August 1998 to February 2004, researcher of the Risks Management Banking Institutions Division of the Finance Stability Bureau of PBOC from February 2004 to June 2005, researcher and director of the Deposit Insurance System Division of the Finance Stability Bureau of PBOC from June 2005 to February 2013 (during which period Ms. Wang practiced as assistant general manager of the Personal Financial Department of the PBOC from August 2011 to August 2012. Ms. Wang graduated from the School of Finance of Renmin University of China, majoring in finance, with a bachelor's degree in economics in July 1985, and graduated from the Department of Public Finance of Xiamen University with a master's degree in economics in July 1996.

Ms. Dai Lijia, aged 44, has been a non-executive Director of the Company since September 27, 2012. Ms. Dai worked many years at the People's Insurance Company (Group) of China Limited ("PICC"), the Central Financial Work Commission and CBRC, serving successively as a deputy director of PICC, deputy director of the Non-Banking Division of the Supervisory Committee Work Department of the Central Financial Work Commission, director of the Non-Banking Division of the Supervisory Committee Work Department of CBRC, researcher of the China Development Bank Regulatory Division, director of the General Office (Comprehensive Affairs Division), director of the Market Entry Division and counsel of deputy director level of the Banking Regulatory Department IV of CBRC. Ms. Dai graduated from the Finance and Accounting Department of Jiangxi College of Finance and Economics (now known as Jiangxi University of Finance and Economics) in July 1993 with a bachelor's degree in economics, and graduated from the Graduate School of the Research Institute for Fiscal Science of the MOF in July 1999 with a master's degree in economics and graduated from the Faculty of Business of University of Bath in UK in October 2006 with an MBA degree.

12. Directors, Supervisors and Senior Management

Mr. Wang Sidong, aged 54, has been a non-executive Director of the Company since March 23, 2015. Mr. Wang held various positions successively in the Ministry of Foreign Trade and Economic Cooperation, Hong Kong branch of Xinhua News Agency, Hong Kong Chinese Enterprises Association and China Life Insurance (Group) Company from August 1983 to June 2004, including principal staff member of the General Office of the Ministry of Foreign Trade and Economic Cooperation, deputy director level secretary of the First Secretariat of the General Office of the Ministry of Foreign Trade and Economic Cooperation, director-level secretary of the General Office of Hong Kong branch of Xinhua News Agency, deputy secretary-general of Hong Kong Chinese Enterprises Association, deputy general manager of Zhejiang branch of China Life Insurance (Group) Company and director of the General Office of China Life Insurance (Group) Company. Mr. Wang has been vice president of China Life Insurance (Group) Company since June 2004 and now concurrently serves as the chairman of the board of directors of China Life Investment Holding Company Limited, a wholly-owned subsidiary of China Life Insurance (Group) Company, director of China Life Insurance Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2628, on Shanghai Stock Exchange, stock code: 601628, and on New York Stock Exchange, stock code: LFC) and director of China Life Pension Company Limited. Mr. Wang graduated from Shandong University (majoring in the Chinese language and culture) in July 1983 with a bachelor of arts degree.

Mr. Li Hui, aged 47, has been a non-executive Director of the Company since February 4, 2015. Mr. Li is the head of Asia-Pacific region of Warburg Pincus LLC and responsible for the firm's business in the Asia-Pacific region. Mr. Li worked in the investment banking department and global capital market department of Morgan Stanley from July 1994 to February 2001 and was promoted to vice president in December 1998. He served as an executive director of the corporate financing department of Goldman Sachs (Asia) L.L.C. in Hong Kong from March 2001 to February 2002. He joined Warburg Pincus Asia LLC as an executive director in February 2002 and was appointed as a managing director in December 2003. Mr. Li became a director of Datong International Holdings, Ltd. in March 2011, a non-executive director of China Biologic Products, Inc. (a listed company on NASDAQ, stock code: CBPO) in November 2013 and a non-executive director of CAR Inc. (a listed company on the Hong Kong Stock Exchange, stock code: 0699) in April 2014 (resigned on January 13, 2016). Mr. Li graduated from Renmin University of China with a bachelor's degree in economics in July 1990, and from Yale School of Management in May 1994 with a master's degree in public and private management.

Since March 3, 2016, Mr. Li Hui ceased to be the non-executive Director of the Company due to change of personal work arrangements. Please refer to "12. Directors, Supervisors and Senior Management — 12.4 Changes in Directors, Supervisors and Senior Management" of this annual report for details.

12.1.3 Independent Non-executive Directors

Mr. Song Fengming, aged 69, has been an independent non-executive Director of the Company since September 27, 2012. He is entitled to the Government Special Allowance of the State Council. He is currently a professor and PhD supervisor of the School of Economics and Management of Tsinghua University. Mr. Song served as a deputy dean (in charge) of the Management Department (now known as School of Economics and Management) of Zhenjiang Shipbuilding Institute (now known as Jiangsu University of Science and Technology), dean of the Department of Finance of the School of Economics and Management and co-chairman of the China Centre for Financial Research of Tsinghua University. Mr. Song was a senior visiting scholar of MIT Sloan School of Management and attended the training course for general managers offered by Harvard Business School. Mr. Song served as an independent director of CCB (a company listed on the Hong Kong Stock Exchange, stock code: 00939, and on Shanghai Stock Exchange, stock code: 601939) from May 2004 to May 2010 and a supervisor of CCB from May 2010 to March 2013. He has been an independent director of China Guangfa Bank Co., Ltd. since 2013 and chairman of the board of supervisors of Tsinghua Holdings Co., Ltd. since October 2003. Mr. Song received a doctor's degree in engineering (now known as system engineering) from Tsinghua University in August 1988. He pursued his post-doctorate research at University of California from 1992 to 1994. Currently, Mr. Song is deputy secretary-general, managing director, member of the Academic Committee and chairman of the Financial Engineering Professional Committee of China Society for Finance and Banking, managing director, member of the Academic Committee, chairman of the Quantitative Financial Professional Committee of the Society of Quantitative Economics of China, and managing director and member of the Academic Committee of China Urban Financial Society and China Society for Rural Finance.

12. Directors, Supervisors and Senior Management

Mr. Wu Xiaoqiu, aged 56, has been an independent non-executive Director of the Company since March 4, 2015. Mr. Wu is a professor of the School of Finance of Renmin University of China. He is also a distinguished professor of "Changjiang Scholar Program" of the Ministry of Education and entitled to a Government Special Allowance of the State Council. Mr. Wu started his work in the Institute of Economic Research of Renmin University of China in July 1986 and then served successively as director of the Institute of Economic Research of Renmin University of China, deputy dean and PhD supervisor of the School of Finance of Renmin University of China. Currently, he is the director of the Financial and Securities Research Institute of Renmin University of China. Mr. Wu studied at Jiangxi College of Finance and Economics (now known as Jiangxi University of Finance and Economics) from September 1979 to July 1983, majoring in national economic planning and management, and obtained a bachelor's degree, and then studied at Renmin University of China from September 1983 to July 1986, majoring in national economic planning and management in the Planning and Statistics Department, and obtained a master's degree. Mr. Wu graduated from Renmin University of China in July 1990 with a doctor's degree in economics.

Mr. Tse Hau Yin, aged 67, has been an independent non-executive Director of the Company since March 23, 2015. Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is a former president of the HKICPA and a former member of the audit committee of the HKICPA. He joined KPMG in 1976 and became a partner in 1984. Before his retirement in 2003, Mr. Tse was a non-executive chairman of KPMG's operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse has been an independent non-executive director of OCBC Wing Hang Bank Limited (formerly listed on the Hong Kong Stock Exchange, stock code: 00302) since November 2004, an independent non-executive director of Daohe Global Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00915 and formerly known as Linmark Group Limited) since May 2005, an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange, stock code: 00883) since June 2005, an independent non-executive director of China Telecom Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 00728) since September 2005, an independent non-executive director of Sinofert Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00297) since June 2007, an independent non-executive director of SJM Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00880) since October 2007 and an independent non-executive director of CCB International (Holdings) Limited (a wholly-owned subsidiary of China Construction Bank Corporation) since March 2013. Mr. Tse is a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse graduated from the University of Hong Kong and obtained a bachelor's degree in social science in November 1970.

Mr. Liu Junmin, aged 65, has been an independent non-executive Director of the Company since June 23, 2015. Mr. Liu taught in Tianjin University of Finance and Economics and served as lecturer and associate professor from 1982 to 1992. He has been teaching in the Department of Economics of Nankai University since 1992 and is currently a professor of the department. Mr. Liu served as an independent non-executive director of Tianjin Faw Xiali Automobile Co., Ltd. (a listed company on Shenzhen Stock Exchange, stock code: 000927) from May 2003 to June 2009 and an independent non-executive director of Suzhou Jinfu New Material Co., Ltd. (a listed company on Shenzhen Stock Exchange, stock code: 300128) from March 2008 to June 2014. Currently, Mr. Liu is an independent non-executive director of AVIC Electromechanical Systems Co., Ltd. (a listed company on Shenzhen Stock Exchange, stock code: 002013), Chinese People Holdings Company Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00681) and Yingli Green Energy Holdings Co., Ltd.. Mr. Liu graduated from Nankai University, majoring in political economy and obtained a doctor's degree in economics in July 1997.

12. Directors, Supervisors and Senior Management

12.2 Supervisors

As of December 31, 2015, details of the Supervisors of the Company were as follows:

No.	Name	Gender	Age	Position	Term of office
1	Sui Yunsheng	M	60	Chairman of the Board of Supervisors and Shareholder Representative Supervisor	From September 2012 to the election of the new session of the Board of Supervisors
2	Wang Qi	F	59	External Supervisor	From September 2012 to the election of the new session of the Board of Supervisors
3	Dong Juan	F	63	External Supervisor	From April 2015 to the election of the new session of the Board of Supervisors
4	Zheng Shengqin	F	52	Employee Representative Supervisor	From February 2014 to the election of the new session of the Board of Supervisors
5	Xu Dong	M	50	Employee Representative Supervisor	From March 2015 to the election of the new session of the Board of Supervisors

Mr. Sui Yunsheng, aged 60, has been Chairman of the Board of Supervisors since September 2012. He was accredited as a senior economist by ICBC in November 1994. Mr. Sui started his career in August 1976 and held various positions in PBOC and ICBC, including being engaged in credit work in Anshan Branch of PBOC in Liaoning Province from October 1979 to December 1984, chief of the Credit Section, vice president and president of Anshan Branch of ICBC in Liaoning Province from December 1984 to September 1997, vice president of Liaoning Branch of ICBC from September 1997 to September 1998, vice president and president of Shanxi Branch of ICBC from September 1998 to February 2004, and president of Sichuan Branch of ICBC from February 2004 to April 2005. Mr. Sui joined the Company in April 2005 and worked as vice president of the Company until September 2012 (concurrently serving as chairman of the board of directors of Huarong Trust from May 2008 to September 2012). Mr. Sui studied at Liaoning Radio and TV University majoring in finance from 1983 to July 1986 and completed a graduate program in monetary banking at Graduate School of Chinese Academy of Social Sciences in December 1997.

Ms. Wang Qi, aged 59, has been an External Supervisor of the Company since September 2012. She obtained the qualification of PRC certified public accountant in 1997. She was accredited as a senior accountant by Beijing Senior Professional Technical Qualification Evaluation Committee in December 2000. Ms. Wang worked in Beijing Municipal Bureau of Finance from July 1975 to August 2011, serving successively as deputy director and director of the Comprehensive Planning Division, director of the National Debt and Finance Division, director of the Foreign Affairs Division and director of the Finance Division. Ms. Wang graduated from Beijing Institute of Finance and Trade (now known as Capital University of Economics and Business) majoring in finance in January 1984. She completed a graduate program in finance at Central University of Finance and Economics in June 2000. She also graduated from Central Radio and TV University of China majoring in accounting in July 2003.

12. Directors, Supervisors and Senior Management

Ms. Dong Juan, aged 63, has been an External Supervisor of the Company since April 2015. She obtained the qualification of PRC certified public accountant in 1994. Ms. Dong had served as deputy director and director of the Foreign Trade Division in the Commerce and Trade Department of MOF from 1984 to 1994. She worked as director of the Enterprise Department of the National State-owned Assets Supervision and Administration Bureau from 1994 to 1998, director of the Assessment Department of MOF from 1998 to 2000, and has served as chairman of the board of directors of Grandchina International Consulting Co., Ltd. from 2000 to 2014. She also served as an independent non-executive director of Sinotex Investment & Development Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600061) from August 2011 to March 2013, and an external supervisor of China Cinda Asset Management Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01359) from June 2010 to February 2015. Ms. Dong is currently also an external supervisor of ICBC (listed on the Hong Kong Stock Exchange, stock code: 01398, and the Shanghai Stock Exchange, stock code: 601398). Ms. Dong graduated from Shanxi Finance and Economics College in July 1978, and graduated from Dongbei University of Finance and Economics in August 1997 with a master's degree in economics.

Ms. Zheng Shengqin, aged 52, has been an Employee Representative Supervisor of the Company since February 2014. She was accredited as a senior economist by ICBC in 1997. Ms. Zheng worked in ICBC from August 1984 to January 2000, serving successively as deputy director level inspector, deputy director and director of the Supervisory Office of the Disciplinary Committee of ICBC Head Office. Ms. Zheng joined the Company in January 2000 and served successively as deputy general manager of the Creditor's Rights Management Department, deputy general manager of the Operational Management Department, deputy general manager of the Operational Development Department, general manager of the Operational Management Department and general manager of the Risk Management Department until December 2010, and concurrently general manager of the Risk Management Department and the secretary of Disciplinary Committee of Huarong Securities from December 2010 to April 2011, secretary of the Disciplinary Committee of Huarong Securities from April 2011 to July 2011 and chairman of the board of supervisors and secretary of the Disciplinary Committee of Huarong Securities from July 2011 to January 2014. Ms. Zheng has served successively as head and executive vice chairman of the Labor Union since 2014. Ms. Zheng graduated from Sichuan College of Finance and Economics (now known as Southwestern University of Finance and Economics) with a bachelor's degree in finance in July 1984. From September 2001 to August 2003, she studied IMBA course at Fudan University and The University of Hong Kong and received a master's degree.

Mr. Xu Dong, aged 50, has been an Employee Representative Supervisor of the Company since March 2015. He was accredited as a senior economist by the Company in 2012. Mr. Xu joined Quyuan branch of ABC in December 1984, participating in deposit, credit, office and planning works. From September 1990 to March 2001, he worked in Yueyang branch of BoCOM as deputy director of the Planning Business Department, director of the Planning Business Department and Securities Department, director of the Operation Department and director of office of Qiaoxi sub-branch and serviced as vice president of Yueyang branch from March 2001 to March 2006. From March 2006 to October 2010, Mr. Xu worked in Changsha branch of China Everbright Bank, serving successively as general manager of the Bills and Notes Business Department, the Retail Business Department, the Interbank Institutes Department and the Risk Management Department. Mr. Xu joined the Business Department of the Head Office of Huarong Xiangjiang Bank in October 2010 and participated in the establishment of its Changsha branch. From January 2011 to January 2015, he served successively as vice president of Changsha branch of Huarong Xiangjiang Bank, president of Xiangtan branch of Huarong Xiangjiang Bank, marketing director (level of assistant to the president) of Huarong Xiangjiang Bank and president of Xiangtan branch of Huarong Xiangjiang Bank. Mr. Xu has served as deputy general manager of the Risk Management Department of the Company since January 2015 and served as director of Asset Preservation Department since February 2015. Mr. Xu graduated from Hunan University majoring in applied mathematics and obtained a master's degree of science in 2003.

12. Directors, Supervisors and Senior Management

12.3 Senior Management

As of December 31, 2015, the details of senior management of the Company were as follows:

No.	Name	Gender	Age	Position	Beginning of the term of office
1	Ke Kasheng	M	51	President	September 2012
2	Liang Zhijun	M	59	Vice President	March 2007
3	Wang Keyue	M	58	Vice President	March 2009
4	Zhang Lin	F	60	Vice President	March 2009
5	Li Yuping	M	53	Member of senior management	October 2012
6	Wang Lihua	M	51	Vice President	October 2012
7	Xiong Qiugu	M	55	Vice President	October 2012
8	Hu Jiliang	M	51	Vice President	November 2014
9	Wang Wenjie	M	54	Vice President	November 2014
10	Hu Ying(1)	F	50	Assistant to President	December 2015
11	Yang Guobing(2)	M	50	Assistant to President	December 2015
12	Hu Jianjun	M	52	Secretary to the Board	November 2014

(1) Ms. Hu Ying was appointed as an Assistant to President of the Company by the Board since July 2015, and her appointment was approved by the CBRC on December 31, 2015.

(2) Mr. Yang Guobing was appointed as an Assistant to President of the Company by the Board since July 2015, and his appointment was approved by the CBRC on December 31, 2015.

12. Directors, Supervisors and Senior Management

Mr. Ke Kasheng, please see "— Executive Directors".

Mr. Liang Zhijun, aged 59, has been a Vice President of the Company since March 2007. He was accredited as a senior economist by PBOC in June 1993. Mr. Liang began his career at the Financial Research Institute of the Head Office of PBOC in August 1978. He worked successively as deputy director of Division I, deputy director of Division V and director of Division V of PBOC from July 1985 to April 1993, deputy general manager and general manager of China Huacheng Finance Company from April 1993 to May 1997, vice executive president of Huacheng Investment Management Company Limited from May 1997 to July 2000, full-time supervisor at the deputy director level, and the deputy director level and deputy office director of the board of supervisors of China Orient from July 2000 to August 2003, full-time supervisor at the director level of the Board of Supervisors of the Company and China Credit Trust Investment Co., Ltd. from August 2003 to March 2007. He has been Vice President of the Company since March 2007(concurrently serving as chairman of the board of directors of Huarong Real Estate from February 2009 to December 2012). Mr. Liang graduated from Tianjin College of Finance and Economics (now known as Tianjin University of Finance and Economics), majoring in finance in July 1978.

Mr. Wang Keyue, please see "— Executive Directors".

12. Directors, Supervisors and Senior Management

Ms. Zhang Lin, aged 60, has been a Vice President of the Company since March 2009 and a Vice President of the Company and chairman of the Labor Union of the Company since March 2014. She was accredited as a senior economist by ICBC in September 1999. Ms. Zhang started her career in September 1974, and served as a teacher in Wuhan College of Finance and Trade from February 1980 to September 1982. She worked in ICBC from September 1982 to December 1999, serving successively as director of the Personnel Department of the head office, senior manager of the General Manager Office of Hong Kong Branch, deputy general manager of the Education Department of the head office and deputy director of the Publicity Department of the head office. Ms. Zhang joined the Company in December 1999, serving successively as deputy general manager (in charge) of the Investment Banking Department until May 2001, general manager of the Human Resources Department from May 2001 to October 2007, assistant to President and general manager of the Human Resources Department from October 2007 to March 2009, and Vice President since March 2009 (concurrently serving as chairman of the board of directors of Huarong Zhiyuan from November 2009 to December 2012). Ms. Zhang graduated from Wuhan College of Finance and Trade majoring in bank accounting in February 1980, and graduated from Wuhan City University of Broadcast and Television majoring in finance in July 1986. She completed a bachelor's degree correspondence course in Politics and Economics in the Party School of the Central Committee of the C.P.C in June 1993. She also obtained an MBA degree from Murdoch University in Australia in March 1999.

Mr. Li Yuping, aged 53, has been a member of the senior management of the Company since October 2012. He was accredited as a chief editor by PBOC in November 1997. From July 1984 to December 1998, Mr. Li served successively as editor of the General Editorial Department of the Economic Daily, and editor, person-in-charge and deputy director (deputy director level) of the General Editorial Department of Financial Times. From December 1998 to September 2003, Mr. Li worked at the Central Financial Work Commission, serving successively as deputy director of the Publicity Department, deputy director of the Civilization Office (director level) and director of the Publicity Division (the Civilization Office). Mr. Li worked as director of the News and Information Division of the General Office of CBRC from September 2003 to February 2006, deputy director of CBRC Jiangsu Office from February 2006 to September 2012. Mr. Li graduated from Fudan University Journalism Department with a bachelor's degree in July 1984 and completed postgraduate courses in finance at Hunan College of Finance and Economics (now known as Hunan University) in December 1998.

Mr. Wang Lihua, aged 51, has been a Vice President of the Company since October 2012. He was accredited as a senior economist by the Company in May 2015. Mr. Wang began his career at the Finance Office of Zhangqing Township, Hukou County, Jiangxi Province in July 1985 and worked as a cadre of the Finance Bureau of Hukou County, Jiangxi Province from December 1987 to September 1989. From July 1992 to September 1994, he was a financial manager in Hainan Zhonghe Industrial Co., Ltd.. From August 1997 to September 2012, he worked in the MOF, serving successively as cadre of the National Debt Department, principal staff member of the National Debt and Finance Department, deputy director of the Comprehensive Affairs Division of the Finance Department, deputy director of the Finance Division II of the Finance Department, director of the Finance Division II of the Finance Department and a cadre of deputy director level of the Finance Department. Mr. Wang joined the Company in October 2012 and has served as Vice President since then. Mr. Wang graduated from the Forestry Department of Jiangxi Agricultural University with a bachelor's degree in agriculture in July 1985. He graduated from Research Institute for Fiscal Science of the MOF, majoring in public finance, with a master's degree and then a doctor's degree in economics in July 1992 and July 1997, respectively. From October 2005 to January 2008, he studied at the post-doctoral research center for applied economics of Peking University.

12. Directors, Supervisors and Senior Management

Mr. Xiong Qiugu, aged 55, has been a Vice President of the Company since October 2012. He was accredited as a senior economist by ICBC in September 1997. He started his career with Jing'an sub-branch of PBOC in Jiangxi Province in October 1980. From January 1985 to April 2000, he served successively as vice president of Jing'an sub-branch of ICBC in Jiangxi province, deputy director of General Office of Jiangxi branch of ICBC and president of Jingdezhen branch of ICBC in Jiangxi Province. Mr. Xiong joined the Company as deputy general manager of Nanchang Office in April 2000. He served successively as deputy general manager of the Creditor's Rights Management Department, general manager of the Asset Management Department I and general manager of the Capital and Finance Department from September 2001 to November 2009, CFO and general manager of the Capital and Finance Department from November 2009 to January 2010, CFO and general manager of Planning and Finance Department from January 2010 to February 2011, assistant to President, CFO and general manager of the Planning and Finance Department from February 2011 to October 2012. Mr. Xiong has served as Vice President since October 2012 (concurrently serving as chairman of the board of directors of Huarong Securities from April 2011 to December 2012). Mr. Xiong graduated from Changchun Cadre's Institute of Finance and Management majoring in finance in July 1988 and graduated from Fudan University majoring in accounting with a bachelor's degree in economics in July 1997.

Mr. Hu Jiliang, aged 51, has been a Vice President of the Company since November 2014. He was accredited as a senior economist by the Company in December 2000. Mr. Hu started his career in PBOC in December 1981. He held various positions in ICBC from February 1985 to April 2000, including deputy manager of Quzhou Trust and Investment Corporation of ICBC, director of the Infrastructure Construction Office of Quzhou Branch of ICBC, director of the Planning Loan Section of Quzhou Branch of ICBC, general manager of Zhejiang Industrial and Commercial Real Estate Development Corporation, deputy general manager of the Asset Management Department (in charge) and deputy director of the Asset Risk Management Division (in charge) of Zhejiang Branch of ICBC. Mr. Hu joined the Company in April 2000, serving successively as senior manager, assistant to general manager and deputy general manager of the Creditor's Rights Management Department of Hangzhou Office till August 2004, deputy director of the Reorganization Office I, deputy general manager of Hangzhou Office and general manager of Huarong Financial Leasing from August 2004 to December 2009, marketing director, chairman of the board of directors and general manager of Huarong Financial Leasing from December 2009 to January 2014, and assistant to President from September 2012 to November 2014. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in banking management in 1997, and graduated from The University of Hong Kong with an MBA degree in August 2003.

Mr. Wang Wenjie, aged 54, has been a Vice President of the Company since November 2014. He was accredited as a senior economist by ICBC in December 1994. Mr. Wang started his career in the Technological Transformation Credit Department of ICBC in July 1986. From March 1987 to December 1999, he served successively as principal staff member of the Technological Transformation Credit Department, deputy director of the Project Management Division, director of Project Management Division I and deputy general manager of the Assessment and Consultation Department of ICBC. Mr. Wang joined the Company in December 1999, serving successively as deputy general manager (in charge) and general manager of International Business till June 2003, deputy general manager (general manager level) and general manager of Nanjing Office from June 2003 to August 2006, general manager of the Investment Business Department (International Business Department) from August 2006 to December 2009, chief investment and operation officer and general manager of the Investment Business Department (International Business Department) from December 2009 to June 2010, chief investment and operation officer and general manager of Shanghai Office from June 2010 to April 2011, chief risk officer, chief investment and operation officer and general manager of the Risk Management Department from April 2011 to April 2013 and assistant to President and Secretary to the Board from September 2012 to November 2014. Mr. Wang graduated from Shaanxi College of Finance and Economics (now known as School of Finance and Economics of Xi'an Jiaotong University) with a bachelor's degree in industrial finance and accounting and a master's degree in industrial economy in July 1983 and July 1986, respectively.

12. Directors, Supervisors and Senior Management

Ms. Hu Ying, aged 50, has been an assistant to President of the Company since December 2015. She was accredited as a senior economist by the Company in October 2003. Ms. Hu started her career with Quzhou sub-branch of PBOC in December 1983. She worked in Quzhou branch of ICBC from May 1984 to January 1999, serving successively as deputy director of the Planning Loan Section and deputy director of Asset Preservation Department (in charge). She was the vice president of Quhua sub-branch of ICBC (in charge) from January 1999 to February 2000. Ms. Hu joined the Company in February 2000, serving successively as senior deputy manager of the Creditor's Rights Management Department and senior manager, deputy general manager and general manager of Assets Management Department I of Hangzhou Office till October 2012 (concurrently held a temporal position as senior manager of the Assets Management Department I of the Company from September 2003 to May 2004), general manager of Zhejiang Branch from October 2012 to July 2015 (concurrently served as general manager of Shanghai Branch from January 2013 to January 2015), and assistant to President of the Company as well as the general manager of Zhejiang Branch since July 2015, but stopped serving as the general manager of Zhejiang Branch since September 2015, the dismissal procedure of which is in progress. Ms. Hu graduated from Zhejiang Gongshang University majoring in business administration with an MBA degree in July 2009.

Mr. Yang Guobing, aged 50, has been an Assistant to President of the Company since December 2015. He was accredited as a senior economist by the Company in October 2001. Mr. Yang started his career with Jiangxi branch of PBOC in July 1984. From January 1985 to April 2000, he served successively as a staff member, deputy chief of the Asset Preservation Department, chief of the Operations Department, and chief of the Debt Management Department of Jiangxi branch of ICBC (concurrently serving as deputy chief and director of Nanchang Minde Urban Credit Cooperative from November 1992 to November 1994 and deputy chairman of the board of directors and deputy chief of Nanchang Minde Urban Credit Cooperative from November 1994 to March 1997). Mr. Yang joined the Company in April 2000 as senior deputy manager (in charge) of Capital and Finance Department of Nanchang Office, and then served as senior deputy manager of the Investment Banking Department and the Securities Operations Department successively from February 2001 to May 2003, assistant to general manager and deputy general manager of Nanchang Office from May 2003 to June 2006, deputy general manager of Huarong Financial Leasing from June 2006 to August 2008, deputy general manager of Beijing Office from August 2008 to December 2010, deputy general manager (in charge) and general manager of the Equity Administration Department successively from December 2010 to August 2012, and general manager of the Planning and Finance Department from September 2012 to July 2015 (concurrently serving as the chairman of the board of directors of Huarong Zhiyuan from November 2013 to December 2014), general manager of the Risk Management Department since January 2015, assistant to President of the Company, chief risk officer and general manager of the Planning and Finance Department and the Risk Management Department since July 2015, but stopping serving as general manager of the Planning and Finance Department since November 2015. Mr. Yang graduated from the College of Economics at Peking University with a bachelor's degree in economics in August 1998, and graduated from Macau University of Science and Technology with an MBA degree in July 2003.

Mr. Hu Jianjun, aged 52, has been Secretary to the Board of the Company since November 2014. He was accredited as a senior economist by ICBC in September 1997 and qualified as a PRC certified financial analyst in September 2007. Mr. Hu started his career in Dusiqian Office of Nanchang Branch of PBOC in February 1979. From July 1984 to December 2001, Mr. Hu held various positions in ICBC, including deputy director of the Deposits Division of Jiangxi Branch, president of Yingtan Branch, and director of the Planning and Financing Division of Jiangxi Branch. Mr. Hu joined the Company in December 2001, serving successively as deputy general manager of Nanchang Office, deputy general manager of Xi'an Office, and general manager of Nanchang Office till January 2010, general manager of Customer Marketing Department, director of the President Office, director of the Board Office and general manager of Beijing Branch from January 2010 to November 2014. Mr. Hu studied at Jiangxi Banking School (now known as Jiangxi Normal University) from September 1982 to July 1984 and completed a correspondence program in accounting offered by Jiangxi University of Finance and Economics in July 1997. He graduated from University of South Australia with an MBA degree in public affairs management in September 2003.

12. Directors, Supervisors and Senior Management

12.4 Changes in Directors, Supervisors and Senior Management

12.4.1 Changes in Directors

On November 25, 2014, the Company appointed Mr. Li Hui as a non-executive Director. He took office on February 4, 2015 upon the approval of the CBRC on his directorship qualification. Since March 3, 2016, Mr. Li Hui ceased to be a non-executive Director due to change of personal work arrangements. Please refer to the announcement dated March 4, 2016 regarding the resignation of the non-executive Director for details.

On November 25, 2014, the Company appointed Mr. Wu Xiaoqiu as an independent non-executive Director. He took office on March 4, 2015 upon the approval of the CBRC on his directorship qualification.

On November 25, 2014, the Company appointed Mr. Wang Sidong as a non-executive Director. He took office on March 23, 2015 upon the approval of the CBRC on his directorship qualification.

On November 25, 2014, the Company appointed Mr. Tse Hau Yin as an independent non-executive Director. He took office on March 23, 2015 upon the approval of the CBRC on his directorship qualification.

On April 8, 2015, the Company appointed Mr. Liu Junmin as an independent non-executive Director. He took office on June 23, 2015 upon the approval of the CBRC on his directorship qualification.

12.4.2 Changes in Supervisors

On March 24, 2015, Mr. Xu Dong was elected as the Employee Representative Supervisor of the Company at the staff representative assembly.

On April 8, 2015, the Company appointed Ms. Dong Juan as the External Supervisor of the Company.

12. Directors, Supervisors and Senior Management

12.4.3 Changes in Senior Management

On June 30, 2015, Mr. Dai Kewei ceased to be the Vice President of the Company (President level).

On June 30, 2015, Mr. Xu Zhaohong ceased to be the Vice President of the Company.

On July 6, 2015, the Company appointed Ms. Hu Ying as an assistant to President of the Company. She took office on December 31, 2015 upon the approval of CBRC on her senior management qualification.

On July 6, 2015, the Company appointed Mr. Yang Guobing as an assistant to President of the Company. He took office on December 31, 2015 upon the approval of CBRC on his senior management qualification.

12.4.4 Annual Remuneration

Remuneration of Directors, Supervisors and senior management

For details of the remuneration of the Directors, Supervisors and senior management of the Company, please see "19. Audit Report and Financial Statements — V. Explanatory Notes — 15. Emoluments of directors, chief executive and supervisors" and "19. Audit Report and Financial Statements — V. Explanatory Notes — 55. Related party transactions". The total compensation packages for the above Directors, Supervisors and President of the Company for 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. Further disclosure will be made when the final compensation packages are determined.

Highest paid individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see "19. Audit Report and Financial Statements — V. Explanatory Notes — 16. Five highest paid individuals".

13. Corporate Governance Report

13.1 Summary

As a pilot entity for the reform of AMCs in China, the Company converted into a joint stock company in September 2012 with a corporate governance structure comprised of the general meeting, the Board, the Board of Supervisors and the senior management. The Company introduced strategic investors in August 2014 and was listed on the Hong Kong Stock Exchange in October 2015. The corporate governance of the Company has been continuously enhanced through the process of conversion, introduction of strategic investors and listing. During the Reporting Period, the Company modified its corporate governance systems, including amendments to the Articles of Association, rules of procedure of Shareholders' general meetings, Board meetings and meetings of the Board of Supervisors, terms of reference of special committees, working rules for the independent directors and for the president, as well as its internal control system in accordance with the Company Law of the PRC, Securities Law of the PRC, the Listing Rules, the Articles of Association and other laws, regulations and regulatory documents. The Company has accordingly modified the responsibilities and structures of the Board, the Board of Supervisors and their respective special committees in order to meet internal management requirements and external regulatory requirements.

13.1.1 Code of Corporate Governance

From the Listing Date to December 31, 2015, the Company had complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules and adopted the applicable recommended best practices according to actual situations.

Corporate governance function

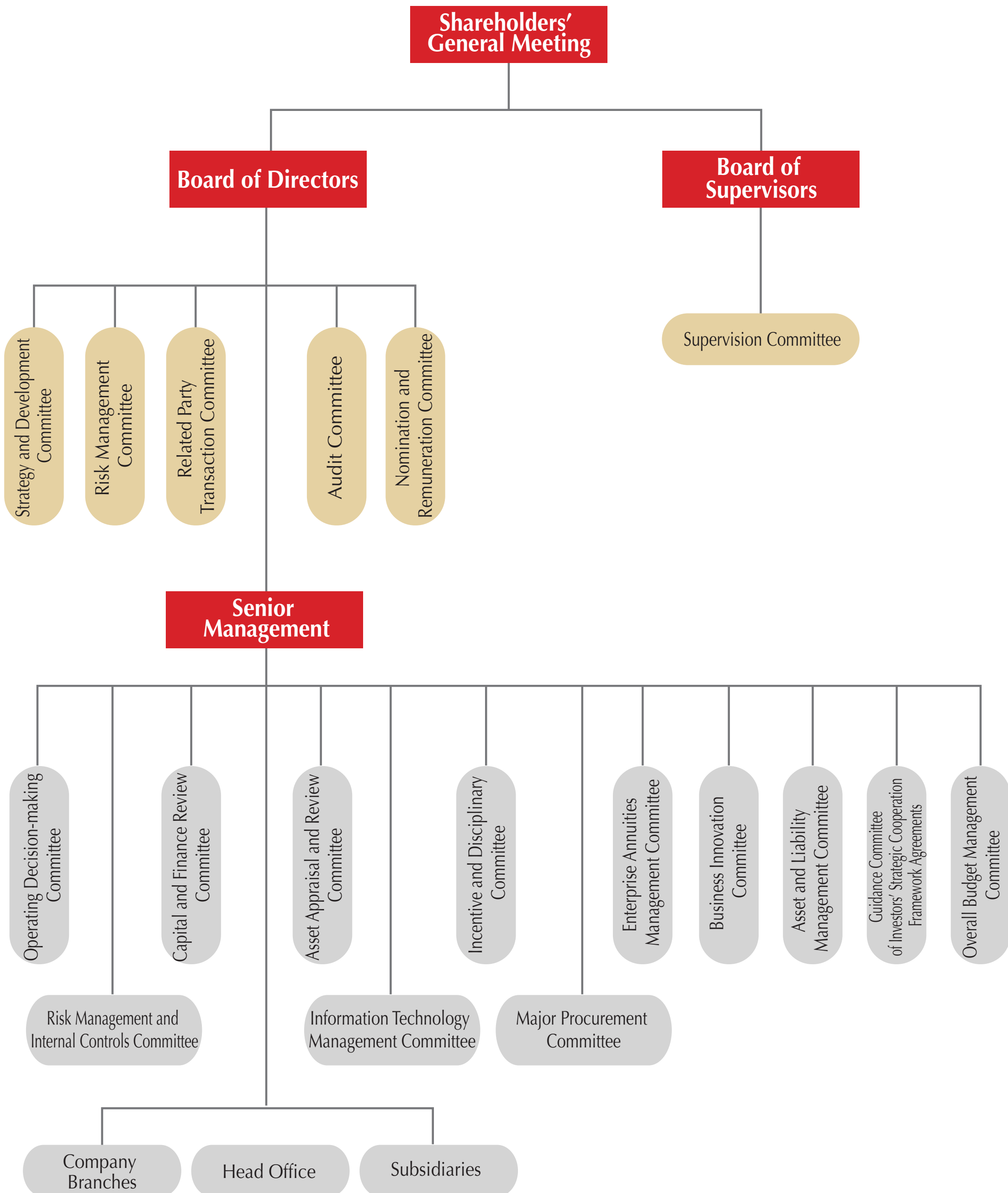
During the Reporting Period, the Board actively performed its corporate governance function and formulated the basic management system of the Company, including risk management, internal control measures and internal audit of the Company. The Board modified the Articles of Association, procedural rules of Shareholders' general meeting, procedural rules of Board meetings and the terms of reference of all special committees of the Board, and constantly assessed and optimized corporate governance. All the special committees under the Board also performed their duties in strict compliance with all requirements on corporate governance.

13. Corporate Governance Report

13.1.2 Corporate Governance Structure

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

Corporate Governance Structure



13. Corporate Governance Report

13.1.3 Amendment of the Articles of Association

To meet corporate governance and operational requirements of the Company after listing, the Articles of Association were substantially amended in accordance with the laws, regulations and regulatory documents in relation to the capital markets of China and Hong Kong, with reference to the actual operational conditions of the Company. The Articles of Association were significantly supplemented and the number of chapters of the Articles Association increased from 15 to 20 and the number of articles increased from 287 to 342. The revised Articles of Association became effective on the Listing Date.

On February 1, 2016, a proposed resolution regarding the amendment of the Articles of Association was passed at the first extraordinary general meeting of the Company for 2016, pursuant to which the Article 13(1) was amended to include and specify the non-financial enterprise distressed assets related business in the Company's business scope, pursuant to and in accordance with the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (《金融資產管理公司開展非金融機構不良資產業務管理辦法》) promulgated by the MOF and the CBRC on July 2, 2015.

13.2 Shareholders' General Meetings

13.2.1 Responsibilities of the Shareholders' General Meeting

The Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers: (1) to decide the Company's operating policies and annual investment plans; (2) to elect and replace the Directors and Supervisors who are not representative of the employees of the Company and to determine the emoluments of Directors and Supervisors; (3) to consider and approve the reports of the Board; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve the annual financial budget and final accounts of the Company; (6) to consider and approve the profit distribution plan and loss recovery plan of the Company; (7) to consider and approve any motion raised by Shareholder(s), individually or jointly holding 3% or more of the total issued Shares of the Company with voting rights; (8) to resolve on any increase or decrease in registered capital of the Company; (9) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listing; (10) to resolve on matters related to merger, division, dissolution, liquidation or change of organization of the Company; (11) to amend the Articles of Association, the rules of procedures of the Shareholders' general meeting, and the meetings of the Board and the Board of Supervisors; (12) to decide the engagement, dismissal or replacement of accounting firms of the Company responsible for the regular statutory audit for the financial reports of the Company; (13) to resolve on the repurchase of the Shares of the Company; (14) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges, mortgage and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, write-off of assets, major decisions of legal corporations and donations of the Company; (15) to consider and approve matters in relation to the change of use of the raised funds; (16) to consider and approve share incentive schemes; (17) to consider and approve any purchase or disposal of major assets or provisions of guarantees with aggregate value of more than 30% of the total assets of the Company within a period of a year; (18) to consider and approve related party transactions required to be approved by shareholders' general meeting under the laws, regulations, regulatory documents and applicable requirements of the securities regulatory authorities of the place(s) where the Company's Shares are listed and the Articles of Association; (19) to consider and approve the liability insurance of Directors and Supervisors; (20) to consider and approve all other matters which are required to be determined by shareholders' general meeting under the laws, regulations, regulatory documents, applicable requirements of the securities regulatory authorities of the place(s) where the Company's Shares are listed and the Articles of Association.

13.2.2 Details of Shareholders' General Meetings

During the Reporting Period, the Company held five Shareholders' general meetings in Beijing, including an annual general meeting and four extraordinary general meetings and approved 26 resolutions. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings which Shareholders or their proxies attended and exercised their voting rights. The Company engaged PRC legal counsels to attend and witness Shareholders' general meetings and to provide legal advice. Material matters considered and approved at the meetings include:

- the final accounts plan and the profit distribution plan of the Company for 2014;
- the fixed assets investment budget of the Company for 2015;
- the report of the Board and the report of the Board of Supervisors of the Company for 2014;
- the resolution on the election of Directors and Supervisors of the Company;
- the proposal on the initial public offering of the H Shares and the listing of the Company and related matters; and
- the resolution on the amendments to the Articles of Association and the procedural rules of the Shareholders' general meetings, Board meetings and meetings of the Board of Supervisors.

13.2.3 Shareholders' Rights

Right to propose to convene extraordinary general meeting

Shareholders who individually or jointly hold 10% or more of the shares of the Company with voting rights shall have the right to request the Board to convene an extraordinary general meeting or class meeting in writing.

13. Corporate Governance Report

The Board shall reply in writing as to whether or not it agrees to convene such extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, regulations, regulatory documents and the Articles of Association. If the Board agrees to convene an extraordinary general meeting or class meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene an extraordinary general meeting or class meeting, or fails to give its response within 10 days upon receipt of the proposal, the requesting Shareholders may propose to the Board of Supervisors to convene an extraordinary meeting or class meeting in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the proposal. If the Board of Supervisors does not issue the notice of such meeting within the prescribed period, it shall be deemed that the Shareholders' general meeting will not be convened. In such circumstances, Shareholders who individually or jointly hold 10% or more of the Company's total Shares with voting rights for not less than 90 consecutive days may have the discretion to convene and preside over the meeting.

Right to propose resolutions at the Shareholders' general meeting

Shareholders holding 3% or more, individually or jointly, of the Shares with voting rights of the Company shall have the right to submit proposals to the Company in writing. The Company shall include such proposals within the scope of authority of the Shareholders' general meeting in the agenda of such meeting.

Shareholders holding 3% or more, individually or jointly, of the Shares with voting rights of the Company shall have the right to submit interim proposals in writing 10 days before the Shareholders' general meeting to the convener of such meeting. The convener shall issue supplemental notice within two days upon receiving such proposals to notify other Shareholders of the interim proposals, and include such proposals within the scope of authority of the Shareholders' general meeting, which contain specific topics for discussion and resolutions of specific issues, in the agenda of such meeting.

Right to propose to convene extraordinary meeting of the Board

The chairman of the Board shall issue a notice to convene an extraordinary meeting of the Board within 10 days from the date of receipt of the request of the Shareholders who, individually or jointly, hold 10% or more of the Shares with voting rights of the Company.

Right to propose resolutions for Board meetings

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

Shareholders' right to raise proposal and enquiry

Shareholders shall have the right to supervise the Company's business operation, and to present proposals or to raise enquires. Shareholders are entitled to inspect the Articles of Association, the register of members, the state of Company's share capital and minutes of Shareholders' general meetings of the

13. Corporate Governance Report

Company. Shareholders may raise their enquiry or proposal to the Board Office by mail to the registered address of the Company, or by email to the Company. In addition, Shareholders may contact Computershare Hong Kong Investor Services Limited, the share registrar of the H Shares of the Company, regarding any enquiry on shares or rights (if any), the contact information of which is set out in Corporate Information in this annual report.

Other rights

Shareholders shall have the right to dividends and other distribution in proportion to the number of Shares held and other rights conferred by the laws, regulations, regulatory documents and the Articles of Association.

13.2.4 Attendance of Directors at Shareholders' General Meetings

Directors' attendance at shareholders' general meetings in 2015 is set out in the following table:

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Lai Xiaomin	5/5	100%
Ke Kasheng	5/5	100%
Wang Keyue	5/5	100%
Non-executive Directors		
Tian Yuming	5/5	100%
Wang Cong	5/5	100%
Dai Lijia	5/5	100%
Wang Sidong (qualified as a Director in March 2015)	4/5	80%
Li Hui (qualified as a Director in February 2015)	4/5	80%
Independent non-executive Directors		
Song Fengming	5/5	100%
Wu Xiaoqiu (qualified as a Director in March 2015)	4/5	80%
Tse Hau Yin (qualified as a Director in March 2015)	4/5	80%
Liu Junmin (qualified as a Director in June 2015)	1/1	100%

Notes:

1. Please see "12. Directors, Supervisors and Senior Management — 12.4 Changes in Directors, Supervisors and Senior Management" in this annual report for changes in Directors.
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate at shareholders' general meeting is the percentage of the number of meetings attended to the number of meetings required to attend.

13. Corporate Governance Report

13.2.5 Independence from Controlling Shareholder

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

13.3 Board of Directors

13.3.1 Composition and Responsibilities of the Board

From January 1, 2015 to February 4, 2015, the Board had seven Directors, including three executive Directors, namely Mr. Lai Xiaomin (chairman), Mr. Ke Kasheng and Mr. Wang Keyue, and three non-executive Directors, namely Mr. Tian Yuming, Ms. Wang Cong and Ms. Dai Lijia, and one independent non-executive Director, Mr. Song Fengming. As elected at the Shareholders' general meeting of the Company and approved by the CBRC, Mr. Li Hui was appointed as a non-executive Director on February 4, 2015, Mr. Wu Xiaoqiu was appointed as an independent non-executive Director on March 4, 2015, Mr. Wang Sidong was appointed as a non-executive Director on March 23, 2015, Mr. Tse Hau Yin was appointed as an independent non-executive Director on March 23, 2015, and Mr. Liu Junmin was appointed as an independent non-executive Director on June 23, 2015. From June 23, 2015, the Board had 12 Directors, including three executive Directors, namely Mr. Lai Xiaomin, Mr. Ke Kasheng and Mr. Wang Keyue, five non-executive Directors, namely Mr. Tian Yuming, Ms. Wang Cong, Ms. Dai Lijia, Mr. Wang Sidong and Mr. Li Hui, and four independent non-executive Directors, namely Mr. Song Fengming, Mr. Wu Xiaoqiu, Mr. Tse Hau Yin and Mr. Liu Junmin.

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

The Board is accountable to the Shareholders' general meeting in accordance with the Articles of Association. The major duties of the Board include: (1) to convene and report its work to the Shareholders' general meeting; (2) to implement the resolutions of the Shareholders' general meeting; (3) to determine the operation plans, development strategies and investment proposals of the Company; (4) to formulate annual financial budget and final accounts of the Company; (5) to formulate profit distribution plan and plan for recovery of losses of the Company; (6) to formulate proposals for increases or reductions of the registered capital of the Company; (7) to formulate plans for the merger, division, changes of organization

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and dissolution of the Company; (8) to formulate proposals for the issue of corporate bonds, any classes of shares, warrants or other marketable securities by the Company and its listing; (9) to formulate plans for the repurchase of Shares of the Company; (10) to formulate the amendments to the Articles of Association, the rules of procedures of the Shareholders' general meeting and Board meeting; (11) to consider and approve the terms of reference of the president; (12) to appoint or remove the president of the Company and the secretary to the Board; (13) to appoint or remove vice president and other senior management members (excluding secretary to the Board) and the director of internal audit as nominated by the president; (14) based on the proposal of Shareholders individually or jointly holding 10% or more shares of the Company with voting rights, chairman of the Board and at least one-third of the Directors, to elect the chairman and members of the Nomination and Remuneration Committee; based on the nomination of the Nomination and Remuneration Committee, to elect the chairman (other than the chairman of the Strategy and Development Committee) and members of other special committees of the Board; (15) to propose the performance appraisal system and remuneration packages for Directors to the Shareholders' general meeting for approval; (16) to determine the compensation, appraisal, incentive and punishment of the senior management members and director of the internal audit department of the Company; (17) to formulate the basic management system of the Company; to determine the risk management, compliance and internal control policies of the Company and formulate systems in relation to internal control and compliance management as well as internal audit of the Company; (18) to determine the structure of internal management departments of the Company; (19) to evaluate and improve the corporate governance of the Company on a regular basis; (20) to formulate share incentive scheme; (21) to manage matters in relation to information disclosure and management of investors' relations of the Company; (22) to propose the appointment, removal or termination of appointment of accounting firm to the Shareholders' general meeting; (23) to consider and approve, or authorize the Related Party Transactions Committee of the Board to approve, related party transactions, except for those which shall be considered and approved by Shareholders' general meeting; (24) within the scope of authorization of Shareholders' general meeting, to consider and approve the investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and mortgage and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, write-off of assets, major decisions of legal corporations and external donations; (25) to consider and approve the proposals of special committees of the Board; (26) to consider the work report of the president to ensure that each Director obtains the information related to the performance of his/her duties in accordance with the regulatory requirement in a timely manner; to review the work of senior management members to monitor and ensure their effective performance of management duties; (27) to review the execution of rectification recommended by the banking regulators of the State Council; (28) to review the structure of the first class branches of the Company inside and outside the PRC; (29) to consider the responsibility insurance of senior management; (30) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place(s) where the shares of the Company are listed and the Articles of Association, and other matters as authorized by Shareholders' general meeting.

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13.3.2 Board Meetings

In 2015, the Board had conducted nine meetings, including four regular meetings and five extraordinary meetings. 71 resolutions were passed and five work reports were reviewed at the meetings, including six resolutions on the offering and listing of Shares of the Company, 11 resolutions on operation and management matters, four resolutions on project approval, 24 resolutions on system establishment, eight resolutions on personnel management, and 18 other resolutions. The major issues are as follows:

- considered and approved the final account plan and the profit distribution plan of the Company for 2014;

- considered and approved the annual report and the report of the Board of Directors of the Company for 2014;

- considered and approved the fixed assets investment budget, audit working plan and appointment of accounting firm of the Company for 2015;

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

- considered and approved the resolutions on amendments to the Articles of Association, the rules of procedures of Shareholders' general meeting, the rules of procedures of the Board and the terms of reference of the special committees of the Board; and

- considered and approved the resolutions on amendments to rules and regulations of the Company, including the terms of reference of the independent Directors, the administrative measures on related party transactions and the administrative system for information disclosure.

In addition, the Board conducted self-evaluation on the effectiveness of the internal control of the Group during the Reporting Period. For details, please see "14. Internal Control" in this annual report.

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13.3.3 Attendance of Board Meetings

Directors' attendance at Board meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Lai Xiaomin	9/9	100%
Ke Kasheng	9/9	100%
Wang Keyue	9/9	100%
Non-executive Directors		
Tian Yuming	9/9	100%
Wang Cong	8/9	89%
Dai Lijia	9/9	100%
Wang Sidong (qualified as a Director in March 2015)	7/8	88%
Li Hui (qualified as a Director in February 2015)	6/9	67%
Independent non-executive Directors		
Song Fengming	9/9	100%
Wu Xiaoqiu (qualified as a Director in March 2015)	6/8	75%
Tse Hau Yin (qualified as a Director in March 2015)	6/8	75%
Liu Junmin (qualified as a Director in June 2015)	4/4	100%

Notes:

1. Please see "12. Directors, Supervisors and Senior Management — 12.4 Changes in Directors, Supervisors and Senior Management" in this annual report for changes in Directors.
2. Attendance includes personal attendance and attendance by telephone or video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

13.4 Special Committees of the Board

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

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13.4.1 Strategy and Development Committee

From January 1, 2015 to January 16, 2015, the Strategy and Development Committee had seven Directors. The chairman was acted by Mr. Lai Xiaomin (chairman of the Board). The members included two executive Directors, namely Mr. Ke Kasheng and Mr. Wang Keyue, three non-executive Directors, namely Mr. Tian Yuming, Ms. Wang Cong and Ms. Dai Lijia, and an independent non-executive Director, Mr. Song Fengming. On January 16, 2015, at the 20th meeting of the first session of the Board, Mr. Wang Sidong and Mr. Li Hui, non-executive Directors, and Mr. Wu Xiaoqiu and Mr. Tse Hau Yin, independent non-executive Directors, were elected as additional members of the Strategy and Development Committee. On June 30, 2015, at the 26th meeting of the first session of Board, Mr. Liu Junmin, independent non-executive Director, was elected as an additional member of the Strategy and Development Committee.

The major duties and authorities of the Strategy and Development Committee include, but are not limited to, the following: to review the operational target, general strategic development plan and to make recommendations to the Board; to assess factors that may affect the development strategy of the Company and its implementation and make recommendations on adjustment of the strategy to the Board in a timely manner based on the economic and financial conditions and market trends in the PRC and overseas; to review the annual financial budget and final accounts based on the development strategy, and make recommendations thereon to the Board; to assess the overall development status of various businesses and make suggestions on adjustment of the strategic development plan to the Board in a timely manner; to review the implementation of the business plan and investment plan of the Company, and the strategic asset allocation and the asset-liability management objectives of the Company, and make recommendations thereon to the Board; to review major restructuring and adjustment proposals, and make recommendations thereon to the Board; to review major investment and financing plans and other matters such as the acquisition, disposal and write-off of assets and the provision of guarantees to external parties that are subject to the approval of the Shareholders' general meeting and the Board, and make recommendations thereon to the Board; to review those plans for the establishment of any legal entity and the merger with or acquisition of any entity which need to be approved by Shareholders' general meeting and the Board, and make recommendations thereon to the Board; to review the establishment and adjustment plan of the Company's internal functional departments and first level sub-branches as well as other institutions directly under the control of the Company and make recommendations thereon to the Board; to review information technology development and other special strategic development plans, and make recommendations thereon to the Board; to examine and assess the corporate governance structure of the Company in order to ensure that the financial reports, risk management and internal controls are in compliance with corporate governance standards of the Company; and to perform such other duties as are stipulated by laws, regulations, regulatory documents, administrative regulations of the securities regulatory authorities in place(s) where the shares of the Company are listed and the requirements of the Articles of Association and other matters as authorized by the Board.

In 2015, the Strategy and Development Committee had convened five meetings to consider 10 resolutions, including the review of 2014 final accounts, 2015 operation plan, 2015 fixed asset investment budget, the issuance of financial bonds and the initial public offering and relevant matters of the listing of the Company.

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Attendance at Strategy and Development Committee meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Lai Xiaomin	5/5	100%
Ke Kasheng	5/5	100%
Wang Keyue	5/5	100%
Tian Yuming	5/5	100%
Wang Cong	5/5	100%
Dai Lijia	5/5	100%
Wang Sidong	3/4	75%
Li Hui	3/4	75%
Song Fengming	5/5	100%
Wu Xiaoqiu	4/4	100%
Tse Hau Yin	3/4	75%
Liu Junmin	1/1	100%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

13.4.2 Risk Management Committee

From January 1, 2015 to January 16, 2015, the Risk Management Committee comprised four Directors. The chairman was acted by Ms. Dai Lijia, a non-executive Director. The members included Mr. Wang Keyue, an executive Director, Mr. Tian Yuming and Ms. Wang Cong, two non-executive Directors. On January 16, 2015, at the 20th meeting of the first session of the Board, Mr. Wang Sidong, a non-executive Director, and Mr. Wu Xiaoqiu, an independent non-executive Director, were elected as additional members of the Risk Management Committee.

The major duties of the Risk Management Committee include, but are not limited to, the following: to review the framework, basic policies, procedures and system of risk management of the Company according to the general strategy of the Company, supervise the implementation and effectiveness of the risk strategy, risk management procedures and internal control process of the Company, and make recommendations thereon to the Board; to supervise the deployment, organizational structure, working procedure and effectiveness of risk management department, and make recommendations thereon to the Board; to review the risk capital allocation plan, capital adequacy ratio management target, assets classification criteria and risk provision policy of the Company, and submit the same to the Board for consideration; to review and supervise the implementation of capital plans and make recommendations on the information disclosure

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regarding capital adequacy ratio; to review the annual risk management target and annual risk management plan submitted by the senior management, submit the same to the Board for approval and supervise their implementation; to review the duties, authority and reporting system of the senior management in relation to risks, submit the same to the Board for approval before implementation; to procure the senior management to adopt necessary measures to effectively identify, assess, detect and control risks, supervise and appraise the performance of the senior management in controlling risks associated with credit, market and operation, and make recommendations thereon to the Board; to make recommendations on improving the risk management and internal controls of the Company from the perspective of the Company and the general environment; to assess the risk profile of the Company on a regular basis and make recommendations thereon to the Board; to review those major risk management matters or transactions that exceed the authority of the president and submitted by the president to this committee for review, and make recommendations thereon to the Board; to supervise the legal and compliance management work; to review legal and compliance policies and related basic management systems and make recommendations thereon, and submit the same to the Board for consideration and approval; to hear and review the implementation of the legal and compliance policies; and to perform such other duties as are stipulated by laws, regulations, regulatory documents, the administrative regulations of the securities regulatory authorities of the place(s) where the shares of the Company are listed and the requirements of the Articles of Association and other matters as authorized by the Board.

In 2015, the Risk Management Committee convened four meetings to consider 10 resolutions, including reviewing and listening to the 2014 risk management report, 2015 risk preference policies and 2015 work plan of the Risk Management Committee.

Attendance at Risk Management Committee meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Dai Lijia	4/4	100%
Wang Keyue	4/4	100%
Tian Yuming	4/4	100%
Wang Cong	4/4	100%
Wang Sidong	3/4	75%
Wu Xiaoqiu	3/4	75%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

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13.4.3 Related Party Transaction Committee

From January 1, 2015 to January 16, 2015, the Related Party Transaction Committee comprised three Directors. The chairman was acted by Mr. Song Fengming, an independent non-executive Director. The members included an executive Director, namely Mr. Ke Kasheng, and a non-executive Director, namely Ms. Dai Lijia. On January 16, 2015, as considered and approved at the 20th meeting of the first session of Board, Mr. Song Fengming, an independent non-executive Director, ceased to be the chairman of the Related Party Transaction Committee, but will still serve as a member of Related Party Transaction Committee. Mr. Tian Yuming, a non-executive Director, was elected as the chairman of the Related Party Transaction Committee, and Ms. Wang Cong and Mr. Li Hui, both non-executive Directors, were elected as additional members of the Related Party Transaction Committee.

The major duties of the Related Party Transaction Committee include, but are not limited to, the following: to review basic management systems for related party transactions, oversee its implementation and make suggestions to the Board; to identify related parties of the Company and report to the Board and the Board of Supervisors and inform relevant parties of the Company in a timely manner; to make a preliminary review to the related party transactions as approved by the Board or the Shareholders' general meeting and submit it to the Board for approval; to consider related party transactions and other matters thereof under the scope of authorization by the Board; to accept records and filings of related party transactions, and review the information disclosure matters in relation to the material related party transactions of the Company; to consider the annual report on the management of related party transactions and report to the Board; and to perform such other duties as are stipulated by laws, regulations, regulatory documents, administrative regulations of the securities regulatory authorities of the place(s) where the shares of the Company are listed and the requirements of the Articles of Association and other matters as authorized by the Board.

In 2015, the Related Party Transaction Committee convened three meetings to consider five resolutions, including the reviewing and listening to the 2014 related party transactions report, the resolution in relation to the amendment to the Administrative Measures for Related Party Transactions of the Company, and the work plan of the Related Party Transaction Committee for 2015.

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Attendance at Related Party Transaction Committee meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Tian Yuming	3/3	100%
Ke Kasheng	3/3	100%
Wang Cong	3/3	100%
Li Hui	2/3	67%
Dai Lijia	3/3	100%
Song Fengming	3/3	100%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

13.4.4 Audit Committee

From January 1, 2015 to January 16, 2015, the Audit Committee comprised four Directors. The chairman was acted by Mr. Tian Yuming, a non-executive Director. The members included two non-executive Directors, namely Ms. Wang Cong and Ms. Dai Lijia, and an independent non-executive Director, namely Mr. Song Fengming. On January 16, 2015, as considered and approved at the 20th meeting of the first session of the Board, Mr. Tian Yuming, a non-executive Director, ceased to be the chairman of the Audit Committee, but will still serve as a member of Audit Committee. Ms. Wang Cong, a non-executive Director, ceased to a member of the Audit Committee. Mr. Tse Hau Yin, an independent non-executive Director, was elected as the chairman of the Audit Committee, and Mr. Wu Xiaoqiu, an independent non-executive Director, was elected as an additional member of the Audit Committee. On June 30, 2015, as elected at the 26th meeting of the first session of the Board, Mr. Liu Jumin, an independent non-executive Director, was elected as an additional member of the Audit Committee.

The major duties of the Audit Committee include, but not limited to, the following: to supervise the internal control, the core businesses and the formulation and implementation of management procedures and systems of the Company, and to assess the compliance and validity of the Company's significant operating activities; to supervise the financial information of the Company and its disclosure, the major financial policies of the Company and its implementation thereof, the financial operation, and to monitor the authenticity of financial reports and the effectiveness of the financial reporting procedures implemented by the management; to review the basic audit management procedures and rules, medium-to-long term audit plan, annual work plans and internal audit system design, and make recommendations to the Board; to supervise and appraise the internal audit work of the Company, supervise the implementation of the Company's internal audit

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system, and appraise the working procedure and effectiveness of the internal audit department; to propose the appointment or replacement of the external auditor to the Board for consideration and approval, take appropriate measures to supervise the work of the external auditor, review the external auditor's reports, and ensure the final responsibility of the external auditor to the Board and the Audit Committee; to review the annual audit reports and other specific opinions provided by the accounting firm, review audited financial and accounting reports, other financial and accounting reports and other discloseable financial information, to make judgments on the truthfulness, completeness and accuracy of the information contained in such audited financial reports and submit the same to the Board for consideration; to coordinate communication between the internal audit department and the external auditor; and to perform such other duties as are stipulated by laws, regulations, regulatory documents, administrative regulations of the securities regulatory authorities of the place(s) procedures where the shares of the Company are listed and the requirements of the Articles of Association and other matters as authorized by the Board.

In 2015, the Audit Committee convened eight meetings to consider 20 resolutions, including reviewing the 2014 financial statements and audit report, the work plan of the Audit Committee for 2015, the appointment of accounting firm for 2015 and the relevant financial information in the Prospectus.

On March 16, 2016, the Audit Committee convened a meeting to resolve the submission of the 2015 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditor jointly reviewed the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2015.

Attendance at Audit Committee meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Tse Hau Yin	8/8	100%
Tian Yuming	8/8	100%
Dai Lijia	8/8	100%
Song Fengming	8/8	100%
Wu Xiaoqiu	6/8	75%
Liu Junmin	4/5	80%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

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13.4.5 Nomination and Remuneration Committee

From January 1, 2015 to January 16, 2015, the Nomination and Remuneration Committee comprised three Directors. The chairman was acted by Mr. Song Fengming, an independent non-executive Director. The members included two non-executive Directors, namely Mr. Tian Yuming and Ms. Wang Cong. On January 16, 2015, as elected at the 20th meeting of the first session of the Board, Mr. Wu Xiaoqiu and Mr. Tse Hau Yin, independent non-executive Directors, were elected as additional members of the Nomination and Remuneration Committee. On June 30, 2015, as elected at the 26th meeting of the first session of the Board, Mr. Liu Junmin, an independent non-executive Director, was elected as an additional member of the Nomination and Remuneration Committee.

The primary duties of the Nomination and Remuneration Committee include, but not limited to, the following: to review the strategic development plan of human resources and make recommendations thereon to the Board; to provide recommendations to the Board regarding the candidates for Directors, presidents and secretary to the Board; to formulate the procedures and criteria for the selection and appointment of Directors, chairman and members of Board committees and senior management, and make recommendations thereon to the Board; to conduct a preliminary review of the qualifications of candidates for Directors and senior management, and make recommendations thereon to the Board; to nominate candidates for chairman and members of Board committees (other than the Strategy and Development Committee); to formulate the appraisal method and remuneration packages of Directors, and appraise the performance and behavior of Directors, report the same to the Board, and upon consent of the Board, submit the same to the Shareholders' general meeting for approval; to formulate and review the appraisal method and remuneration packages of the senior management and the head of the internal audit department of the Company, appraise the performance and behavior of the senior management, and report the same to the Board for approval; to review major human resources and remuneration packages policies and management systems submitted by the senior management to the Board or the Shareholders' general meeting for approval and submit the same to the Board for approval, and to supervise the implementation thereof; and to perform such other duties as stipulated by laws, regulations, regulatory documents, administrative regulations of the securities regulatory authorities of the place(s) where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

In 2015, the Nomination and Remuneration Committee convened five meetings to consider nine resolutions, including the preliminary verification of the qualification of candidates for Directors and senior management of the Company, the nomination of members of special committees of the Board, and the review of the 2014 remuneration settlement scheme of Directors and senior management of the Company.

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Attendance at Nomination and Remuneration Committee meetings in 2015:

Members	Number of meetings attended/ required to attend	Attendance rate
Song Fengming	5/5	100%
Tian Yuming	5/5	100%
Wang Cong	5/5	100%
Wu Xiaoqiu	5/5	100%
Tse Hau Yin	5/5	100%
Liu Junmin	2/2	100%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

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

- candidates for Directors or independent Directors shall be nominated by way of proposal with their detailed information, which shall include personal particulars such as education background, working experience and any part-time positions; whether there is any connected relationship with the Company or the controlling shareholders and actual controller of the Company; their shareholdings in the Company; and whether there are any penalties or punishments imposed by the securities regulatory authorities of the State Council and other related authorities or the stock exchange;

- a candidate for Director shall, at least fourteen days prior to the convening of the Shareholders' general meeting, give a written undertaking letter indicating that he/she agrees to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrants that he/she will duly perform his/her obligations as a Director after he/she is elected. A written notice of the candidate's willingness to be elected shall be delivered to the Company no later than seven days prior to the convening of the Shareholder's general meeting and no earlier than the day after the notice of such meeting for the election is delivered;

- the Board shall disclose the detailed information on the candidates of Directors at least seven days before the convening of the Shareholder's general meeting to ensure Shareholders to obtain adequate knowledge about the candidates when casting their votes;

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- the Shareholders' general meeting shall vote on the election of the candidates of Directors one by one; and

- a candidate for Director shall act as a Director upon the approval of the Shareholders' general meeting with his qualification verified by the regulatory authorities.

To improve the effectiveness of the Board and the standard of corporate governance, the Company formulated the Board Diversification Policy. The composition of the Board reflects the appropriate balance between the requisite skills, experience and diversity of perspectives to ensure an effective leadership and independent decision-making ability of the Board. The Board shall have appropriate number of executive Directors and non-executive Directors, including independent non-executive Directors, so that it can make more independent decisions in an effective manner.

When selecting the candidates, the Nomination and Remuneration Committee will consider (among other things) the composition diversity of the Board and various other factors such as gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service, to ensure that the members of the Board possess appropriate skills, experience and diversified perspectives and opinions.

13.5 Board of Supervisors

13.5.1 Duties of the Board of Supervisors

The Board of Supervisors is a supervisory entity of the Company, and shall be accountable and report to the Shareholders' general meeting in accordance with the Articles of Association. The Board of Supervisors shall mainly perform the following duties: (1) to examine and oversee the Company's financial conditions, and review financial information including the financial reports and profit distribution plan; (2) to formulate the rule of procedures of the Board of Supervisors or to formulate amendments to the rule of procedures of the Board of Supervisors; (3) to monitor the implementation of policies of the Company and the basic management systems; (4) to nominate Supervisors representing Shareholders, external Supervisors and independent Directors; (5) to conduct departing audit of Directors and senior management as necessary; (6) to supervise the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated laws, regulations, the Articles of Association or the resolutions of the Shareholders' general meeting; (7) when the acts of Directors and senior management are harmful to the Company's interests, to require correction of those acts; (8) to propose to convene an extraordinary meeting of the Board; (9) to propose the convening of extraordinary general meetings and to convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over Shareholders' general meeting under laws, regulations and the Articles of Association; (10) to initiate proposals for resolutions to Shareholders' general meeting; (11) to negotiate with Directors on behalf of the Company and to initiate litigation against Directors or senior management members in accordance with the Company Law of the PRC; (12) to formulate the assessment methods and

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remuneration package of Supervisors and carry out appraisal of Supervisors for approval at the Shareholders' general meeting; (13) to monitor and assess the risk management and internal control of the Company and direct the job of the internal audit department of the Company; (14) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authorities of the place(s) where the shares of the Company are listed and the Articles of Association.

13.5.2 Composition of the Board of Supervisors

As of December 31, 2015, the Company had five Supervisors, including a Shareholder representative Supervisor, namely Mr. Sui Yunsheng, two external Supervisors, namely Ms. Wang Qi and Ms. Dong Juan, two employee representative Supervisors, namely Ms. Zheng Shengqin and Mr. Xu Dong. On March 24, 2015, at the first meeting of the second staff representative assembly of the Company, Mr. Xu Dong was elected as an employee representative Supervisor. On April 8, 2015, at the first extraordinary general meeting of the Company in 2015, Ms. Dong Juan was elected as an external Supervisor.

The term of office of a Supervisor shall be three years until the expiry of the term of office of the current term of Board of Supervisors. Supervisors may be re-elected after the expiry of his/her term of office. The Shareholder representative Supervisors and external Supervisors are elected at the Shareholders' general meeting and the employee representative Supervisors are elected at the employees' representative assembly.

13.5.3 Chairman of the Board of Supervisors

Mr. Sui Yunsheng is the Chairman of the Board of Supervisors, and is responsible for the operation of the Board of Supervisors in accordance with the Articles of Association.

13.5.4 Operation of the Board of Supervisors

The Board of Supervisors conducts voting on resolutions in meetings of the Board of Supervisors. The meetings of the Board of Supervisors are divided into regular and extraordinary meetings of the Board of Supervisors. Regular meetings of the Board of Supervisors shall be convened at least once every six months informing all Supervisors in writing 10 days prior to the holding of meeting. To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the Supervisors.

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13.5.5 Meetings of the Board of Supervisors

The Board of Supervisors convened five meetings in 2015, and considered and approved 19 resolutions, mainly including:

the Work Report of the Board of Supervisors for 2014, the Final Accounts of the Company for 2014, the Profit Distribution Plan of the Company for 2014, the Work Plan of the Board of Supervisors for 2015, the Appraisal Report on the Performance of the Directors and Senior Management of the Company for 2014, the Appraisal Report on the Performance of the Supervisors of the Company for 2014, the Nomination of Candidates for External Supervisors, the Election of Members of the Supervision Committee of the Board of Supervisors, the Remuneration Packages for Supervisors in 2014, and amendments to the Procedural Rules of the Board of Supervisors, the Terms of Reference of the Supervision Committee of the Board of Supervisors, the Provisional Measures for the Financial Supervision of the Board of Supervisors, and the Provisional Measures for the Performance Evaluation of Senior Management by the Board of Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors in 2015:

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Sui Yunsheng	5/5	100%
Wang Qi	5/5	100%
Dong Juan	4/4	100%
Zheng Shengqin	5/5	100%
Xu Dong	3/4	75%

Notes:

1. Attendance includes personal attendance and attendance by telephone or video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.
3. Supervisors who failed to attend the meetings of the Board of Supervisors had entrusted other Supervisors to attend the meetings and exercise their voting rights on their behalf.

13.5.6 Special Committee of the Board of Supervisors

The Board of Supervisors has established the Supervision Committee, which assists the Board of Supervisors to perform its duties under the authority of the Board of Supervisors, is accountable to the Board of Supervisors, and reports its work to the Board of Supervisors.

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From January 1, 2015 to May 19, 2015, the Supervision Committee of the Board of Supervisors comprised three Supervisors. The chairman was acted by Mr. Sui Yunsheng, chairman of the Board of Supervisors, and the members included Ms. Wang Qi, an external Supervisor, and Ms. Zheng Shengqin, an employee representative Supervisor. On May 19, 2015, at the meeting of the Board of Supervisors, Ms. Dong Juan, an external Supervisor, and Mr. Xu Dong, an employee representative Supervisor, were elected as members of the Supervision Committee of the Board of Supervisors. As of December 31, 2015, the Supervision Committee of the Board of Supervisors comprised 5 Supervisors. The chairman was acted by Mr. Sui Yunsheng, chairman of the Board of Supervisors, and the members included Ms. Wang Qi and Ms. Dong Juan, external Supervisors, and Ms. Zheng Shengqin and Mr. Xu Dong, an employee representative Supervisors.

The major duties of the Supervision Committee of the Board of Supervisors include: (1) to formulate the measures for supervising the financial activities of the Company and perform relevant examination; (2) to supervise the Board in the establishment of prudent operating concept and value standard as well as the formulation of development strategies based on the actual condition of the Company; (3) to formulate the measures for supervising the operating decisions, risk management and internal control of the Company as needed and perform relevant examination; (4) to review the financial reports of the Company and report to the Board of Supervisors; (5) to assess the internal control report of the Company and report to the Board of Supervisors; (6) to assess the performance of the Board and senior management and its members and report to the Board of Supervisors; (7) to assess the performance of the supervisors and report to the Board of Supervisors; (8) to review the investigation reports on material issues relating to the annual operating and financial conditions of the Company submitted to the office of the Board of Supervisors, and report to the Board of Supervisors; and (9) to perform other duties as authorized by the Board of Supervisors.

In 2015, the Supervision Committee convened three meetings to mainly review the following: the work report of the Board of Supervisors for 2014, the work plan of the Board of Supervisors for 2015, the final accounts of the Company for 2014, the profit distribution plan of the Company for 2014, the performance evaluation of the Directors and senior management of the Company for 2014, and the performance evaluation of the Supervisors of the Company for 2014.

13.5.7 Trainings for the Supervisors

During the Reporting Period, the Board of Supervisors actively encouraged and organized Supervisors to participate in various trainings, to assist Supervisors to constantly and comprehensively improve their quality and ability to perform their duties. All of the Supervisors had participated in relevant trainings as needed, and the trainings organized by the Company and attended by the Supervisors included: the continuing obligations and responsibilities of the directors, supervisors and senior management of a company listed in Hong Kong.

13. Corporate Governance Report

The trainings organized by the Board of Supervisors and attended by the Supervisors include: information disclosure and standard operations of listed companies; practices of insider information disclosure and prevention and control of insider trading; compliance practices for companies listed in Hong Kong; preparation and process of annual reports; interpretation of the Measures for the Regulation of Financial Asset Management Companies jointly promulgated by five ministries, including the CBRC; and practices for financial supervision and performance supervision.

13.6 Chairman of the Board and President

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

Mr. Lai Xiaomin acts as the chairman of the Board and legal representative of the Company, and is responsible for leading the Board to formulate and review the annual budget and determine business development strategies, risk management, compliance, internal control policies and other major matters of the Company.

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

13.7 Senior Management

13.7.1 Composition and Duties of Senior Management

The senior management is the execution body of the Company and is accountable to the Board. As at the date of this annual report, the senior management of the Company comprises 12 members. For details of its composition and the biography of members, please see "12. Directors, Supervisors and Senior Management — 12.3 Senior Management" in this annual report. There is a strict separation of powers between the senior management and the Board. The senior management determines the operation management and decisions within its terms of reference as authorized by the Board. The Company regularly reviews such authorization in accordance with its needs. The Board, in turn, conducts performance appraisal on senior management and its members in accordance with the evaluation requirements of the MOF, the results of which form the basis of their remuneration and performance arrangements.

13. Corporate Governance Report

13.7.2 Supervision and Evaluation on the Performance of Senior Management

The Board of Supervisors supervises the performance of the duties of the Board, senior management and its members by way of attending meetings, conducting survey, reviewing information, and carrying out work interviews in accordance with the Provisional Measures on the Supervision of the Performance of the Board, Senior Management and Its Members by the Board of Supervisors (《監事會對董事會、高級管理層及其成員履職監督暫行辦法》); and evaluates the performance of the Directors and senior management by reviewing the minutes of Shareholders' general meetings, Board meetings and meetings of the special committees of the Board, reviewing the annual performance reports of Directors and senior management, reviewing the Board's evaluation of Directors and the performance appraisal on senior management, and carrying out work interviews in accordance with the Measures for the Performance Evaluation of Directors (Trial) (《董事履職評價辦法 (試行)》) and the Provisional Measures on the Performance Evaluation of the Senior Management by the Board of Supervisors (《監事會對高級管理人員履職評價暫行辦法》).

13.7.3 Remuneration of Directors and Senior Management

For the remuneration policy of the Directors and senior management, please see "15. Report of the Board of Directors" — "15.25 Remuneration Policy of Directors, Supervisors and Senior Management" of this annual report.

13.8 Communication with Shareholders

13.8.1 Investor Relations and Information Disclosure

In strict compliance with regulatory provisions and the basic corporate governance system, the Company formulated the Rules on Information Disclosure (《信息披露管理制度》), the Administrative Measures on the Preparation of Periodic Reports (《信息披露定期報告編制管理辦法》), the Administrative Measures on the Internal Reporting of Material Information (《重大信息內部報告管理辦法》), and the Rules on Investor Relations Management (《投資者關係管理制度》), to regulate the management of information disclosure and investor relations of the Company. These systems have become effective since the Listing Date. During the Reporting Period, the Company communicated and interacted with Shareholders and potential investors through various channels in order to assist them in making rational investment decisions and to protect the legal interests of investors.

13. Corporate Governance Report

13.8.2 Contacts of Board of Directors' office

The Board Office is responsible for assisting the daily operations of the Board. Should investors have any enquiries or Shareholders have any suggestions, enquiries or proposals, please contact:

Board Office of China Huarong Asset Management Co., Ltd.
Address: No.8, Financial Street, Xicheng District, Beijing, China
Tel. no.: 86-10-59619119
Email address: ir@chamc.com.cn

13.9 Inside Information Management

During the Reporting Period, the Company raised the compliance awareness of its employees and regulated inside information management in accordance with relevant Company policies. It is also a clear requirement that inside information shall not be leaked by any insiders of the Company by any means before it is disclosed in accordance with laws, nor be used to conduct insider trading, nor be used in concert with other parties to manipulate the trading price of the Company's shares and derivatives. During the Reporting Period, there were no incidents of insider trading of Shares by taking advantage of the insider information.

13.10 Auditor's remuneration

Pursuant to the proposal approved by the annual general meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the external auditors for 2015. Such auditors have provided the audit services for the Company for three years.

In 2015, a total fee of RMB52.9 million was paid to Deloitte and its member firms by the Group for services provided to the Group, of which the statutory audit service fee was RMB11.4 million, internal control audit service fee was RMB2.0 million and other services fee was RMB39.5 million.

13.11 Responsibilities of Directors for Financial Statements

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

13. Corporate Governance Report

13.12 Securities Transactions by Directors, Supervisors and Relevant employees

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Relevant Employees which regulates the securities transactions by Directors, Supervisors and relevant employees and is of no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made enquiries to all Directors and Supervisors who all confirmed that they had complied with the Model Code and the requirements set out therein from the Listing Date to December 31, 2015.

13.13 Independence of Independent Non-executive Directors

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

13.14 Training for Directors

During the Reporting Period, the Board focused on the continuing professional development of the Directors by encouraging them to take part in and organizing training programs for them. The Training System for the Directors, Supervisors and Senior Management (《董事、監事和高級管理人員培訓制度》) was also formulated. All members of the Board continued to familiarize themselves with various regulatory information and the latest regulatory requirements, including relevant laws and regulations and regulatory documents in relation to corporate governance and the Listing Rules. They also updated their knowledge and skills, and improved their abilities to perform their duties through various methods, such as participating in relevant trainings organized by industry associations, professional bodies and the Company, and personally visiting domestic and foreign financial institutions and the Company, in order to ensure they can contribute to the Board in a well-informed manner based on its actual needs. The major trainings attended by the Directors are as follows:

In April 2015, Mr. Lai Xiaomin, Mr. Ke Kasheng and Mr. Wang Keyue, executive Directors, Mr. Tian Yuming, Ms. Wang Cong, Ms. Dai Lijia, Mr. Wang Sidong, Mr. Li Hui, non-executive Directors, and Mr. Song Fengming, Mr. Wu Xiaoqiu, Mr. Tse Hau Yin and Mr. Liu Junmin, independent non-executive Directors, participated in the special training provided by the Hong Kong legal advisors of the Company on continuing obligations and responsibilities of Directors, Supervisors and senior management.

13. Corporate Governance Report

13.15 Liability Insurance for Directors

The Company maintained liability insurance for Directors in 2015 to provide protection against claims arising from the lawful discharge of duties by Directors, thus encouraging Directors to fully perform their duties.

13.16 Joint Company Secretaries

The Board secretary and one of the joint company secretaries, Mr. Hu Jianjun ("Mr. Hu") is an employee of the Company. He is very familiar with the internal management and business operations of the Company. In addition, the Company has appointed Mr. Ngai Wai Fung ("Mr. Ngai") as another joint company secretary to work closely with and provide assistance to Mr. Hu in discharging his duties and responsibilities as a joint company secretary and acquiring relevant experience within the meaning of Rule 3.28 of the Listing Rules. Mr. Ngai is a director and the chief executive officer of SW Corporate Services Group Limited, a corporate service provider. In respect of corporate governance, the Listing Rules and other applicable laws and regulations related to the Company and other matters, Mr. Ngai will contact Mr. Hu, and Mr. Hu will be responsible for reporting to the Board and/or chairman of the Board. Mr. Ngai participated in relevant professional trainings for 15 hours during the Reporting Period in compliance with the requirements of Rule 3.29 of the Listing Rules. Since the Company was only listed on Hong Kong Stock Exchange at the end of October 2015, Mr. Hu undertakes to complete at least 15 hours of relevant professional trainings every year from 2016 to update his knowledge and skills.

14. Internal Control

14.1 Statement of the Board in Relation to Internal Control Responsibilities

The Board is responsible for the establishment and implementation of a sound and effective internal control system, and the evaluation of its effectiveness. The Company has established a sound internal control governance structure. The Board has set up the Audit Committee, Risk Management Committee and Related Party Transaction Committee to supervise and review work concerning risk management and internal control. The Board of Supervisors oversees the internal control system established and implemented by the Board and senior management. The senior management is responsible for the daily operation of internal controls of the Company. The Company's branches and subsidiaries have also set up functional departments for internal control and management, which are responsible for organizing and coordinating the establishment, implementation and daily operation of internal controls. The internal audit department is responsible for conducting regular audits on the operation of internal controls.

Pursuant to relevant regulatory requirements set out in the Basic Internal Control Norms for Enterprises and its implementation guidelines jointly promulgated by the five ministries including the MOF, the Company adopted an implementation plan for internal control assessment for 2015, which has defined the scope, procedures and methods of internal control assessment, and actively conducted on-site assessments of internal controls.

The internal control assessment of the Company for 2015 covered all major departments at the Company's headquarters, branches, subsidiaries and major products and business lines, and consisted of on-site assessments by key departments at the Company's headquarters, and comprehensive self-assessment and key inspections carried out by branches and subsidiaries. No significant or material deficiencies in internal controls were identified during the assessment while certain matters which needed to be addressed did not have any substantial impact on the operations and management of the Company. The Company places great importance on the matters to be addressed and will implement rectification measures.

14.2 Basis of Establishment of the Internal Control Management System of the Company

During the Reporting Period, the Board continued to enhance and optimized the internal control management system in line with the internal control objectives of operating effectiveness, reporting reliability and operating compliance, in accordance with requirements of the Basic Internal Control Norms for Enterprises and its implementation guidelines, the Measures on the Internal Control of Financial Asset Management Companies, the Guidelines on the Internal Control of Commercial Banks, the Corporate Governance Code and the Corporate Governance Report set out in Appendix 14 to the Listing Rules and other regulatory requirements.

14. Internal Control

14.3 Establishment of Internal Control Management System

During the Reporting Period, the Company further optimized its internal control system, enhanced system management and strengthened its operational control measures.

In respect of the internal control structure, the Company further clarified the structure and management duties of the internal control, creating a well-balanced, interactive and sound corporate governance structure comprising the Board, the Board of Supervisors and management. The Company established an organisational structure and authorization system with clearly defined reporting lines, sensible work division and specific reporting procedures, and formed three lines of defense of internal control, consisting of the business department, the risk management department and the internal audit department, with each department and every line of defense complementing and reinforcing each other, to provide support for businesses and risk control.

The management system consists of the internal control policy system, assessment system and monitoring system. In respect of internal control policy, we continued to enhance and optimize the rules and systems of the Company, further refine the top level design of internal control, clarify the regulatory requirements of system establishment and ensure the quality and effectiveness of system management. In respect of assessment system, an internal control mechanism has been established for daily inspection, special inspection and independent assessment. The closed-loop management process has been established for the identification and rectification of problems, follow-up monitoring, assessment and accountability. In respect of the monitoring system, risk monitoring indicators have been established based on major risks, key controls and compliance requirements relating to business and management in order to improve the monitoring, warning, analysis and reporting procedures.

Management is based on a good corporate internal control culture, employee training and development and information system structure. The Company actively establishes and optimizes the Group's business data integration platform, setting up an integrated business application system, and carries out cultural and other measures of internal control and trainings on internal controls, which further cultivates the sound internal control culture, and deepens employee's awareness of internal controls and risk prevention.

14.4 Internal Control Measures for Sanctions Risk

To ensure that the Group abide by its undertakings to the Hong Kong Stock Exchange as disclosed in the Prospectus and that the Group or Relevant Persons would not be subject to any sanctions, the Group has implemented the following internal control policies and procedures:

(1) the Group has issued the Notice on Matters Relating to the Prevention of OFAC Sanctions Risk, which sets out various matters relating to the identification, assessment, review, decision making and training on matters relating to the OFAC sanctions risk.

(2) the Group has issued the Notice on Certain Matters Relating to the Fulfillment of Undertakings Relevant to the Implementation of OFAC Risk Control to implement the measures to fulfill the undertakings made by the Company in respect of relevant OFAC sanctions risk.

(3) the Group has issued the Guiding Principles on Enhancing the Management of Overseas Debt Issuance Proceeds, which sets out the control measures in regard to OFAC sanctions risk while utilizing funds from its overseas debt issuance for investment.

14. Internal Control

(4) the proceeds of the Group from the global offering have been deposited into a bank account separated from other funds of the Group, and such proceeds have not been provided to the Subject Companies. The Group will manage all other funds raised through the Hong Kong Stock Exchange in the same manner as abovementioned.

(5) the Group has no present intention to undertake in any future business that would cause the Group or Relevant Persons to violate or become a target of sanctions laws of the United States, European Union or the United Nations. If the Group identifies any sanctions risks, the Group will comply with its undertaking to the Hong Kong Stock Exchange as disclosed in the Prospectus, that the Group will not expose itself or Relevant Persons to the risk of being sanctioned, and will disclose relevant information on its own websites and the website of the Hong Kong Stock Exchange.

(6) the Group reviews sanctions risk for every potential investment opportunity including the DES Companies. The Group will conduct due diligence on potential investment opportunities, check various publicly available lists of the restricted parties and countries maintained by the United States, European Union, United Kingdom and United Nations, and carry out daily management of sanctions risk for all such projects, during which, if any potential sanctions risk is identified, the Company will seek advice from its legal counsels and report to the Risk Management Committee of the Board which will then evaluate whether to dispose of or to make an investment. If the Group believes that such potential investment will expose the Group or Relevant Persons to risks of being sanctioned based on the internal control measures described above, the Risk Management Committee of the Board will instruct the Group to dispose of or disapprove such investment.

(7) the Group has engaged Kirkland & Ellis as its annual international legal advisor after the listing, to provide assistance to the Group in evaluating the sanctions risk of the Group every six months. The Group has engaged Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as our compliance advisors after the listing.

(8) the Group will periodically review and improve the internal control policies and procedures in relation to sanctions law matters based on the advice and opinions of its international legal advisor.

(9) the Group has invited Kirkland & Ellis to provide the Group with trainings on sanction laws, and the Group will continue to organize such trainings on a regular basis.

14.5 Internal Control Measures for Excluded DES Companies

The Group has taken the internal control measures for the Excluded DES Companies as disclosed in the Prospectus. The details are as follows:

(1) As for the Excluded DES Companies, we have appointed designated project managers to identify and monitor any material legal disputes and non-compliance risks of such companies. Based on the information available to the Group, such enterprises have not encountered any risk of material legal dispute and compliance risk since the Listing Date.

14. Internal Control

(2) The Group will evaluate the risks that may be brought by the Excluded DES Companies on a regular basis based on information available. If any potential risk is identified, the Company will seek an opinion issued by its reputable external legal counsels with relevant expertise and experience and take appropriate measures accordingly.

(3) The Group has fully commenced the disposal plan for the Excluded DES Companies in 2015. As at the end of 2015, the disposal processes for all 6 Excluded DES Companies had commenced. For the disposal of the Excluded DES Companies, please see "15. Report of the Board of Directors — 15.18. Disposal of Equity in Excluded DES Companies" of this annual report.

(4) The Group will not increase its investments in the Excluded DES Companies or increase our portfolio of DES Assets for which we cannot obtain sufficient information for the value estimation due to restrictions from the Protection of State Secret Laws.

(5) The Group will review new laws and regulations on protection of state secrets on a regular basis.

(6) The Group will review and update the internal control measures and policies for the Excluded DES Companies on a regular basis.

14.6 Future Businesses of DES Companies and Investment Plans Involving DES Companies

The DES Assets currently held by the Group are mainly assets acquired as a result of equity swaps of distressed debt assets of a number of medium and large state-owned enterprises according to the national policies prior to our restructuring. According to the operating plans of the Group for such assets, the Group appreciated the importance of leveraging on mergers and acquisitions opportunities to realize asset liquidity and achieve gains from equity restructuring, disinvest from highly competitive industries or such companies with limited potential for asset appreciation, take advantage of our strengths in integrated financial services, enhance internal business collaboration, improve the level and return of market value management and enhance the management of equity assets, in order to increase the overall gain from equity assets management and seek greater social benefits.

In the future, the Group will pay greater attention to the policy direction on the reforms of state-owned enterprises and financial systems, quickly grasp opportunities arising from active market conditions and increase its efforts to overcome market challenges. Leveraging on DES enterprises and other investment opportunities in the market, the Company will strive to obtain sufficient project-related information through comprehensive due diligence, and carefully assess potential risks of the projects, including sanctions risk, in order to expand its equity investment business effectively through reasonable and objective evaluation and market-oriented approaches.

In its pursuit of the healthy development of the DES business, the Group will prudently prevent risks and strictly implement control procedures in order to avoid any investments in DES Companies which may expose itself or the Relevant Persons to sanctions risks.

15. Report of the Board of Directors

15.1 Principal Business

Details of the business performance review of the Group are set out in "9. Management Discussion and Analysis — 9.3 Business Overview" in this annual report. During the Reporting Period, there were no significant changes to the principal business scope of the Group.

15.2 Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2015 are set out in the "9. Management Discussion and Analysis — 9.2 Analysis of Financial Statements" in this annual report.

As approved at the extraordinary general meeting held on June 14, 2015, a cash dividend as special dividend, which shall be determined based on the net profit for the special dividend period (July 1, 2015 to September 30, 2015) after deducting the appropriations to statutory surplus reserve and general reserve according to the applicable regulations, will be declared and distributed to Shareholders whose names appeared on our register of members as at the record date for the special dividend (September 30, 2015). According to special audit results, the amount of special dividend will be RMB1,247.8 million.

To further support the sustainable development of the Company and maximize long-term Shareholders' return, the Board proposed that the remaining net profits shall be retained by the Company and no other dividend distribution will be made for 2015 except for the above special dividend.

The dividend distribution plan for 2015 of the Company is subject to approval by Shareholders at the Company's general meeting.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]45號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), and other relevant laws, regulations and standards, the Company shall, as a withholding agent, withhold and pay individual income tax for such individual Shareholders. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which

15. Report of the Board of Directors

such individual holders of H Shares are domiciled and the tax arrangements between China, Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of dividends. However, the tax rates applicable to overseas individual holders of H Shares may vary depending on the tax treaties between the PRC and the countries (regions) in which such individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of such individual holders of H Shares in distribution of dividends in accordance with such applicable tax rates.

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

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

15.3 Reserves

Reserves of the Group for the year ended December 31, 2015 are set out in the Consolidated Statement of Changes in Equity in the consolidated financial statements in this annual report.

15.4 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2015 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements in this annual report.

15.5 Financial Highlights

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2015 are set out in the "5. Financial Summary" section.

15.6 Donation

Donations made by the Group for the year ended December 31, 2015 amounted to RMB10.8 million.

15. Report of the Board of Directors

15.7 Property and Equipment

None of the properties held by the Group had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2015 are set out in "19. Audit Report and Financial Statements — V. Explanatory Notes — 33. Property and equipment".

15.8 Pension Plan

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

Other than the basic social pension insurance, the employees of the Company also participated in the Annuity Scheme of China Huarong Asset Management Co., Ltd. established by the Company in accordance with relevant policies of the PRC on the annuity system. According to the Annuity Scheme, the Company makes contributions to the Annuity Scheme at a certain proportion of the total wages of the employees, and such contributions are expensed to profit or loss when incurred.

15.9 Major Clients

During the Reporting Period, the revenue from the top five entities to which the Company disposed of distressed assets in aggregate accounted for not more than 30% of the Company's total revenue for the year.

15.10 Major Suppliers

During the Reporting Period, the top five entities from which the Company acquired distressed assets in aggregate accounted for not more than 30% of the Company's total costs for distressed assets acquisition in 2015.

15. Report of the Board of Directors

15.11 Share Capital and Public Float

As at December 31, 2015, the Company had a total of 39,070,208,462 Shares in issue and 707 registered Shareholders. Please see "11. Changes in Share Capital and Information on Substantial Shareholders" in this annual report for details. As at the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was 36.65%, which was in compliance with requirements of relevant laws, regulations and the Listing Rules.

15.12 Pre-emptive Right and Share Option Arrangement

During the Reporting Period, none of the Shareholders was entitled to any pre-emptive right to subscribe for any Shares according to the applicable PRC laws and the Articles of Association, and the Company did not have any share option arrangement.

15.13 Purchase, Sale and Redemption of Shares

Since the Listing Date to December 31, 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any Shares of the Company.

15.14 Issuance of Securities

The Company was listed on the Main Board of the Hong Kong Stock Exchange on October 30, 2015. Please see "11. Changes in Share Capital and Information on Substantial Shareholders — 11.2 Listing and Issuance of Securities" in this annual report for details.

For details of issuance of debt securities, please see "19. Audit Report and Financial Statements — V. Explanatory Notes — 42. Bonds and notes issued" in this annual report.

Save as abovementioned, during the Reporting Period, the Group did not have any other issuance or grant of Shares, convertible bonds, options or other securities.

15.15 Material Interests and Short Positions

For details of material interests and short positions of the Shareholders, please see "11. Changes in Share Capital and Information on Substantial Shareholders — 11.3 Substantial Shareholders — 11.3.1 Interests and Short Positions held by the Substantial Shareholders and Other Persons" in this annual report.

15. Report of the Board of Directors

15.16 Use of Proceeds

The proceeds from the initial public offering of the Company were applied in the manner consistent with the purposes as disclosed in the Prospectus.

15.17 Borrowings

The borrowings of the Group as at December 31, 2015 amounted to approximately RMB295,030 million. Details of our borrowings are set out in "19. Audit Report and Financial Statements — V. Explanatory Notes — 39. Borrowings".

15.18 Disposal of Equity in Excluded DES Companies

The Group has used and will continue to use its best efforts to complete the disposal of the Excluded DES Companies as soon as practicable after listing in accordance with the arrangements as disclosed in the Prospectus.

In 2015, the Group commenced the disposal plan of the Excluded DES Companies. As of the end of 2015, the disposal processes for all six Excluded DES Companies have commenced. We obtained official approval for the disposal plan for one Excluded DES Company, and commenced disposal procedures. We have also formulated the disposal proposal for one other Excluded DES Company, pending approval. For the remaining four Excluded DES Companies, we carried out negotiations to dispose of our shareholdings in such companies. For all of the six Excluded DES Companies, the Group negotiated with their respective de-facto controllers and controlling shareholders regarding the disposal of our shareholdings. During the Reporting Period, Wang Keyue, an executive Director, was responsible for the disposal process and monitoring the disposal progress, and our independent non-executive Directors supervised the relevant actions of Wang Keyue. In March 2016, Wang Keyue discussed and reported the relevant disposal plan and progress to the independent non-executive Directors, and the independent non-executive Directors made enquires accordingly. Wang Keyue also reported the relevant disposal plan and progress to the Audit Committee under the Board in March 2016.

We will retain Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as our compliance advisers until all of our equity interests in the Excluded DES Companies have been disposed of.

The Group will not make any further investments in the Excluded DES Companies or increase the portfolio of DES Assets for which we cannot obtain sufficient information for Value Calculation due to restrictions from the Protection of State Secret Laws.

15. Report of the Board of Directors

15.19 Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in "12. Directors, Supervisors and Senior Management" in this annual report. The daily operations of the Board are set out in "13. Corporate Governance Report" in this annual report.

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

As at December 31, 2015, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

None of the Directors and Supervisors or their associated entities had any beneficial interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group entered into with the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2015.

None of the Directors and Supervisors had entered into any service contract with the Company which was determinable by the Company within one year with payment of compensation (other than statutory compensation).

15.22 Material Contracts with Controlling Shareholders

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

15.23 Management Contracts

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

15. Report of the Board of Directors

15.24 Interests of Directors in Businesses Competing with the Company

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

15.25 Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of Directors, Supervisors and senior management of the Company is in compliance with the Interim Administrative Measures for the Remuneration of Representatives of Central Financial Enterprises (《中央金融企業負責人薪酬管理暫行辦法》) (the "Interim Measures") issued by the MOF. The remuneration policy of Directors, Supervisors and senior management consists of incentives and restrictions based on their performance and risks and responsibilities of their respective positions, and is subject to government supervision and adjustment according to market condition. The remuneration system comprises basic annual salary, performance-based salary, bonuses based on term of service, and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. The Company has not granted any share incentives to its Directors, Supervisors and senior management.

15.26 Relationship between Directors, Supervisors and Senior Management

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

15.27 Connected Transactions and Related Party Transactions

For details of the related party transactions based on the IFRS during the Reporting Period, please see "19. Audit Report and Financial Statements — V. Explanatory Notes — 55. Related Party Transactions". As confirmed by the Company, such related party transactions did not constitute connected transactions of the Company according to Chapter 14A of the Listing Rules. During the Reporting Period, the Group did not conduct any connected transaction which was required to be disclosed according to Chapter 14A of the Listing Rules.

15. Report of the Board of Directors

15.28 Environmental Policy

Environmental protection should be a collective responsibility for every member of the community. Our Group is committed to improving our environmental performance and raising environmental awareness among our stakeholders. To minimize the impacts of our business operations on the environment, we have adopted measures to reduce our consumption of energy and natural resources, reduce waste, and use environmentally friendly products and materials whenever possible.

15.29 Compliance with Relevant Laws and Regulations

The Group has established legal compliance and internal control measures to ensure its compliance with applicable laws, rules and regulations which may have significant effects on the Group. The Risk Management Committee of the Group is responsible for legal and compliance management and review of applicable laws and compliance policies as well as the implementation of relevant laws and policies on a regular basis. Relevant staff and operating units will be informed of the latest changes of applicable laws, rules and regulations from time to time. The Group has obtained all major qualifications and licenses necessary to conduct its business operations according to relevant laws and regulations. During the year, the Group has not violated any relevant laws, rules or regulations which may have a material adverse effect on the Group.

15.30 Major Subsidiaries

Details of the major subsidiaries of the Group are set out in "19. Audit Report and Financial Statements — V. Explanatory Notes — 59.10 Interests in subsidiaries".

15.31 Auditors

The consolidated financial statements of the Company for 2015 prepared under the IFRS and PRC GAAP have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, respectively.

15.32 Statement for Changes of Auditors in the Past Three Years

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

By Order of the Board
Lai Xiaomin
Chairman

March 17, 2016

16. Report of the Board of Supervisors

In 2015, pursuant to PRC laws and regulations, the Articles of Association and other relevant regulatory requirements, and focusing on the development strategies and major operations of the Company, the Board of Supervisors performed its supervisory duties and further improved the corporate governance structure of the Company to facilitate strategic transformation and maintain sustainable and sound development of the Company.

16.1 Major Work Completed

The Board of Supervisors convened meetings according to laws. In 2015, the Board of Supervisors held 5 meetings to review and approve 19 resolutions, including the reports of the Board of Supervisors, the final financial statements for 2014 of the Company and annual working plan of the Board of Supervisors for 2015. The supervision committee of the Board of Supervisors held three meetings to review the annual performance appraisal reports of Directors and senior management for 2014, annual performance assessment report of Supervisors for 2014 and other issues. The Board of Supervisors also appointed Supervisors to review the annual audit plans and organize the implementation of such plans for four times.

Performance supervision. The Board of Supervisors strengthened its supervision over the Board and senior management's lawful operation and decision-making procedures for major issues by attending meetings of the Board and its special committees and relevant meetings of senior management. It also reinforced its supervision on the performance of duties by the Board, senior management members as well as the implementation of resolutions of the Shareholders' general meetings and Board meetings by carrying out investigations and studies, conducting visits and interviews and analyzing relevant information. It organized the supervision and evaluation of annual performance, and issued evaluation reports on the performance of Directors and senior management in accordance with relevant requirements.

Financial supervision. The Board of Supervisors supervised the regular reports with focusing on the truthfulness, accuracy and completeness of financial reports, reviewed the annual audit plan and its implementation report and guided the external audit work. It organized investigations on the utilization of proceeds from bond issues, and reviewed and supervised the financial management of certain branches.

Internal control supervision. The Board of Supervisors closely monitored the establishment and evaluation of the internal control system, rectified problems identified during the evaluation of internal controls and internal audit, and organized special research and supervision on the development and operation of internal controls of certain subsidiaries.

Risk supervision. The Board of Supervisors particularly focused on monitoring the implementation of the risk management policy, provided relevant opinions and suggestions on the establishment of risk management policy and systems, and conducted research and supervision on business development and asset quality for certain branches.

Internal matters. The Board of Supervisors amended four regulatory documents including the Procedure Rules of the Board of Supervisors, and formulated the Interim Rules of Supervision by the Board of Supervisors to further improve its system and mechanism. It continuously improved its operating capability by organizing trainings and communication, and assessed the performance of Supervisors by conducting annual evaluations.

During the Reporting Period, the members of the Board of Supervisors performed their duties properly and diligently. They attended the Shareholders' general meetings and meetings of the Board of Supervisors on

16. Report of the Board of Supervisors

time, observed the meetings of the Board and its special committees as non-voting attendees, and carefully reviewed all proposals in such meeting, conducted in-depth investigation and research and provided relevant opinions and suggestions on a timely basis. During the Reporting Period, the total time spent by the Shareholder Representative Supervisors and the external Supervisors working for the Company exceeded 15 working days.

16.2 Independent opinions on relevant matters

16.2.1 Lawful Operation

During the Reporting Period, the Company's operations were in compliance with laws and regulations, and its decision-making procedures conformed to relevant laws, regulations and the Articles of Association. Directors and senior management of the Company duly performed their duties. The Board of Supervisors is not aware of any breach of laws, regulations and the Articles of Association or any actions which may be detrimental to the interests of the Company in performing their duties.

16.2.2 Financial Reports

The financial reports for the year fairly and accurately reflected the financial position and operating results of the Group.

16.2.3 Opinions on the performance evaluation of Directors and senior management of the Company

The results of the performance evaluation of all Directors and senior management of the Company for 2015 showed that all of them were competent.

16.2.4 Evaluation Report of the Board on Internal Control

The Board of Supervisors reviewed the annual evaluation report of the Board on internal control for 2015 and had no objections.

16.2.5 Implementation of Resolutions Adopted at the General Meeting of Shareholders

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

By order of the Board of Supervisors
Sui Yunsheng
Chairman of the Board of Supervisors

March 17, 2016

17. Significant Events

17.1 Material Litigation and Arbitration

As a large-scale asset management company, it is in the nature of our business that we are engaged in litigations and other legal proceedings from time to time. For example, there were cases where we have recovered distressed debts by initiating legal proceedings as part of our process to dispose distressed assets in the usual and ordinary course of our business.

During the Reporting Period, we were involved in various unresolved litigation matters. For example, as of December 31, 2015, unresolved legal proceedings of which the amount in dispute exceeded RMB10 million and in which the Company was a defendant had an aggregate alleged amount of approximately RMB340 million and unresolved legal proceedings of which the amount in dispute exceeded RMB10 million and in which the Company was a plaintiff had an aggregate alleged amount of RMB15,300 million. We believe that we have made full accrual allowance for the potential losses arising from unresolved legal proceedings and that none of such legal proceedings, individually or in aggregate, would have a material adverse impact on the business, financial condition and results of operations of the Company.

17.2 Major Acquisition and Disposal of Assets and Merger

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

17.3 Use of Funds by the Controlling Shareholders and Other Related Parties

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

17.4 Implementation of Share Incentive Scheme

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

17.5 Major Contracts and Their Implementation

17.5.1 Major Custodies, Underwriting and Leasing

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

17.5.2 Material Guarantees

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

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

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

17.7 Events after the Reporting Period

For details of events after the Reporting Period, please refer to "19. Audit Report and Financial Statements — VI. Events after the reporting period"

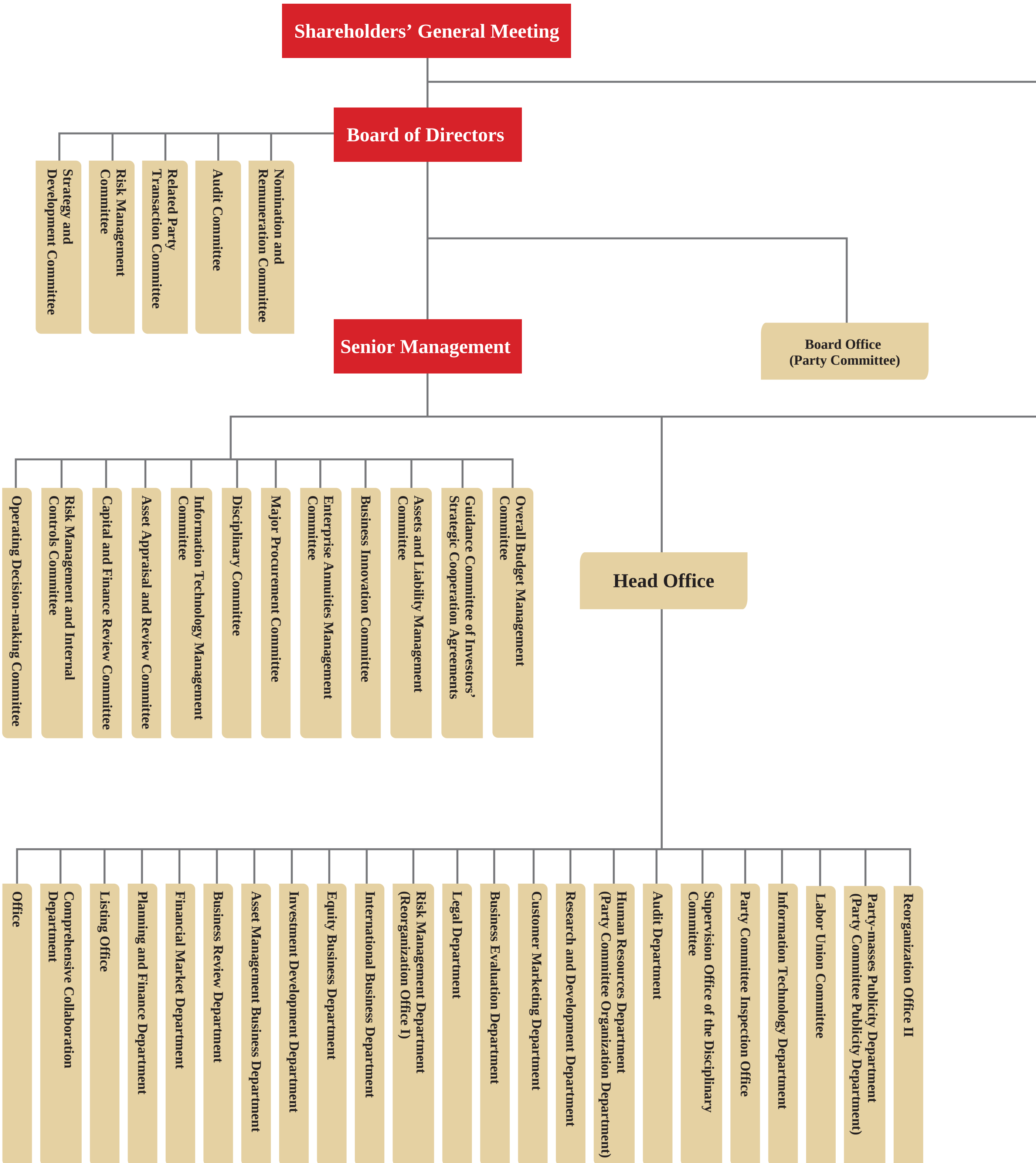
17.7.1 Commencement of Business of Huarong Consumer Finance Co., Ltd.

As approved by CBRC, Huarong Consumer Finance Co., Ltd. (華融消費金融股份有限公司) commenced business on 26 January 2016. Please refer to the announcement of the Company dated 26 January 2016 for further details.

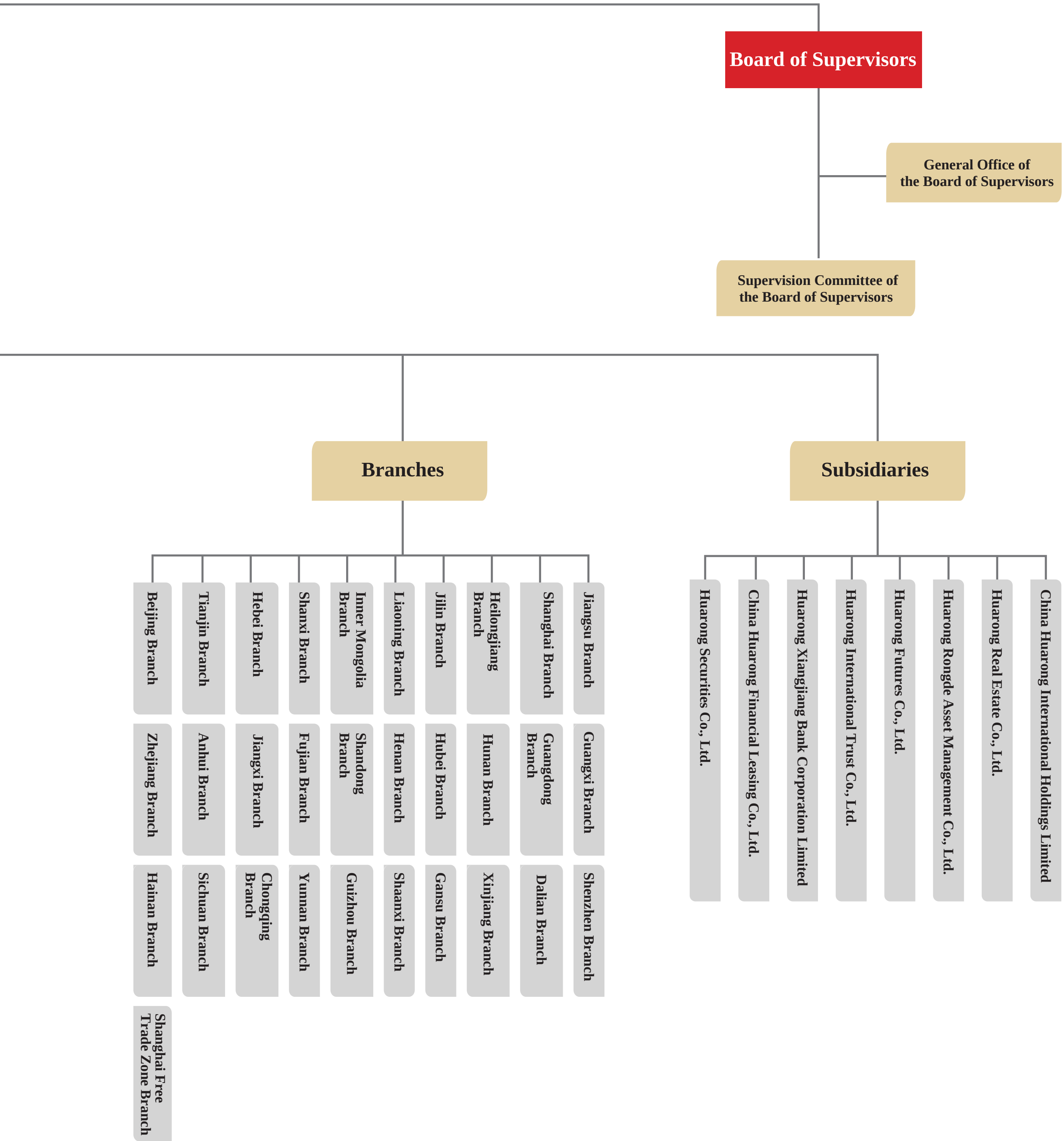
17.7.2 Issuance of Financial Bonds

On 2 March 2016, the Company issued financial bonds in an aggregate amount of RMB10 billion in the national interbank bond market in the PRC. The Bond is a five-year fixed rate bond with a coupon rate of 3.39%. Please refer to the announcements of the Company in relation to the issuance of financial bonds dated 15 February 2016 and 4 March 2016 for further details.

18. Organizational Chart



18. Organizational Chart



19. Audit Report and Financial Statements

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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Independent Auditor's Report

Deloitte.
德勤

To the Shareholders of China Huarong Asset Management Co., Ltd
(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated financial statements of China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 159 to 328, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit

Independent Auditor's Report

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 17, 2016

Consolidated Statement of Profit or Loss

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended December 31, 2015	2014
Income from distressed debt assets classified as receivables	1	**23,094,980**	15,662,033
Fair value changes on distressed debt assets	2	**1,637,250**	886,187
Fair value changes on other financial assets	3	**3,347,102**	1,289,186
Interest income	4	**14,067,083**	12,047,610
Investment income	5	**19,167,342**	9,803,565
Commission and fee income	6	**10,397,992**	7,985,645
Net gains on disposal of associates		**427,405**	128,037
Other income and other net gains or losses	7	**3,246,609**	3,258,441
Total		**75,385,763**	51,060,704
Interest expense	8	**(25,902,179)**	(17,903,653)
Commission and fee expense	9	**(945,318)**	(452,468)
Operating expenses	10	**(11,487,552)**	(8,469,479)
Impairment losses on assets	11	**(12,603,781)**	(6,225,587)
Total		**(50,938,830)**	(33,051,187)
Change in net assets attributable to other holders of consolidated structured entities	30	**(2,456,555)**	(1,307,220)
Share of results of associates and joint ventures		**255,562**	72,129
Profit before tax		**22,245,940**	16,774,426
Income tax expense	12	**(5,295,142)**	(3,743,581)
Profit for the year		**16,950,798**	13,030,845
Profit attributable to:			
Equity holders of the Company		**14,482,053**	10,656,207
Holders of perpetual capital instruments		**173,982**	723
Non-controlling interests		**2,294,763**	2,373,915
		16,950,798	13,030,845
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)			
— Basic	13	**0.43**	0.38
— Diluted	13	**0.43**	N/A

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2015	**2014**
Profit for the year	**16,950,798**	13,030,845
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit obligations	**(759)**	1,688
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	**2,421,040**	5,244,608
Income tax effect	**(651,695)**	(1,248,055)
	1,769,345	3,996,553
Share of other comprehensive income of associates	**64,687**	49,132
Exchange differences arising on translation of foreign operations	**(69,031)**	(2,921)
Other comprehensive income for the year, net of income tax	**1,764,242**	4,044,452
Total comprehensive income for the year	**18,715,040**	17,075,297
Total comprehensive income attributable to:		
Equity holders of the Company	**16,150,148**	14,632,233
Holders of perpetual capital instruments	**173,982**	723
Non-controlling interests	**2,390,910**	2,442,341
	18,715,040	17,075,297

Consolidated Statement of Financial Position

As at December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	As at December 31, 2015	2014
Assets			
Cash and balances with central bank	17	**24,982,130**	26,945,320
Deposits with financial institutions	18	**76,896,262**	51,633,232
Placements with financial institutions	19	**9,298,706**	13,628,330
Financial assets held for trading	20	**13,004,002**	8,055,147
Financial assets designated as at fair value through profit or loss	21	**85,458,189**	33,115,178
Financial assets held under resale agreements	22	**32,538,933**	21,841,924
Loans and advances to customers	23	**81,625,232**	63,239,421
Finance lease receivables	24	**71,672,497**	63,494,344
Available-for-sale financial assets	25	**64,994,231**	43,966,734
Held-to-maturity investments	26	**34,357,970**	18,817,891
Financial assets classified as receivables	27	**328,685,840**	227,033,219
Interests in associates and joint ventures	28	**6,692,635**	2,863,368
Investment properties	32	**1,070,209**	977,183
Property and equipment	33	**5,026,771**	3,990,679
Deferred tax assets	34	**4,826,597**	2,671,833
Other assets	35	**25,416,214**	18,247,339
Total assets		**866,546,418**	600,521,142
Liabilities			
Borrowings from central bank		**20,000**	80,000
Deposits from financial institutions	36	**15,468,153**	13,660,007
Placements from financial institutions	37	**964,936**	2,111,021
Financial assets sold under repurchase agreements	38	**30,361,861**	26,203,099
Borrowings	39	**295,031,782**	239,885,200
Due to customers	40	**139,998,873**	117,246,072
Tax payable	41	**3,223,251**	2,276,686
Deferred tax liabilities	34	**552,760**	123,265
Bonds and notes issued	42	**143,053,839**	48,002,139
Other liabilities	43	**119,070,361**	67,401,539
Total liabilities		**747,745,816**	516,989,028

Consolidated Statement of Financial Position

As at December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	As at December 31, 2015	2014
Equity			
Share capital	44	**39,070,208**	32,695,870
Capital reserve	45	**18,404,795**	9,078,345
Surplus reserve	46	**2,441,087**	1,631,898
General reserve	47	**8,571,665**	4,677,946
Other reserves	48	**5,475,513**	3,807,418
Retained earnings		**24,154,082**	17,516,675
Equity attributable to equity holders of the Company		**98,117,350**	69,408,152
Perpetual capital instruments	49	**6,454,112**	1,450,723
Non-controlling interests		**14,229,140**	12,673,239
Total equity		**118,800,602**	83,532,114
Total equity and liabilities		**866,546,418**	600,521,142

The consolidated financial statements on page 159 to 328 were approved and authorized for issue by the Board of Directors on March 17, 2016 and are signed on its behalf by:

CHAIRMAN

PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Note V	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal	Perpetual capital instruments	Non-controlling interests	Total
As at January 1, 2015		32,695,870	9,078,345	1,631,898	4,677,946	3,807,418	17,516,675	69,408,152	1,450,723	12,673,239	83,532,114
Profit for the year		—	—	—	—	—	14,482,053	14,482,053	173,982	2,294,763	16,950,798
Other comprehensive income		—	—	—	—	1,668,095	—	1,668,095	—	96,147	1,764,242
Total comprehensive income for the year		—	—	—	—	1,668,095	14,482,053	16,150,148	173,982	2,390,910	18,715,040
Share issued	44	6,374,338	9,375,299	—	—	—	—	15,749,637	—	—	15,749,637
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	497,930	497,930
Issuance of perpetual capital instruments	49	—	—	—	—	—	—	—	5,000,000	—	5,000,000
Appropriation to surplus reserve	46	—	—	809,189	—	—	(809,189)	—	—	—	—
Appropriation to general reserve	47	—	—	—	3,893,719	—	(3,893,719)	—	—	—	—
Dividends	14	—	—	—	—	—	(3,140,710)	(3,140,710)	—	(565,693)	(3,706,403)
Distribution relating to perpetual capital instruments	49	—	—	—	—	—	—	—	(170,593)	—	(170,593)
Others		—	(48,849)	—	—	—	(1,028)	(49,877)	—	(767,246)	(817,123)
As at December 31, 2015		39,070,208	18,404,795	2,441,087	8,571,665	5,475,513	24,154,082	98,117,350	6,454,112	14,229,140	118,800,602
As at January 1, 2014		25,835,870	1,374,413	1,000,912	3,185,334	(168,608)	10,738,665	41,966,586	—	10,567,569	52,534,155
Profit for the year		—	—	—	—	—	10,656,207	10,656,207	723	2,373,915	13,030,845
Other comprehensive income		—	—	—	—	3,976,026	—	3,976,026	—	68,426	4,044,452
Total comprehensive income for the year		—	—	—	—	3,976,026	10,656,207	14,632,233	723	2,442,341	17,075,297
Share issued	44	6,860,000	7,640,013	—	—	—	—	14,500,013	—	—	14,500,013
Issuance of perpetual capital instruments	49	—	—	—	—	—	—	—	1,450,000	—	1,450,000
Appropriation to surplus reserve	46	—	—	630,986	—	—	(630,986)	—	—	—	—
Appropriation to general reserve	47	—	—	—	1,492,612	—	(1,492,612)	—	—	—	—
Dividends	14	—	—	—	—	—	(1,754,599)	(1,754,599)	—	(878,388)	(2,632,987)
Others		—	63,919	—	—	—	—	63,919	—	541,717	605,636
As at December 31, 2014		32,695,870	9,078,345	1,631,898	4,677,946	3,807,418	17,516,675	69,408,152	1,450,723	12,673,239	83,532,114

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31, 2015	2014
OPERATING ACTIVITIES		
Profit before tax	**22,245,940**	16,774,426
Adjustments for:		
Impairment losses on assets	**12,603,781**	6,225,587
Depreciation of property and equipment and investment properties	**399,163**	372,744
Amortization of intangible assets and other assets	**134,482**	94,991
Share of results of associates and joint ventures	**(255,562)**	(72,129)
Fair value changes on financial assets	**(1,831,459)**	(293,123)
Investment income	**(15,843,603)**	(5,084,357)
Net gains on disposal of associates	**(427,405)**	(128,037)
Interest expense of bonds and notes issued	**4,522,284**	1,105,936
Net gains on disposal of property and equipment	**(611)**	(16,263)
Interest income arising from impaired financial assets	**(190,372)**	(113,585)
Net foreign exchange (gains)/losses	**(274,317)**	34,239
Operating cash flows before movements in working capital	**21,082,321**	18,900,429
Net increase in loans and advances to customers	**(25,338,905)**	(15,559,265)
Net increase in finance lease receivables	**(8,476,141)**	(8,211,712)
Net increase in balances with central bank and deposits with financial institutions	**(1,943,617)**	(11,414,856)
Net increase in financial assets at FVTPL	**(46,943,839)**	(19,814,831)
Net increase in placements with financial institutions	**(676,326)**	(161,411)
Net (increase)/decrease in financial assets held under resale agreements	**(5,452,404)**	5,497,465
Net increase in financial assets classified as receivables	**(57,617,074)**	(76,061,461)
Net decrease in available-for-sale financial assets	**1,519,678**	1,060,579
Net increase in due to customers	**22,752,801**	29,360,134
Net (decrease)/increase in borrowings from central bank	**(60,000)**	27,700
Net increase/(decrease) in placements and deposits from financial institutions	**662,061**	(6,074,923)
Net increase/(decrease) in financial assets sold under repurchase agreements	**4,158,762**	(7,785,538)
Net increase in borrowings from financial institutions	**43,863,862**	93,458,395
Other changes in operating receivables	**(10,506,546)**	(16,208,762)
Other changes in operating payables	**25,077,624**	6,827,890
Cash used in operations	**(37,897,743)**	(6,160,167)
Income tax paid	**(6,955,400)**	(5,577,826)
NET CASH USED IN OPERATING ACTIVITIES	**(44,853,143)**	(11,737,993)

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31, 2015	2014
INVESTING ACTIVITIES		
Cash receipts from disposal of investment securities	**73,568,864**	70,340,820
Cash receipts from interest income arising from investment securities	**15,266,470**	4,695,117
Cash receipts from dividend income	**811,737**	77,267
Cash receipts from disposal of associates and consolidated structured entities	**574,254**	240,074
Cash receipts from disposal of property and equipment, and other assets	**96,043**	227,705
Cash payments for purchase of investment securities	**(157,529,965)**	(106,895,575)
Cash payments for purchase of property and equipment, investment properties and other assets	**(1,745,088)**	(1,660,941)
Net cash flows from consolidated structured entities	**16,946,126**	4,874,161
Net cash outflow on acquisition of subsidiaries	**(47,697)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(52,059,256)**	(28,101,372)

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended December 31, 2015	2014
FINANCING ACTIVITIES			
Proceeds from issue of shares		**16,147,367**	14,500,013
Capital contribution from non-controlling interests of subsidiaries of the Company		**335,861**	574,526
Issue of perpetual capital instruments		**5,000,000**	1,450,000
Proceeds of borrowings of non-financial institution subsidiaries		**36,061,354**	19,764,942
Repayment of borrowings of non-financial institution subsidiaries		**(26,628,634)**	(9,469,280)
Cash receipts from bonds and notes issued		**105,594,470**	36,380,500
Cash payments for transaction cost of bonds and notes issued		**(629,078)**	(48,000)
Cash repayments for bonds and notes redeemed		**(11,558,350)**	(6,000,000)
Interest paid for bonds and notes issued		**(3,790,050)**	(1,322,478)
Dividends paid		**(2,443,569)**	(2,632,987)
Cash payments for distribution to holders of perpetual capital instruments		**(170,593)**	—
NET CASH FROM FINANCING ACTIVITIES		**117,918,778**	53,197,236
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,006,379**	13,357,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**65,273,390**	51,912,627
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**448,675**	2,892
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	50	**86,728,444**	65,273,390
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**37,997,024**	27,345,770
Interest paid		**(22,949,572)**	(16,324,258)
Net interest income		**15,047,452**	11,021,512

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

China Huarong Asset Management Co., Ltd (the "Company") was transformed from the former China Huarong Asset Management Corporation (the "Former Huarong") 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 November 1, 1999 as approved by the State Council of the PRC (the "State Council"). On September 28, 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council.

The Company has financial services certificate No.J0001H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000032506 issued by the State Administration of Industry and Commerce of the PRC.

The Company listed on The Stock Exchange of Hong Kong Limited on October 30, 2015. Details of the share issue are included in note V.44.

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, including debt-to-equity swap assets; bankrupt management; investment and securities dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitization business, financial institutions custody, closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; deposits taking from customers; lending to corporates and individuals; clearing and settlement services; financial leasing service; securities and future services; fund management and asset management services; trust services; real estate and industrial investments and other businesses approved by the CBRC or other regulatory bodies.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in current year:

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The Group has early adopted the amendments to IAS 27 Equity Method in Separate Financial Statements issued by the IASB in August 2014, in advance of its effective date, January 1, 2016. The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The Company has applied the equity method to account for investments in associates and joint ventures in its separate financial statements.

The application of these amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Except for amendments to IAS 27, the Group has not early applied the following new and revised IFRSs which are relevant to the Group that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[5]

(1) Effective for annual periods beginning on or after January 1, 2018

(2) Effective for annual periods beginning on or after January 1, 2019

(3) Effective for annual periods beginning on or after January 1, 2016

(4) Effective for annual periods beginning on or after a date to be determined

(5) Effective for annual periods beginning on or after January 1 2017

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Except for the following new and revised IFRSs, directors of the Company are of the view that the application of these new and revised but not yet effective IFRSs is unlikely to have a significant impact on the consolidated financial statements:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 9 Financial Instruments *(continued)*

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.

- Step 2: Identify the performance obligations in the contract.

- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these new and revised IFRSs. Given the nature of the Group's operations, these Standards are expected to have impacts on the Group's consolidated financial statements. The Group has not completed its assessment of the full impact of adopting IFRS 9, IFRS 15 and IFRS 16 and therefore their possible impacts on the Group's operating results and financial position have not been quantified.

III. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new CO regarding preparation of accounts and audits became effective for the Company for the financial year ended December 31, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are only disclosed selectively in these consolidated financial statements on voluntary basis.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values and certain non-financial assets which are stated at deemed cost, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2. Basis of preparation *(continued)*

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Basis of consolidation

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3. Basis of consolidation *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income and expenses of a subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4. Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note III. 4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note III. 6 below.

6. Investment in associates and joint ventures

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

6. Investment in associates and joint ventures *(continued)*

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that investee, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

6. Investment in associates and joint ventures *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

7. Cash and cash equivalents

Cash consists of cash on hand and deposits which is not subject to any restriction for use. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions

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

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

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

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For the year ended December 31, 2015

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

8. Foreign currency transactions *(continued)*

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

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

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income.

9. Financial instruments

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

9.1 Effective interest method

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

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Classification, recognition and measurement of financial assets

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

Financial assets at fair value through profit or loss ("FVTPL")

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

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Classification, recognition and measurement of financial assets *(continued)*

Financial assets at fair value through profit or loss ("FVTPL") *(continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

Held-to-maturity investments

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

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Classification, recognition and measurement of financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, financial assets classified as receivables, loans and advances to customers, finance lease receivables and other receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognized in profit or loss.

Debt instruments with fixed or determinable payments but have no quoted price in an active market are accounted for as financial assets classified as receivables.

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

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

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

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For the year ended December 31, 2015

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.3 Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

(1) significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.3 Impairment of financial assets *(continued)*

Impairment of financial assets measured at amortized cost

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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For the year ended December 31, 2015

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.3 Impairment of financial assets *(continued)*

Impairment of financial assets measured at cost

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

9.4 Transfers of financial assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.5 Financial liabilities and equity instrument

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

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

Financial liabilities at FVTPL

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

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.5 Financial liabilities and equity instrument *(continued)*

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.6 Derecognition of financial liabilities

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

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

9.7 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at FVTPL, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at FVTPL.

9.8 Offsetting financial assets and financial liabilities

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

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

10. Inventories

Properties under development and properties held for sale

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

11. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost including any directly attributable expenditure.

All investment properties upon the incorporation of the Company were revalued by reference to the valuation carried out during the financial restructuring. The revalued amount was adopted as the deemed cost of the related investment properties.

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

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

All property and equipment upon the incorporation of the Company were revalued by reference to the valuation carried out during the financial restructuring. The revalued amount was adopted as the deemed cost of the related property and equipment.

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

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

Category	Depreciation	Residual value rates	Annual depreciation rates
Buildings	5–35 years	3%–5%	2.71%–19.40%
Machinery equipment	5–20 years	3%–5%	4.75%–19.40%
Electronic equipment, furniture and fixtures	3–10 years	3%–5%	9.50%–32.33%
Motor vehicles	5–10 years	3%–5%	9.50%–19.40%

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

14. Intangible assets

Intangible assets include trading seat fee, computer software and licenses, etc. An intangible asset is measured initially at cost.

All intangible assets upon the incorporation of the Company were revalued by reference to the valuation carried out during the financial restructuring. The revalued amount was adopted as the deemed cost of the related intangible assets. When an intangible asset with a finite useful life is available for use, its original cost or deemed cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

15. Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the statements of financial position. The cost (including interests) of purchasing such assets is presented under “financial assets held under resale agreements” in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the statements of financial position. The proceeds (including interests) from selling such assets are presented under “financial assets sold under repurchase agreements” in the statements of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

18. Revenue recognition

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

18.1 Income from distressed debt assets classified as receivables

Income from distressed debt assets includes interest income and disposal income arising on distressed debt assets classified as receivables. Interest income is recognized in profit or loss using the effective interest method.

18.2 Fair value changes on distressed debt assets

Gains or losses from disposal of distressed debt assets designated as at FVTPL and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as at FVTPL is also included in fair value changes of such assets.

18.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets and investment securities, are recognized within “interest income” and “interest expense” in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

18. Revenue recognition *(continued)*

18.4 Commission and fee income

The Group earns commission and fee income from a diverse range of services it provides to its customers. For those services that are over a period of time, commission and fee income are accrued over that period when the services are rendered. For other services, commission and fee income are recognized when the transactions are completed.

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

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

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

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

Commission and fee income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

18.5 Investment income

Investment income includes interest income, dividends income and disposal gain/loss from the debt assets and equity instruments that are classified as available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

18.6 Dividend income

Dividend income from investments is recognized when the shareholder's rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

18. Revenue recognition *(continued)*

18.7 Other income

Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

19. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

19.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

19. Taxation *(continued)*

19.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

19. Taxation *(continued)*

19.2 Deferred tax *(continued)*

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

20. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

20.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

20.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

20. Leasing *(continued)*

20.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

21. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

22. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Company and some subsidiaries of the Group participate in annuity scheme set up by the Group (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Post-retirement benefits

The Group pays supplementary post-retirement benefits to employees in Mainland China who retired prior to December 31, 2012.

Post-retirement benefits include supplemental pension payments and medical expense coverage.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in "operating expenses" immediately when they occur.

Notes to the Consolidated Financial Statements

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III. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

22. Employee benefits *(continued)*

Early retirement benefits

The Group pays early retirement benefits to those employees who accepted an early retirement arrangement.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The liability related to the above early retirement obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The gains or losses of remeasurement or amendments of early retirement benefit obligations are charged or credited to "operating expenses" when they occur.

23. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

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IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

1. Classification of financial assets

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

2. Fair value of financial instruments

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

3. Impairment of available-for-sale equity financial instruments

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

4. Impairment of held-to-maturity investments

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

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

5. Impairment of financial assets classified as receivables, loans and advances to customers and finance lease receivables

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

6. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

7. Control on structured entities

The Group's management needs to assess whether the Group has the power on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note V.30.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in note III. 3.

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES

1. Income from distressed debt assets classified as receivables

The amount represents interest income and disposal income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see note V.27).

Interest income accrued on impaired financial assets included in income from distressed debt assets classified as receivables amounted to RMB139 million for the year of 2015 (2014: RMB99 million).

2. Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets designated by the Group as at FVTPL during the year (see note V.21).

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 are included in fair value changes.

3. Fair value changes on other financial assets

	Year ended December 31,	
	2015	**2014**
Fair value changes on financial assets held for trading	**1,193,942**	603,689
Fair value changes on financial assets designated as at FVTPL	**2,153,160**	685,497
Total	**3,347,102**	1,289,186

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

4. Interest income

The following interest income arises from financial assets other than investment securities and distressed debt assets and is mainly generated by the banking, leasing and securities operations of the Group:

	Year ended December 31, 2015	Year ended December 31, 2014
Loans and advances to customers		
Corporate loans and advances	**4,203,148**	3,420,221
Personal loans and advances	**934,812**	763,264
Loans to margin clients	**435,412**	169,070
Finance lease receivables	**5,450,687**	5,040,859
Financial assets held under resale agreements	**1,307,686**	1,021,411
Deposits with financial institutions	**1,070,911**	1,046,921
Balances with central bank	**356,536**	352,336
Placements with financial institutions	**307,891**	233,528
Total	**14,067,083**	12,047,610
Including: Interest income accrued on impaired financial assets	**49,935**	14,198

5. Investment income

	Year ended December 31, 2015	Year ended December 31, 2014
Interest income from		
Available-for-sale debt securities	**755,064**	368,130
Held-to-maturity debt securities	**1,002,494**	652,975
Other financial assets classified as receivables	**10,496,544**	6,177,814
Net realized gains from disposal of available-for-sale financial assets	**5,959,709**	2,283,378
Dividend income from available-for-sale financial assets	**896,586**	280,940
Others	**56,945**	40,328
Total	**19,167,342**	9,803,565

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For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

6. Commission and fee income

	Year ended December 31,	
	2015	2014
Asset management business	**5,358,335**	4,586,846
Securities and futures business	**2,690,877**	1,047,602
Trust business	**1,397,760**	1,444,378
Banking business	**916,226**	893,296
Fund management and other business	**34,794**	13,523
Total	**10,397,992**	7,985,645

7. Other income and other net gains or losses

	Year ended December 31,	
	2015	2014
Revenue from properties development	**2,160,258**	2,487,140
Net gains/(losses) on exchange differences	**274,317**	(34,239)
Rental income	**184,545**	191,312
Government grants	**87,780**	43,044
Others	**539,709**	571,184
Total	**3,246,609**	3,258,441

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

8. Interest expense

Interest expense mainly arises from the distressed asset management, banking and leasing business of the Group.

	Year ended December 31,	
	2015	**2014**
Borrowings	**(16,623,286)**	(12,419,393)
Bonds and notes issued	**(4,522,284)**	(1,105,936)
Due to customers	**(2,857,623)**	(2,347,082)
Financial assets sold under repurchase agreements	**(843,213)**	(1,027,970)
Deposits from financial institutions	**(648,964)**	(536,950)
Amount due to the MOF	**(204,605)**	(283,573)
Placements from financial institutions	**(147,567)**	(180,701)
Other liabilities	**(53,218)**	—
Borrowings from central bank	**(1,419)**	(2,048)
Total	**(25,902,179)**	(17,903,653)

9. Commission and fee expense

	Year ended December 31,	
	2015	**2014**
Securities and futures business	**(676,175)**	(135,878)
Asset management business	**(141,731)**	(260,339)
Banking business and others	**(127,412)**	(56,251)
Total	**(945,318)**	(452,468)

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V. EXPLANATORY NOTES *(continued)*

10. Operating expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Employee benefits[1]	**(4,178,503)**	(3,486,707)
Business tax and surcharges	**(2,939,416)**	(1,931,396)
Cost of properties development and purchases	**(1,278,310)**	(515,657)
Others	**(3,091,323)**	(2,535,719)
Including:		
Rental and management fee for the leases	**(326,045)**	(180,218)
Depreciation of property and equipment	**(348,923)**	(336,225)
Depreciation of investment properties	**(50,240)**	(36,519)
Amortization	**(134,482)**	(94,991)
Auditor's remuneration — statutory audit	**(11,967)**	(6,890)
Total	**(11,487,552)**	(8,469,479)

(1) Employee benefits

	Year ended December 31, 2015	Year ended December 31, 2014
Wages or salaries, bonuses, allowances and subsidies	**(3,057,233)**	(2,556,996)
Social insurance	**(153,977)**	(150,973)
Housing funds	**(197,805)**	(163,898)
Staff welfare	**(198,550)**	(170,076)
Early retirement benefits	**(64,761)**	(44,184)
Labor union and staff education expenses	**(129,877)**	(104,224)
Defined contribution plans[i]	**(315,803)**	(264,384)
Others	**(60,497)**	(31,972)
Total	**(4,178,503)**	(3,486,707)

(i) Defined contribution plans include pension scheme, unemployment insurance and corporate annuity scheme set up by the Company and certain other Group entities. The Group made contributions to the plans and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the plans do not have sufficient assets for payment to employees.

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

11. Impairment losses on assets

	Year ended December 31,	
	2015	**2014**
Distressed debt assets classified as receivables	**(8,052,504)**	(4,334,110)
Other financial assets classified as receivables	**(2,569,954)**	(441,161)
Loans and advances to customers	**(824,709)**	(510,429)
Available-for-sale financial assets	**(785,950)**	(506,676)
Finance lease receivables	**(297,988)**	(263,641)
Other assets	**(72,676)**	(169,570)
Total	**(12,603,781)**	(6,225,587)

12. Income tax expense

	Year ended December 31,	
	2015	**2014**
Current income tax		
PRC Enterprise Income tax	**(7,790,490)**	(5,619,502)
Hong Kong Profits Tax	**(111,474)**	(44,724)
Deferred income tax (V.34)	**2,606,822**	1,920,645
Total	**(5,295,142)**	(3,743,581)

The statutory income tax rate applicable to PRC enterprise was 25% for the year of 2015 (2014: 25%).

Hong Kong Profits Tax was computed at 16.5% of the estimated assessable profit for the year of 2015 (2014: 16.5%).

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

12. Income tax expense *(continued)*

Reconciliation of consolidated profit before tax to income tax expense is as follows:

	Year ended December 31, 2015	2014
Profit before tax	**22,245,940**	16,774,426
Income tax calculated at the tax rate of 25%	**(5,561,485)**	(4,193,607)
Tax effect of income not taxable for tax purpose[1]	**234,592**	209,881
Tax effect of expenses not deductible for tax purpose[2]	**(163,708)**	(428,575)
Tax effect of different tax rate of subsidiaries	**144,561**	31,808
Recognition of deferred tax asset previously not recognized	**—**	561,253
Over-provisions in prior years	**50,898**	75,659
Income tax expense	**(5,295,142)**	(3,743,581)

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(2) Expenses not deductible for tax purpose mainly include entertainment expenses in excess of the tax deduction limits and interest arising from amount due to the MOF according to the PRC tax regulations.

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V. EXPLANATORY NOTES *(continued)*

13. Earnings per share

The calculation of basic and diluted earnings per share attributable to equity shareholders of the Company is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Earnings:		
Profit attributable to equity holders of the Company	**14,482,053**	10,656,207
Effect of dilutive potential profit attributable to equity holders of the Company:		
Interest expense on convertible notes issued by a subsidiary, net of tax	**582**	—
Adjusted profit attributable to equity holders of the Company	**(642)**	—
Earnings for the purpose of diluted earnings per share	**14,481,993**	10,656,207
Number of shares:		
Weighted average number of shares in issue (in thousand)	**33,761,321**	27,940,856
Effect of dilutive potential ordinary shares		
— Over-allotment option	**146**	—
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**33,761,467**	27,940,856
Basic earnings per share (RMB Yuan)	**0.43**	0.38
Diluted earnings per share (RMB Yuan)	**0.43**	N/A

There was no potential dilutive items during the year of 2014.

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V. EXPLANATORY NOTES *(continued)*

14. Dividends

	Year ended December 31,	
	2015	**2014**
Special dividend[(1)]	**1,247,752**	—
Final dividend for 2014[(2)]	**1,892,958**	—
Final dividend for 2013[(3)]	—	1,754,599
Total	**3,140,710**	1,754,599

(1) Distribution of special dividend

At the third extraordinary general meeting for 2015 held on June 14, 2015, the shareholders approved the proposal on a cash dividend in respect of the period from July 1, 2015 to September 30, 2015 (the "Special Dividend Period") distributed to shareholders on the Company's register of members as of the last day of the Special Dividend Period in an amount equal to the audited net profit of the Company for the Special Dividend Period, after the required appropriations to the statutory surplus reserve and the general reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP") and IFRSs, whichever is lower. The amount of special dividend is determined to be RMB1,248 million.

The above dividend had been recognized as distribution during the year ended December 31, 2015.

(2) Distribution of final dividend for 2014

A cash dividend of RMB1,893 million in total for the year of 2014 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2014 as determined under the PRC GAAP, at the annual general meeting held on July 6, 2015.

The above dividend had been recognized as distribution during the year ended December 31, 2015.

(3) Distribution of final dividend for 2013

A cash dividend of RMB1,755 million in total for the year of 2013 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2013 as determined under the PRC GAAP, at the annual general meeting held on June 19, 2014.

The above dividend had been recognized as distribution during the year ended December 31, 2014.

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V. EXPLANATORY NOTES *(continued)*

15. Emoluments of directors, chief executive and supervisors

	Year ended December 31, 2015			
	Fees	Paid remuneration and other benefits	Employer's contribution to pension scheme	Total (before tax)
Executive directors				
LAI Xiaomin	—	648	47	695
KE Kasheng	—	582	36	618
WANG Keyue	—	577	41	618
Non-executive directors				
TIAN Yuming(1)	—	—	—	—
WANG Cong(1)	—	—	—	—
DAI Lijia(1)	—	—	—	—
LI Hui(1)(2)	—	—	—	—
WANG Sidong(1)(3)	—	—	—	—
Independent non-executive directors				
SONG Fengming	250	—	—	250
WU Xiaoqiu(4)	207	—	—	207
TSE Hau Yin(4)	194	—	—	194
LIU Junmin(5)	131	—	—	131
Supervisors				
SUI Yunsheng	—	507	42	549
WANG Qi	200	—	—	200
DONG Juan(6)	—	—	—	—
ZHENG Shengqin	20	—	—	20
XU Dong(7)	15	—	—	15
Total	1,017	2,314	166	3,497

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V. EXPLANATORY NOTES *(continued)*

15. Emoluments of directors, chief executive and supervisors *(continued)*

	Year ended December 31, 2014			
	Fees	Remuneration and other benefits	Employer's contribution to pension scheme	Total (before tax)
Executive directors				
LAI Xiaomin	—	1,965	31	1,996
KE Kasheng	—	1,747	24	1,771
WANG Keyue	—	1,716	26	1,742
Non-executive directors				
TIAN Yuming(1)	—	—	—	—
WANG Cong(1)	—	—	—	—
DAI Lijia(1)	—	—	—	—
Independent non-executive directors				
SONG Fengming	250	—	—	250
Supervisors				
SUI Yunsheng	—	1,751	26	1,777
WANG Qi	200	—	—	200
ZHU Fang(8)	3	—	—	3
ZHENG Shengqin(9)	17	—	—	17
Total	470	7,179	107	7,756

(1) These non-executive directors did not receive any fees from the Group.

(2) LI Hui was appointed as non-executive director in February 2015.

(3) WANG Sidong was appointed as non-executive director in March 2015.

(4) WU Xiaoqiu and TSE Hau Yin were appointed as independent non-executive director in March 2015.

(5) LIU Junmin was appointed as independent non-executive director in June 2015.

(6) DONG Juan was appointed as external supervisor in April 2015, in accordance with the relevant requirements and upon her own request, she waived any emoluments from the Group.

(7) XU Dong was appointed as employee representative supervisor in March 2015.

(8) ZHU Fang ceased to be employee representative supervisor in February 2014.

(9) ZHENG Shengqin was appointed as employee representative supervisor in February 2014.

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V. EXPLANATORY NOTES *(continued)*

15. Emoluments of directors, chief executive and supervisors *(continued)*

Emoluments of employee representative supervisors only included fees for their services as supervisors. Lai Xiaomin acted as the Chairman of the Board of the Company during the years of 2014 and 2015.

The total compensation packages for these directors and supervisors for the year ended December 31, 2015 have not been approved by the general meeting, nor finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, chief executive, supervisors or the five highest paid individuals as set out in note V.16 below as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for DONG Juan, none of the directors or supervisors waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

16. Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended December 31, 2015 were as follows:

	Year ended December 31,	
	2015	**2014**
Salaries and other benefits	**4,125**	3,352
Employer's contribution to pension scheme	**369**	310
Discretionary and performance related incentive payments	**20,444**	17,799
Total	**24,938**	21,461

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

16. Five highest paid individuals *(continued)*

Among the five individuals with the highest emoluments in the Group, none of them was a director nor supervisor during the year of 2014 and 2015. The number of these five individuals whose emoluments fall within the following bands is as follows:

	Year ended December 31, 2015	2014
RMB3,000,001 to RMB3,500,000 yuan	**1**	2
RMB3,500,001 to RMB4,000,000 yuan	**1**	—
RMB4,000,001 to RMB4,500,000 yuan	**—**	1
RMB5,000,001 to RMB5,500,000 yuan	**—**	1
RMB5,500,001 to RMB6,000,000 yuan	**2**	1
RMB6,000,001 to RMB6,500,000 yuan	**1**	—
	5	5

17. Cash and balances with central bank

	As at December 31, 2015	2014
Cash	**426,926**	367,287
Mandatory reserve deposits with central bank[1]	**19,416,305**	21,085,693
Surplus reserve deposits with central bank[2]	**4,947,934**	5,392,097
Other deposits with central bank	**190,965**	100,243
Total	**24,982,130**	26,945,320

The balance of the Group mainly arises from its banking business.

(1) Mandatory reserve deposits were placed with the People's Bank of China (the "PBOC"). They include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at December 31, 2015, the RMB mandatory reserve deposits placed with the PBOC were mainly based on 14% (December 31, 2014: 18%) of eligible RMB deposits of Huarong Xiangjiang Bank; foreign currency mandatory reserve deposits were mainly based on 5% (December 31, 2014: 5%) of eligible foreign currency deposits of Huarong Xiangjiang Bank. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

18. Deposits with financial institutions

	As at December 31,	
	2015	**2014**
Banks	**73,522,540**	49,366,307
Clearing settlement funds(1)	**2,718,690**	1,973,292
Other financial institutions	**655,032**	293,633
Total	**76,896,262**	51,633,232

(1) The Group's clearing settlement funds were mainly deposited in the China Securities Depository and Clearing Corporation Limited.

(2) As at December 31, 2015, the Group's carrying amount of restricted deposits with financial institutions was RMB17,770 million (December 31, 2014: RMB14,092 million). Among which, the Group had deposits with financial institutions that were pledged for borrowings as at December 31, 2015 amounted to RMB2,009 million (December 31,2014: nil).

19. Placements with financial institutions

The Group's placements as at December 31, 2015 and 2014 were conducted with commercial banks.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

20. Financial assets held for trading

	As at December 31, 2015	2014
Listed investments:		
Debt securities[1]		
— Public sector and quasi-government bonds	**2,330,185**	827,924
— Financial institution bonds	**571**	55,494
— Corporate bonds	**5,866,487**	6,026,956
Equity instruments	**3,988,484**	1,024,207
Funds	**195,453**	120,556
Subtotal	**12,381,180**	8,055,137
Unlisted investments:		
Funds	**584,250**	—
Equity instruments	**38,572**	—
Derivatives	**—**	10
Subtotal	**622,822**	10
Total	**13,004,002**	8,055,147

(1) Listed debt securities included those traded in interbank and stock exchange in Mainland China.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

21. Financial assets designated as at fair value through profit or loss

	As at December 31, 2015	As at December 31, 2014
Listed investments:		
Equity instruments	**219,950**	50,811
Unlisted investments:		
Distressed debt assets	**65,564,484**	23,612,200
Trust products	**7,599,489**	—
Convertible bonds	**5,241,300**	347,975
Structured products[(1)]	**4,082,059**	1,417,919
Wealth management products[(2)]	**2,164,691**	5,756,336
Equity instruments	**386,216**	1,729,427
Asset management plans	**200,000**	200,510
Subtotal	**85,238,239**	33,064,367
Total	**85,458,189**	33,115,178

(1) A Group entity entered into a series of structured transactions that are managed by the entity on fair value basis. Such structured products are accounted for as financial assets designated as at fair value through profit or loss according to their investment management strategy.

(2) This mainly represents wealth management products issued by banking institutions outside the Group.

22. Financial assets held under resale agreements

	As at December 31, 2015	As at December 31, 2014
By collateral type:		
Bonds	**22,194,013**	7,743,203
Bills	**9,072,252**	14,078,721
Others	**1,272,668**	20,000
Total	**32,538,933**	21,841,924

The majority of the Group balance arises from its banking business.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

22. Financial assets held under resale agreements *(continued)*

As at December 31, 2015, the Group had received the pledged with a fair value of approximately RMB34,144 million (December 31, 2014: RMB30,229 million), of which RMB13,097 million (December 31, 2014: RMB16,504 million) can be resold or repledged by the Group in the absence of default by their owners. As at December 31, 2015, the Group repledged securities with a fair value of approximately RMB3,905 million (December 31, 2014: RMB9,412 million). The Group has an obligation to return the securities to their counterparties on the maturity dates of the resale agreements.

23. Loans and advances to customers

	As at December 31,	
	2015	**2014**
Corporate loans and advances		
— Loans and advances	**63,265,392**	49,007,180
— Discounted bills	**16,085**	4,150
Subtotal	**63,281,477**	49,011,330
Personal loans and advances		
— Loans for business operations	**7,086,627**	6,488,696
— Mortgage	**5,735,751**	3,926,748
— Personal consumption loans	**2,570,830**	1,034,017
— Others	**705,669**	272,246
Subtotal	**16,098,877**	11,721,707
Loans to margin clients	**4,075,095**	3,716,260
Gross loans and advances	**83,455,449**	64,449,297
Less: Allowance for impairment losses		
— Individually assessed	**(289,333)**	(197,131)
— Collectively assessed	**(1,540,884)**	(1,012,745)
Subtotal	**(1,830,217)**	(1,209,876)
Net loans and advances to customers	**81,625,232**	63,239,421

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

23. 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 December 31, 2015						
Gross loans and advances	**82,671,471**	**94,560**	**689,418**	**783,978**	**83,455,449**	**0.94%**
Allowances for impairment loss	**(1,501,062)**	**(39,822)**	**(289,333)**	**(329,155)**	**(1,830,217)**	
Net loans and advances to customers	**81,170,409**	**54,738**	**400,085**	**454,823**	**81,625,232**	
At December 31, 2014						
Gross loans and advances	63,972,556	25,128	451,613	476,741	64,449,297	0.74%
Allowances for impairment loss	(1,000,562)	(12,183)	(197,131)	(209,314)	(1,209,876)	
Net loans and advances to customers	62,971,994	12,945	254,482	267,427	63,239,421	

Movements of provision for impairment loss on loans and advances during the year are as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
At January 1, 2015	**197,131**	**1,012,745**	**1,209,876**
Provided for the year	**391,412**	**1,202,013**	**1,593,425**
Reversal for the year	**(128,660)**	**(640,056)**	**(768,716)**
Recovery of loans and advances written off in previous years	**9,874**	**—**	**9,874**
Write-offs and transfer-out	**(133,967)**	**(30,340)**	**(164,307)**
Unwinding of discount on allowance	**(46,457)**	**(3,478)**	**(49,935)**
At December 31, 2015	**289,333**	**1,540,884**	**1,830,217**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

23. Loans and advances to customers *(continued)*

	Individually assessed allowance	Collectively assessed allowance	Total
At January 1, 2014	83,687	674,263	757,950
Provided for the year	200,982	763,341	964,323
Reversal for the year	(34,262)	(419,632)	(453,894)
Recovery of loans and advances written off in previous years	527	74	601
Write-offs	(40,351)	(4,555)	(44,906)
Unwinding of discount on allowance	(13,452)	(746)	(14,198)
At December 31, 2014	197,131	1,012,745	1,209,876

24. Finance lease receivables

	As at December 31, 2015	2014
Minimum finance lease receivables:		
Within 1 year (inclusive)	**28,131,292**	24,957,868
1–5 years (inclusive)	**52,481,477**	46,771,676
Over 5 years	**2,191,124**	2,220,406
Gross amount of finance lease receivables	**82,803,893**	73,949,950
Less: Unearned finance income	**(9,931,246)**	(9,556,834)
Net amount of finance lease receivables	**72,872,647**	64,393,116
Less: Allowance for impairment losses	**(1,200,150)**	(898,772)
Carrying amount of finance lease receivables	**71,672,497**	63,494,344
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	**24,467,831**	21,429,135
1–5 years (inclusive)	**45,600,821**	40,158,743
Over 5 years	**1,603,845**	1,906,466
Total	**71,672,497**	63,494,344

Certain amount of finance lease receivables were pledged by the Group as security for borrowings as at the end of the year.

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For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

24. Finance lease receivables *(continued)*

Movements of provision for impairment losses on finance lease receivables during the year are as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
At January 1, 2015	**259,510**	**639,262**	**898,772**
Provided for the year	**113,533**	**184,455**	**297,988**
Recovery of finance lease receivables written off in previous years	**3,390**	**—**	**3,390**
At December 31, 2015	**376,433**	**823,717**	**1,200,150**

	Individually assessed allowance	Collectively assessed allowance	Total
At January 1, 2014	188,034	645,218	833,252
Provided for the year	118,614	145,027	263,641
Recovery of finance lease receivables written off in previous years	12,964	—	12,964
Write-offs	(60,102)	(150,983)	(211,085)
At December 31, 2014	259,510	639,262	898,772

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

25. Available-for-sale financial assets

	As at December 31, 2015	2014
Listed investments:		
Equity instruments	**14,229,222**	13,231,094
Debt securities [1]		
— Government bonds	**747,165**	85,296
— Public sector and quasi-government bonds	**6,790,747**	4,957,132
— Financial institution bonds	**1,887,007**	2,846,121
— Corporate bonds	**4,785,079**	5,023,901
Asset-backed securities	**3,932,157**	391,371
Funds	**2,045,515**	255,028
Subtotal	**34,416,892**	26,789,943
Unlisted investments:		
Equity instruments[2]	**19,385,864**	14,134,333
Funds	**6,519,859**	—
Asset management plans	**2,175,715**	—
Wealth management products	**538,162**	2,803,898
Trust products	**380,334**	—
Asset-backed securities	**118,792**	233,051
Others[3]	**1,605,279**	65,618
Subtotal	**30,724,005**	17,236,900
Less: Allowance for impairment losses	**(146,666)**	(60,109)
Subtotal	**30,577,339**	17,176,791
Total	**64,994,231**	43,966,734

(1) Listed debt securities included those traded in interbank and stock exchange in Mainland China.

(2) Included in the balance is equity instruments of RMB10,715 million as at December 31, 2015 (December 31, 2014: RMB11,319 million) that were measured at cost because their fair value cannot be reliably measured.

(3) This included an investment in designated accounts established and managed by China Securities Finance Corporation Limited ("CSFC") for a collective investment together with other securities companies for the purpose of maintaining stability in the PRC stock markets according to relevant contracts signed with CSFC. Risks and income arising from the investment shall be shared by the participating securities companies in proportion to their respective contribution. Huarong Securities Co., Ltd, a Group entity, contributed RMB1,590 million into the designated account during the year. The fair value of the investments in designated accounts amounted to RMB1,605 million as of December 31, 2015 (December 31, 2014: nil) and was determined based on the valuation provided by the CSFC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

26. Held-to-maturity investments

	As at December 31,	
	2015	2014
Government bonds	**13,985,888**	5,879,128
Public sector and quasi-government bonds	**14,535,096**	10,238,809
Financial institution bonds	**5,666,584**	2,607,891
Corporate bonds	**170,402**	92,063
Total	**34,357,970**	18,817,891

27. Financial assets classified as receivables

	As at December 31,	
	2015	2014
Distressed debt assets		
Loans acquired from financial institutions	**49,144,697**	59,347,924
Other debt assets acquired from non-financial institutions	**172,289,240**	109,364,868
Subtotal	**221,433,937**	168,712,792
Less: Allowance for impairment losses		
— Individually assessed	**(2,498,717)**	(1,764,832)
— Collectively assessed	**(16,883,757)**	(9,709,275)
	(19,382,474)	(11,474,107)
Subtotal	**202,051,463**	157,238,685

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V. EXPLANATORY NOTES *(continued)*

27. Financial assets classified as receivables *(continued)*

	As at December 31,	
	2015	**2014**
Other financial assets classified as receivables		
Trust products	**55,307,269**	13,284,370
Debt instruments	**42,417,666**	20,499,999
Entrust loans[1]	**21,745,955**	18,462,417
Asset management plans	**6,202,476**	18,716,137
Wealth management products	**4,700,000**	—
Subtotal	**130,373,366**	70,962,923
Less: Allowance for impairment losses		
— Individually assessed	**(700,671)**	(276,399)
— Collectively assessed	**(3,038,318)**	(891,990)
	(3,738,989)	(1,168,389)
Subtotal	**126,634,377**	69,794,534
Total	**328,685,840**	227,033,219

(1) These are the entrust loans granted by subsidiaries through commercial banks outside the Group.

Movements of allowance for impairment losses during the year are as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1, 2015	**2,041,231**	**10,601,265**	**12,642,496**
Provided for the year	**1,322,049**	**12,780,544**	**14,102,593**
Reversal for the year	**(23,455)**	**(3,456,680)**	**(3,480,135)**
Unwinding of discount on allowance	**(140,437)**	**—**	**(140,437)**
Transfer-out	**—**	**(3,054)**	**(3,054)**
As at December 31, 2015	**3,199,388**	**19,922,075**	**23,121,463**

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V. EXPLANATORY NOTES *(continued)*

27. Financial assets classified as receivables *(continued)*

	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1, 2014	1,985,817	5,980,795	7,966,612
Provided for the year	176,601	6,289,265	6,465,866
Reversal for the year	(21,800)	(1,668,795)	(1,690,595)
Unwinding of discount on allowance	(99,387)	—	(99,387)
As at December 31, 2014	2,041,231	10,601,265	12,642,496

28. Interests in associates and joint ventures

	As at December 31, 2015	As at December 31, 2014
Interests in associates		
Carrying amount of unlisted companies	**4,575,120**	1,910,738
Carrying amount of listed companies	**2,097,743**	952,630
Subtotal	**6,672,863**	2,863,368
Interests in joint ventures		
Carrying amount of unlisted companies	**19,772**	—
Total	**6,692,635**	2,863,368
Fair value of listed companies	**2,478,688**	1,178,475

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V. EXPLANATORY NOTES *(continued)*

28. Interests in associates and joint ventures *(continued)*

Details of the Group's principal associates are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Share capital as at December 31, 2015 (In'000)	Proportion of ownership held by the Group At December 31, 2015 %	Proportion of ownership held by the Group At December 31, 2014 %	Proportion of voting rights held by the Group At December 31, 2015 %	Proportion of voting rights held by the Group At December 31, 2014 %	Principal activities
Jianghai Securities Co., Ltd.[(1)] (江海證券有限公司)	Harbin, PRC	Mainland, China	**RMB1,785,744**	**22.96**	30.08	**22.96**	30.08	Securities
Telefield International (Holdings) Limited[(2)] (中慧國際控股有限公司)	The Cayman Islands	Hong Kong	**HKD4,117**	**29.40**	—	**29.40**	—	Electronic manufacturing services
Ruikong (Holdings) Limited[(3)] (瑞控控股有限公司)	Hong Kong	Hong Kong/ Netherlands	**USD1,228,010**	**16.35**	—	**16.35**	—	Investment

(1) In May 2015, pursuant to the approval by China Securities Regulatory Commission, a private placement to another original shareholder of Jianghai Securities Co., Ltd. was completed. The Company's shareholding of Jianghai Securities Co., Ltd. decreased to 22.96% as a result of this private placement.

(2) A 29.40% share of Telefield International (Holdings) Limited was purchased by Empire Group Global Limited and Azaleas Investment Holding Limited, two wholly-owned subsidiaries of the Company's subsidiary China Huarong International Holdings Limited from its controlling shareholder on December 29, 2015 with a cash consideration of HKD1,442 million.

(3) Ruikong (Holdings) Limited does not have a formal English name. The above English name is for identification purpose only. A 16.35% share of this company was subscribed by Huarong International Financial Holding Limited, a subsidiary of the Company's subsidiary China Huarong International Holdings Limited on December 7, 2015 with a cash consideration of USD200 million.

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

28. Interests in associates and joint ventures *(continued)*

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. The financial information of the Group's principal associates is set out below:

Jianghai Securities Co., Ltd.

	As at September 30, 2015	As at December 31, 2014
Current assets	**25,253,865**	12,517,603
Non-current assets	**1,866,443**	1,201,489
Current liabilities	**21,608,276**	10,068,546
Non-current liabilities	**587,059**	891,098
Total equity	**4,924,973**	2,759,448

	Nine months ended September 30, 2015	Year ended December 31, 2014
Total revenue	**1,624,874**	1,146,656
Net profit	**763,403**	388,569
Other comprehensive income	**—**	80,417
Total comprehensive income	**763,403**	468,986

Reconciliation of equity to the carrying amount of interest in this associate recognized in the consolidated financial statements is as follows:

	As at September 30, 2015	As at December 31, 2014
Equity attributable to equity holders of the associate	**4,885,354**	2,720,099
Proportion of equity interests held by the Group	**22.96%**	30.08%
Equity interests held by the Group	**1,121,677**	818,097
Goodwill	**185,999**	243,646
Carrying amount	**1,307,676**	1,061,743

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V. EXPLANATORY NOTES *(continued)*

28. Interests in associates and joint ventures *(continued)*

Jianghai Securities Co., Ltd. *(continued)*

As Jianghai Securities Co,.Ltd. was involved in a financial restructuring in January 2016, and as of the report date, the restructuring is still in process, its financial information as of December 31, 2015 and for the three months ended then has not been released. In the opinion of the directors of the Company, the result of the fourth quarter of Jianghai Securities Co., Ltd will not have significant impact on the Group's consolidated financial statements.

Telefield International (Holdings) Limited

As the acquisition of this company was completed on December 29, 2015, no profit or loss has been equity accounted for by the Group as it is considered by the directors of the Company insignificant to the Group's result.

The carrying amount of interest in this associate as at December 31, 2015 was RMB1,232 million (December 31, 2014: nil).

Ruikong (Holdings) Limited

Ruikong (Holdings) Limited was incorporated on November 24, 2015 and had no significant profit or loss for the period ended December 31, 2015. Equity of the company as at December 31, 2015 amounted to USD1,228 million and the equity interest held by the Group amounted to USD200 million. The carrying amount of interest in this associate as at December 31, 2015 was RMB1,299 million (December 31, 2014: nil).

Aggregate information of other associates and joint ventures

	Year ended December 31, 2015	2014
The Group's share of total comprehensive income for other associates and joint ventures		
Associates	**102,719**	433,681
Joint ventures	**(741)**	—
Total	**101,978**	433,681

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

28. Interests in associates and joint ventures *(continued)*

Aggregate information of associates and joint ventures *(continued)*

	As at December 31, 2015	As at December 31, 2014
Carrying amount of the Group's interests in other associates and joint ventures		
Associates	**2,834,606**	831,931
Joint ventures	**19,772**	—
Total	**2,854,378**	831,931

29. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. They include Huarong Xiangjiang Bank Corporation Limited, Huarong Rongde Asset Management Co., Ltd., China Huarong Financial Leasing Co., Ltd., and Huarong Securities Co., Ltd. General information about these subsidiaries has been set out in note V.59.10. Summarized financial information about these subsidiaries and entities controlled by them, before intra-group eliminations, are as follows:

Huarong Xiangjiang Bank Corporation Limited

	As at December 31, 2015	As at December 31, 2014
Total assets	**211,124,519**	165,326,091
Total liabilities	**198,245,417**	154,235,197
Equity attributable to equity holders of the company	**12,802,488**	11,020,537
Non-controlling interests	**76,614**	70,357
Total equity	**12,879,102**	11,090,894
Non-controlling interests of the subsidiary	**6,275,780**	5,402,267

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V. EXPLANATORY NOTES *(continued)*

29. Non-controlling interests in the subsidiaries of the Group *(continued)*

Huarong Xiangjiang Bank Corporation Limited *(continued)*

	Year ended December 31, 2015	2014
Total revenue	**10,402,738**	8,897,143
Profit before tax	**2,941,148**	2,658,274
Total comprehensive income	**2,407,506**	2,169,941
Profit attributable to non-controlling interests of the subsidiary	**1,116,434**	998,584
Dividend distribution to non-controlling interests	**301,988**	266,756

	Year ended December 31, 2015	2014
Net cash flow from operating activities	**5,351,498**	25,485,572
Net cash flow used in investing activities	**(17,450,360)**	(16,045,172)
Net cash flow from/(used in) used in financing activities	**11,945,290**	(642,746)
Net cash flow	**(153,572)**	8,797,654

Huarong Rongde Asset Management Co., Ltd.

	As at December 31, 2015	2014
Current assets	**23,278,413**	21,286,549
Non-current assets	**478,960**	229,124
Current liabilities	**12,963,450**	12,689,188
Non-current liabilities	**4,720,515**	3,277,898
Equity attributable to the shareholders	**4,623,408**	4,097,864
Perpetual capital instruments	**1,450,000**	1,450,723
Total equity	**6,073,408**	5,548,587
Non-controlling interests of the subsidiary	**1,881,727**	1,667,831

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

29. Non-controlling interests in the subsidiaries of the Group *(continued)*

Huarong Rongde Asset Management Co., Ltd. *(continued)*

	Year ended December 31,	
	2015	**2014**
Total revenue	**3,036,657**	2,600,132
Profit before tax	**1,374,769**	1,295,441
Total comprehensive income	**1,066,138**	936,142
Profit attributable to non-controlling interests of the subsidiary	**421,858**	393,508
Dividend distribution to non-controlling interests	**150,590**	113,960

	Year ended December 31,	
	2015	**2014**
Net cash flow from operating activities	**4,652,368**	1,636,959
Net cash flow used in investing activities	**(4,314,394)**	(7,958,049)
Net cash flow from financing activities	**1,065,789**	6,041,238
Net cash flow	**1,403,763**	(279,852)

China Huarong Financial Leasing Co., Ltd.

	As at December 31,	
	2015	**2014**
Current assets	**34,280,743**	7,591,133
Non-current assets	**49,417,614**	64,507,572
Current liabilities	**35,759,814**	18,473,556
Non-current liabilities	**37,839,309**	46,295,642
Total equity	**10,099,234**	7,329,507
Non-controlling interests of the subsidiary	**2,027,926**	1,471,713

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V. EXPLANATORY NOTES *(continued)*

29. Non-controlling interests in the subsidiaries of the Group *(continued)*

China Huarong Financial Leasing Co., Ltd. *(continued)*

	Year ended December 31, 2015	Year ended December 31, 2014
Total revenue	**5,625,454**	5,218,507
Profit before tax	**1,870,771**	1,719,833
Total comprehensive income	**1,400,293**	1,318,017
Profit attributable to non-controlling interests of the subsidiary	**281,391**	264,647
Dividend distribution to non-controlling interests	**67,829**	65,574

	Year ended December 31, 2015	Year ended December 31, 2014
Net cash flow (used in)/from operating activities	**(3,643,430)**	826,076
Net cash flow used in investing activities	**(453,047)**	(475,635)
Net cash flow from financing activities	**6,001,731**	856,297
Net cash flow	**1,905,254**	1,206,738

Huarong Securities Co., Ltd.

	As at December 31, 2015	As at December 31, 2014
Current assets	**42,470,292**	21,828,336
Non-current assets	**33,357,977**	21,212,667
Current liabilities	**36,186,229**	14,616,073
Non-current liabilities	**30,678,688**	21,121,689
Equity attributable to equity holders of the company	**8,797,531**	6,891,282
Non-controlling interests	**165,821**	411,959
Total equity	**8,963,352**	7,303,241
Non-controlling interests of the subsidiary	**1,622,265**	1,270,579

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

29. Non-controlling interests in the subsidiaries of the Group *(continued)*

Huarong Securities Co., Ltd. *(continued)*

	Year ended December 31, 2015	2014
Total revenue	**7,435,014**	3,799,560
Profit before tax	**2,435,150**	1,145,746
Total comprehensive income	**1,924,498**	1,012,107
Profit attributable to non-controlling interests of the subsidiary	**331,923**	153,631
Dividend distribution to non-controlling interests	**—**	17,899

	Year ended December 31, 2015	2014
Net cash flow (used in)/from operating activities	**(3,299,642)**	4,619,853
Net cash flow from/(used in) investing activities	**1,203,656**	(8,452,204)
Net cash flow from financing activities	**8,408,925**	7,578,221
Net cash flow	**6,312,939**	3,745,870

30. Interests in consolidated structured entities

To determine whether control exists in a structured entity, the Group uses the following judgments:

(1) For structured entity that the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that the structured entity shall be consolidated.

(2) For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

30. Interests in consolidated structured entities *(continued)*

(3) For trust products or asset management plans where the Group involves as trustee/manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trust products or asset management plans that is of such significance that it indicates that the Group is a principal. The trust products or asset management plans shall be consolidated if the Group acts in the role of principal.

The Group had consolidated certain structured entities during the year. They mainly include trust products, asset management plans and private equity funds.

As at December 31, 2015, interests in these consolidated structured entities held by the Company amounted to RMB3,580 million (December 31, 2014: RMB1,919 million).

The financial impact of these trust products, asset management plans and private equity funds on the Group's financial position as at December 31, 2015 and 2014, and results and cash flows for the years then ended, though consolidated, are not significant individually and therefore not disclosed separately.

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and as other liabilities in the consolidated statement of financial position respectively. The payables to interest holders of consolidated structured entities amounted to RMB37,232 million as at December 31, 2015 (December 31, 2014: RMB20,286 million). The change in net assets attributable to other holders of consolidated structured entities amounted to RMB2,457 million for the year ended December 31, 2015 (December 31, 2014: RMB1,307 million).

31. Interests in unconsolidated structured entities

The Group served as general partner, manager or trustee of structured entities, therefore had power over them. Except for the structured entities the Group has consolidated as detailed in note V.30, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

31. Interests in unconsolidated structured entities *(continued)*

The size of unconsolidated structured entities managed by the Group is as follows:

	As at December 31, 2015	2014
Trust products	**194,108,547**	134,796,780
Private equity funds	**24,180,529**	6,790,120
Asset management plans	**4,912,045**	6,009,360
Total	**223,201,121**	147,596,260

The Group classified the investments in these unconsolidated structured entities as financial assets classified as receivables, available-for-sale financial assets or interests in associates and joint ventures as appropriate. The Group's interests in and exposure to these unconsolidated structured entities are not significant.

32. Investment properties

	Year ended December 31, 2015	2014
Cost		
At beginning of the year	**1,103,025**	701,357
Purchases	**—**	227,917
Transfer in	**192,236**	173,751
Transfer out	**(2,519)**	—
At end of the year	**1,292,742**	1,103,025
Accumulated depreciation		
At beginning of the year	**125,842**	73,365
Charge for the year	**50,240**	36,519
Transfer in	**47,828**	15,958
Transfer out	**(1,377)**	—
At end of the year	**222,533**	125,842
Net book value		
Balance at beginning of the year	**977,183**	627,992
Balance at end of the year	**1,070,209**	977,183

The Group's investment properties are located in active real estate markets, and the internal appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate market.

As at December 31, 2015, the fair value of the Group's investment properties amounted to RMB1,765 million (December 31, 2014: RMB1,300 million).

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

33. Property and equipment

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Costs						
As at January 1, 2015	3,323,469	956,721	758,886	201,730	138,699	5,379,505
Purchases	18,863	313,404	153,981	24,582	1,147,579	1,658,409
Disposals	(22,044)	(54,798)	(68,883)	(12,729)	—	(158,454)
Acquisition of subsidiaries	626	—	617	107	—	1,350
Transfer in	97,653	—	8,140	—	2,519	108,312
Transfer out	(208,479)	—	—	—	(128,663)	(337,142)
As at December 31, 2015	3,210,088	1,215,327	852,741	213,690	1,160,134	6,651,980
Accumulated depreciation						
As at January 1, 2015	643,282	99,186	489,121	132,445	—	1,364,034
Charge for the year	149,723	58,418	114,879	26,674	—	349,694
Disposals	(7,412)	(552)	(44,261)	(10,821)	—	(63,046)
Transfer in	1,885	—	—	—	—	1,885
Transfer out	(52,150)	—	—	—	—	(52,150)
As at December 31, 2015	735,328	157,052	559,739	148,298	—	1,600,417
Allowance for impairment losses						
As at January 1, 2015	—	24,792	—	—	—	24,792
As at December 31, 2015	—	24,792	—	—	—	24,792
Net book values						
As at January 1, 2015	2,680,187	832,743	269,765	69,285	138,699	3,990,679
As at December 31, 2015	2,474,760	1,033,483	293,002	65,392	1,160,134	5,026,771
Including:						
Net book value of assets pledged for borrowings as at December 31, 2015	20,146	—	—	—	—	20,146

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

33. Property and equipment *(continued)*

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Costs						
As at January 1, 2014	3,564,217	762,270	627,795	191,204	106,656	5,252,142
Purchases	61,201	194,712	189,096	20,548	81,483	547,040
Disposals	(129,885)	(261)	(58,005)	(10,022)	(47,753)	(245,926)
Transfer in	1,687	—	—	—	—	1,687
Transfer out	(173,751)	—	—	—	(1,687)	(175,438)
As at December 31, 2014	3,323,469	956,721	758,886	201,730	138,699	5,379,505
Accumulated depreciation						
As at January 1, 2014	528,859	55,275	397,272	116,093	—	1,097,499
Charge for the year	164,565	44,068	103,072	24,520	—	336,225
Disposals	(34,184)	(157)	(11,223)	(8,168)	—	(53,732)
Transfer out	(15,958)	—	—	—	—	(15,958)
As at December 31, 2014	643,282	99,186	489,121	132,445	—	1,364,034
Allowance for impairment losses						
As at January 1, 2014	898	24,792	—	—	—	25,690
Disposals	(898)	—	—	—	—	(898)
As at December 31, 2014	—	24,792	—	—	—	24,792
Net book values						
As at January 1, 2014	3,034,460	682,203	230,523	75,111	106,656	4,128,953
As at December 31, 2014	2,680,187	832,743	269,765	69,285	138,699	3,990,679
Including:						
Net book value of assets pledged for borrowings as at December 31, 2014	121,141	—	—	—	—	121,141

As at December 31, 2015, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB111 million (December 31, 2014: RMB161 million). The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Group's operations.

As at December 31, 2015, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB243 million (December 31, 2014: RMB162 million).

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

34. Deferred taxation

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

	AS at December 31, 2015	AS at December 31, 2014
Deferred tax assets	**4,826,597**	2,671,833
Deferred tax liabilities	**(552,760)**	(123,265)
Total	**4,273,837**	2,548,568

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at FVTPL	Accrued but not paid staff costs	Interest receivables	Allowance for impairment losses	Others	Total
January 1, 2015	**(1,275,072)**	**60,194**	**412,268**	**(526,738)**	**3,819,907**	**58,009**	**2,548,568**
Credit/(charge) to profit or loss	**—**	**(343,890)**	**(45,165)**	**46,746**	**2,846,862**	**102,269**	**2,606,822**
Charge to other comprehensive income	**(651,695)**	**—**	**—**	**—**	**—**	**—**	**(651,695)**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**(229,858)**	**(229,858)**
December 31, 2015	**(1,926,767)**	**(283,696)**	**367,103**	**(479,992)**	**6,666,769**	**(69,580)**	**4,273,837**
January 1, 2014	(26,649)	126,385	250,913	(332,382)	1,792,864	64,847	1,875,978
Credit/(charge) to profit or loss	—	(66,191)	161,355	(194,356)	2,027,043	(7,206)	1,920,645
Charge to other comprehensive income	(1,248,423)	—	—	—	—	368	(1,248,055)
December 31, 2014	(1,275,072)	60,194	412,268	(526,738)	3,819,907	58,009	2,548,568

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

35. Other assets

	As at December 31, 2015	As at December 31, 2014
Inventories[1]	**10,590,924**	5,271,208
Other receivables	**7,338,060**	5,347,896
Interest receivable	**1,821,644**	1,756,300
Payment in advance[2]	**1,119,329**	227,948
Clearing and settlement receivables	**1,053,489**	1,755,206
Land use rights[3]	**913,870**	907,745
Deductible value-added tax arising from leasing business	**759,719**	678,738
Foreclosed asset	**649,692**	554,608
Prepaid expense	**476,118**	354,807
Intangible assets	**372,957**	134,945
Dividends receivable	**11,406**	18,319
Prepayments for purchase of equipment for leasing purpose	**—**	1,091,340
Others	**309,006**	148,279
Total	**25,416,214**	18,247,339

(1) The Group's inventories represent the property and land development costs from real estate projects of Huarong Real Estate Co., Ltd, a Group entity. Certain amounts of inventories were collateralized by the Group for borrowings.

(2) The Group's payment in advance mainly represents the amount prepaid by Huarong Real Estate Co., Ltd. to purchase properties.

(3) Land use rights are held in Mainland China. As at December 31, 2015, the land use right which were pledged by the Group for borrowing amounted to RMB703 million (December 31, 2014: RMB27 million).

36. Deposits from financial institutions

	As at December 31, 2015	As at December 31, 2014
Banks	**13,006,887**	12,217,780
Other financial institutions	**2,461,266**	1,442,227
Total	**15,468,153**	13,660,007

The balance of the Group mainly arises from its banking business. As at December 31, 2015, there were no deposits from financial institutions requiring assets pledged by the Group (December 31, 2014: RMB300 million).

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

37. Placements from financial institutions

	As at December 31, 2015	2014
Banks	**364,936**	1,161,021
Other financial institutions	**600,000**	950,000
Total	**964,936**	2,111,021

38. Financial assets sold under repurchase agreements

	As at December 31, 2015	2014
Bonds	**26,766,089**	14,181,266
Bills	**3,408,568**	9,412,531
Finance lease receivables	**187,204**	2,609,302
Total	**30,361,861**	26,203,099

39. Borrowings

	As at December 31, 2015	2014
Unsecured loans	**262,365,609**	216,477,193
Pledged loans	**18,385,074**	15,977,615
Guaranteed loans	**13,508,519**	7,134,792
Loans secured by properties	**772,580**	295,600
Total	**295,031,782**	239,885,200

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V. EXPLANATORY NOTES *(continued)*

39. Borrowings *(continued)*

The carrying amounts of property and equipment, inventories and land use rights collateralized for borrowings are listed as follows:

	As at December 31, 2015	2014
Property and equipment	**20,146**	20,146
Other assets — inventories	**357,546**	406,486
Other assets — land use rights	**703,047**	27,238
Total	**1,080,739**	453,870

The carrying amounts of deposits with financial institutions and finance lease receivables pledged for borrowings are listed as follows:

	As at December 31, 2015	2014
Deposits with financial institutions	**2,008,674**	—
Finance lease receivables	**23,433,826**	27,729,249
Total	**25,442,500**	27,729,249

Borrowings mainly arise from the non-banking businesses of the Group.

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V. EXPLANATORY NOTES *(continued)*

39. Borrowings *(continued)*

	As at December 31, 2015	2014
Carrying amount repayable*:		
Within one year	**162,484,814**	119,878,682
More than one year, but not exceeding two years	**50,580,179**	56,772,113
More than two years, but not exceeding five years	**50,825,301**	22,659,160
More than five years	**26,086,850**	24,510,850
Subtotal	**289,977,144**	223,820,805
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**—**	13,077,332
More than one year, but not exceeding two years	**605,851**	2,387,063
More than two years, but not exceeding five years	**4,448,787**	600,000
Subtotal	**5,054,638**	16,064,395
Total	**295,031,782**	239,885,200

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31, 2015	2014
Within one year	**149,091,960**	88,300,000
More than one year, but not exceeding two years	**41,576,224**	54,012,113
More than two years, but not exceeding five years	**49,213,120**	23,168,560
More than five years	**26,059,200**	24,510,850
Total	**265,940,504**	189,991,523

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

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V. EXPLANATORY NOTES *(continued)*

39. Borrowings *(continued)*

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

	As at December 31, 2015	2014
Effective interest rate		
Fixed-rate borrowings	**1.53%–11.29%**	3.00%–12.50%
Variable-rate borrowings	**4.70%–7.80%**	2.04%–9.50%

40. Due to customers

	As at December 31, 2015	2014
Demand deposits		
Corporate customers	**46,938,230**	38,134,707
Individual customers	**13,510,873**	11,622,277
Time deposits		
Corporate customers	**35,548,602**	27,707,299
Individual customers	**20,553,849**	17,522,932
Pledged deposits	**13,322,212**	15,070,985
Others	**10,125,107**	7,187,872
Total	**139,998,873**	117,246,072

The balance of the Group arises from its banking business.

41. Tax payable

	As at December 31, 2015	2014
Enterprise income tax	**3,142,603**	2,249,508
Hong Kong profits tax	**80,648**	27,178
Total	**3,223,251**	2,276,686

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V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued

	As at December 31 2015	2014	Principal Amount	Term	Issuance date	Coupon rate per annum	Remarks
The Company							
Financial bonds	**5,990,904**	5,983,186	RMB6,000 million	3 years	November 2013	5.55% fixed rate	Interest payable annually
Financial bonds	**5,584,076**	5,579,627	RMB6,000 million	5 years	November 2013	5.66% fixed rate	Interest payable annually (1)
Financial bonds	**9,972,605**	9,960,181	RMB10,000 million	3 years	December 2014	4.60% fixed rate	Interest payable annually
Financial bonds	**9,911,705**	9,904,709	RMB10,000 million	5 years	December 2014	4.80% fixed rate	Interest payable annually (2)
Financial bonds	**17,449,340**	—	RMB17,500 million	3 years	July 2015	4.01% fixed rate	Interest payable annually
Financial bonds	**17,144,839**	—	RMB17,500 million	5 years	July 2015	4.21% fixed rate	Interest payable annually (3)
Subtotal	**66,053,469**	31,427,703	RMB67,000 million				
Huarong Xiangjiang Bank Corporation Limited							
Subordinate bonds	**1,494,339**	1,494,000	RMB1,500 million	10 years	November 2012	6.30% fixed rate	Interest payable annually (4)
Tier II capital bonds	**2,989,580**	—	RMB3,000 million	10 years	June 2015	6.00% fixed rate	Interest payable annually (5)
Negotiable certificates of deposit	**9,833,286**	—	RMB10,000 million	3–12 months	September–December 2015	—	Interest payable on maturity date (6)
Subtotal	**14,317,205**	1,494,000	RMB14,500 million				

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V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued *(continued)*

	As at December 31 2015	2014	Principal Amount	Term	Issuance date	Coupon rate per annum	Remarks
Huarong Securities Co., Ltd.							
Subordinate bonds	**1,500,000**	1,500,000	RMB1,500 million	4 years	July 2013	6.25% fixed rate	Interest payable annually
Financial bonds	**600,000**	600,000	RMB600 million	3 years	August 2014	6.80% fixed rate	Interest payable annually
Financial bonds	**–**	1,000,000	RMB1,000 million	91 days	October 2014	4.35% fixed rate	Interest payable on maturity date (7)
Beneficiary certificates	**–**	30,000	RMB30 million	70 days	December 2014	5.80% fixed rate	Interest payable on maturity date (8)
Financial bonds	**–**	1,000,000	RMB1,000 million	90 days	December 2014	5.80% fixed rate	Interest payable on maturity date (9)
Financial bonds	**1,500,000**	–	RMB1,500 million	3 years	March 2015	5.70% fixed rate	Interest payable annually
Financial bonds	**2,000,000**	–	RMB2,000 million	3 years	April 2015	4.90% fixed rate	Interest payable annually
Financial bonds	**1,500,000**	–	RMB1,500 million	3 years	May 2015	5.39% fixed rate	Interest payable annually
Beneficiary certificates	**300,000**	–	RMB300 million	2 years	June 2015	5.60% fixed rate	Interest payable on maturity date
Beneficiary certificates	**62,550**	–	RMB63 million	181 days	August 2015	3.80% fixed rate	Interest payable on maturity date
Financial bonds	**1,200,000**	–	RMB1,200 million	90 days	November 2015	3.15% fixed rate	Interest payable on maturity date
Subtotal	**8,662,550**	4,130,000	RMB10,693 million				

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued *(continued)*

	As at December 31					Coupon rate	
	2015	2014	Principal Amount	Term	Issuance date	per annum	Remarks
China Huarong Financial Leasing Co., Ltd.							
Financial bonds	—	499,714	RMB500 million	5 years	May 2010	4.60% fixed rate	Interest payable annually (10)
Financial bonds	399,578	398,966	RMB400 million	3 years	September 2013	floating rate	Interest payable annually (11)
Financial bonds	398,311	397,721	RMB400 million	5 years	September 2013	floating rate	Interest payable annually (12)
Leasing asset — backed securities	122,064	573,011	RMB644 million	6 years	December 2014	fixed and floating rates	Interest payable quarterly (13)
Financial bonds	996,216	—	RMB1,000 million	3 years	June 2015	floating rate	Interest payable annually (14)
Leasing asset — backed securities	2,304,546	—	RMB2,855 million	6 years	October 2015	floating rate	Interest payable quarterly (15)
Financial bonds	1,992,340	—	RMB2,000 million	3 years	December 2015	3.76% fixed rate	Interest payable annually
Financial bonds	1,987,132	—	RMB2,000 million	5 years	December 2015	4.00% fixed rate	Interest payable annually
Subtotal	8,200,187	1,869,412	RMB9,799 million				

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued *(continued)*

	As at December 31 2015	2014	Principal Amount	Term	Issuance date	Coupon rate per annum	Remarks
Huarong Rongde Asset Management Co., Ltd.							
Financial bonds	**2,987,609**	—	RMB3,000 million	3 years	September 2015	4.95% fixed rate	Interest payable annually
Huarong Finance Co., Ltd., subsidiary of China Huarong International Holdings Limited							
U.S. dollar bonds	**1,967,600**	1,816,205	USD300 million	3 years	July 2014	3.00% fixed rate	Interest payable annually
U.S. dollar bonds	**7,870,400**	7,264,819	USD1,200 million	5 years	July 2014	4.00% fixed rate	Interest payable annually
Subtotal	**9,838,000**	9,081,024	USD1,500 million				
Huarong Finance II Co., Ltd., subsidiary of China Huarong International Holdings Limited							
Mid-term U.S. dollar notes	**3,938,611**	—	USD600 million	3 years	January 2015	3.50% fixed rate	Interest payable semi-annually
Mid-term U.S. dollar notes	**7,900,106**	—	USD1,200 million	5 years	January 2015	4.50% fixed rate	Interest payable semi-annually
Mid-term U.S. dollar notes	**9,182,926**	—	USD1,400 million	10 years	January 2015	5.50% fixed rate	Interest payable semi-annually
Mid-term U.S. dollar notes	**3,242,556**	—	USD500 million	3 years	November 2015	2.875% fixed rate	Interest payable semi-annually
Mid-term U.S. dollar notes	**3,232,301**	—	USD500 million	5 years	November 2015	3.75% fixed rate	Interest payable semi-annually
Mid-term U.S. dollar notes	**5,176,208**	—	USD800 million	10 years	November 2015	5.00% fixed rate	Interest payable semi-annually
Subtotal	**32,672,708**	—	USD5,000 million				

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued *(continued)*

	As at December 31 2015	2014	Principal Amount	Term	Issuance date	Coupon rate per annum	Remarks
Huarong International Financial Holdings Limited, subsidiary of China Huarong International Holdings Limited							
Convertible notes	**22,111**	—	HKD500 million	3 years	February 2014	0.00%	(16)
Huarong Tianze Investment Co., Ltd., subsidiary of Huarong Securities Co., Ltd.							
Corporation bonds	**300,000**	—	RMB300 million	3 years	December 2015	5.25% fixed rate	Interest payable on maturity date
Total	**143,053,839**	48,002,139					

(1) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB400 million in principal amount in November 2013.

(2) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB55 million in principal amount in December 2014.

(3) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB300 million in principal amount in July 2015.

(4) Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or fully on November 29, 2017. If no early redemption is exercised, the interest rate will remain fixed at 6.3% per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

42. Bonds and notes issued *(continued)*

(5) Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or fully on June 29, 2020. If no early redemption is exercised, the coupon rate of the bonds would remain at 6% per annum.

(6) It consists of a series of negotiable certificates of deposits issued at discount with an aggregate amount of RMB10 billion during the four month period ended December.

(7) The financial bonds matured on January 19, 2015, and had been repaid in full.

(8) The beneficiary certificates matured on February 12, 2015, and had been repaid in full.

(9) The financial bonds matured on March 17, 2015, and had been repaid in full.

(10) The financial bonds matured on May 27, 2015, and had been repaid in full.

(11) Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.5% and reset annually.

(12) Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.7% and reset annually.

(13) The coupon rate for the A-1 class leasing asset-backed securities is fixed at 5.2% per annum. The coupon rate for the A-2 class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 550 basis points and reset annually. The coupon rate for the B class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 630 basis points and reset annually. The underlying financial lease receivables have been recovered in due course and therefore the corresponding liabilities have been settled in advance.

(14) Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 3.05% and reset annually.

(15) Floating rate for the A-1 class leasing asset-backed securities is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.25%, payable quarterly. Floating rate for the B-1 class leasing asset-backed securities is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.98%. The underlying financial lease receivables have been recovered in due course and therefore the corresponding liabilities have been settled in advance.

(16) The notes are convertible at the option of the noteholders into ordinary shares within 36 months from the date of issuance of the convertible notes at the initial conversion price of HKD5.00 per conversion share. Any convertible notes not converted will be redeemed on February 18, 2017 at the outstanding principal amounts. The conversion price for the convertible notes was adjusted to HKD0.5 per share on April 9, 2014, upon completion of the issue of bonus shares. As at December 31, 2015, the outstanding principal of the convertible notes amounted to HKD30 million.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

43. Other liabilities

	As at December 31, 2015	2014
Payables to interest holders of consolidated structured entities	**37,232,180**	20,286,054
Other payables	**32,439,120**	5,887,981
Guarantee deposits received from customers	**15,080,185**	14,166,522
Account payable to brokerage clients	**9,058,065**	4,609,561
Amount due to the MOF (1)	**7,710,062**	11,446,145
Interest payable	**4,950,593**	3,260,820
Amounts received in advance (2)	**3,712,717**	3,140,965
Employee benefits payable (3)	**3,475,495**	2,948,781
Dividends payable	**1,275,475**	12,641
Bills payable (4)	**1,095,350**	—
Sundry taxes payable	**784,051**	350,410
Margin deposit received from securities customers	**596,006**	367,695
Provisions (5)	**169,821**	117,461
Others	**1,491,241**	806,503
Total	**119,070,361**	67,401,539

(1) Amount due to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The amount is repayable in five equal installments of RMB3.94 billion each over a five-year period, representing an effective annual interest rate of 2.16%, starting from 2012.

(2) Amounts received in advance mainly included deposits received in respect of pre-sale of properties and receipts in advance relating to primary land development, and advances received relating to Company's sales of distressed assets.

(3) Employee benefits payable

	2015 As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	**2,469,560**	**3,095,568**	**(2,705,073)**	**2,860,055**
Social insurance	**50,919**	**164,432**	**(129,155)**	**86,196**
Housing funds	**7,568**	**200,208**	**(199,959)**	**7,817**
Staff welfare	**200**	**201,492**	**(199,780)**	**1,912**
Early retirement benefits	**187,436**	**65,528**	**(41,009)**	**211,955**
Labor union and staff education expenses	**121,754**	**129,301**	**(91,518)**	**159,537**
Defined contribution plans	**10,767**	**321,492**	**(316,884)**	**15,375**
Others	**100,577**	**51,155**	**(19,084)**	**132,648**
Total	**2,948,781**	**4,229,176**	**(3,702,462)**	**3,475,495**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

43. Other liabilities *(continued)*

(3) Employee benefits payable *(continued)*

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,848,163	2,556,996	(1,935,599)	2,469,560
Social insurance	51,382	150,973	(151,436)	50,919
Housing funds	4,585	163,898	(160,915)	7,568
Staff welfare	530	170,076	(170,406)	200
Early retirement benefits	199,346	42,496	(54,406)	187,436
Labor union and staff education expenses	94,059	104,224	(76,529)	121,754
Defined contribution plans	45,298	264,384	(298,915)	10,767
Others	74,793	31,972	(6,188)	100,577
Total	2,318,156	3,485,019	(2,854,394)	2,948,781

(4) These are bank acceptance bills paid by China Huarong Financial Leasing Co., Ltd to the suppliers for equipment purchased when conducting its financial leasing business.

(5) Movements of provisions

	Year ended December 31,	
	2015	2014
At beginning of the year	117,461	177,996
Provided for the year	52,360	521
Settled	—	(61,056)
At end of the year	169,821	117,461

Provisions are made by the Group relating to litigation claims on the Group's entities as well as credit enhancement business undertaken by the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

44. Share capital of the Company

Authorized, issued and fully paid	Year ended December 31, 2015	2014
At beginning of the year	**32,695,870**	25,835,870
Capital injection[1]	**—**	6,860,000
Issue of H shares[2]	**6,374,338**	—
At end of the year	**39,070,208**	32,695,870

(1) On September 11, 2014, the Company issued a total of 6,860 million shares at par value of RMB1 each to strategic investors for a total consideration of RMB14,500 million with share premium of RMB7,640 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing branch, with verification report De Shi Jing Bao (Yan) Zi (14) No. 0009 issued on September 16, 2014.

(2) In October 2015, the Company issued 6,374,338,000 H shares (including over-allotment of 604,458,000 H shares) with par value of RMB1 per share at offer price of HKD3.09 per share for a total consideration of RMB16,147 million. The issuance of H shares was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with verification report De Shi Bao (Yan) Zi (15) No. 1814. issued on December 24, 2015.

A summary of movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2015			
	As at January 1,	Conversion/ Issuance	Transfer[1]	As at December 31,
Shareholders				
MOF	**25,335,870**	**(24,752,711)**	**(583,159)**	**—**
China Life Insurance (Group) Company	**1,650,000**	**(1,650,000)**	**—**	**—**
Others	**5,710,000**	**(5,693,704)**	**(16,296)**	**—**
Domestic share holders				
— MOF	**—**	**12,376,355**	**—**	**12,376,355**
— China Life Insurance (Group) Company	**—**	**1,650,000**	**—**	**1,650,000**
H share holders	**—**	**24,444,398**	**599,455**	**25,043,853**
Total[2]	**32,695,870**	**6,374,338**	**—**	**39,070,208**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

44. Share capital of the Company *(continued)*

	2014			
	As at January 1,	Issuance	Transfer	As at December 31,
Shareholders				
MOF	25,335,870	—	—	25,335,870
China Life Insurance (Group) Company	500,000	1,150,000	—	1,650,000
Others	—	5,710,000	—	5,710,000
Total	25,835,870	6,860,000	—	32,695,870

(1) In accordance with the relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer certain shares or pay the equivalent cash to the National Council for Social Security Fund (the "NCSSF"), in proportion to their respective holdings in the Company, of a total amount equivalent to certain number of shares offered pursuant to the Company's H share offering. Under this arrangement, the MOF and COFCO (Hong Kong) Limited transferred 599,455,512 shares in total to the NCSSF.

(2) As at December 31, 2015, 14,026,355,544 domestic shares and 18,070,059,406 H shares were subject to lock-up restriction.

45. Capital reserve

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

46. Surplus reserve

Under PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

The surplus reserve of the Group disclosed represents only the surplus reserve appropriated by the Company.

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For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

47. General reserve

Starting from July 1, 2012, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, a financial enterprise is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, at no less than 1.5% of its risk assets at the end of the reporting period. The financial enterprise is allowed to meet this requirement over a 5 year period.

Pursuant to this regulatory requirement in the PRC, some domestic subsidiaries of the Company are required to transfer certain amount of net profit to general reserve. The appropriation of the general reserve is accounted for as distribution of retained earnings.

For the year ended December 31, 2015, as approved by the general meetings of the Company and its subsidiaries, the Group transferred a total of RMB3,894 million (2014: RMB1,493 million) to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred RMB2,854 million to general reserve for the year ended December 31, 2015 (2014: RMB643 million).

48. Other reserves

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

	Year ended December 31,	
	2015	**2014**
At beginning of the year	**3,807,418**	(168,608)
Net gains arising on revaluation of available-for-sale financial assets	**2,658,138**	4,928,986
Cumulative gains reclassified to profit or loss upon disposal of available-for-sale financial assets	**(1,074,978)**	(239,930)
Cumulative losses reclassified to profit or loss on impairment of available-for-sale financial assets	**699,393**	461,051
Income tax effects	**(610,963)**	(1,222,190)
Share of other comprehensive income of associates	**66,295**	49,342
Exchange differences arising on translation of foreign operations	**(69,031)**	(2,921)
Actuarial (losses)/gains on defined benefit obligations	**(759)**	1,688
At end of the year	**5,475,513**	3,807,418

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

48. Other reserves *(continued)*

A summary of movements of other reserves attributable to equity holders of the Company is as follow:

	Actuarial (losses)/gains on defined benefit obligations	Fair value changes on available-for-sale financial assets	Share of other comprehensive income of associates	Exchange differences arising on translation of foreign operations	Income tax effects	Total
As at January 1, 2014	—	(104,024)	(14,928)	(1,286)	(48,370)	(168,608)
Increase/(decrease) during the year	1,688	5,150,107	49,342	(2,921)	(1,222,190)	3,976,026
As at January 1, 2015	**1,688**	**5,046,083**	**34,414**	**(4,207)**	**(1,270,560)**	**3,807,418**
(Decrease)/increase during the year	**(759)**	**2,282,553**	**66,295**	**(69,031)**	**(610,963)**	**1,668,095**
As at December 31, 2015	**929**	**7,328,636**	**100,709**	**(73,238)**	**(1,881,523)**	**5,475,513**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

49. Perpetual capital instruments

Movement of the Perpetual Capital Instruments is as follows:

	Principal	Distribution	Total
Balance at January 1, 2014	—	—	—
Issuance of perpetual capital instruments[1]	1,450,000	—	1,450,000
Profit attributable to holders of perpetual capital instruments	—	723	723
Balance at December 31, 2014	1,450,000	723	1,450,723
Issuance of perpetual capital instruments[1]	**5,000,000**	**—**	**5,000,000**
Profit attributable to holders of perpetual capital instruments	**—**	**173,982**	**173,982**
Distribution to holders of perpetual capital instruments	**—**	**(170,593)**	**(170,593)**
Balance at December 31, 2015	**6,450,000**	**4,112**	**6,454,112**

(1) Huarong Huitong Asset Management Co., Ltd. and Huarong Rongde Asset Management Co., Ltd. (the "Issuers"), both are subsidiaries of the Company, issued perpetual capital instruments with the face value of RMB5,000 million and RMB1,450 million during the year of 2015 and 2014 respectively.

There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Issuer. The perpetual capital instruments are callable. When the Issuer elects to declare dividends, the distribution to the holders of perpetual capital instruments shall be made at the distribution rate as defined in the subscription agreement.

50. Cash and cash equivalents

Cash and cash equivalents with original maturity within 3 months comprise the following balances:

	As at December 31,	
	2015	**2014**
Cash on hand	**426,926**	367,287
Balances with central bank	**4,947,934**	5,392,097
Deposits with financial institutions	**59,126,605**	37,541,155
Placements with financial institutions	**8,100,000**	13,105,950
Financial assets held under resale agreements	**14,126,979**	8,866,901
Total	**86,728,444**	65,273,390

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

51. Major non-cash transaction

As part of its distressed asset management business, the Group entered into transaction of equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2015, equity instruments amounting to RMB1,090 million (December 31, 2014: RMB1,839 million) were swapped with equity instruments held by the Group with carrying value of RMB494 million (December 31, 2014: RMB1,072 million).

52. Contingent liabilities and commitments

(1) Legal proceedings

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2015, total claim amount of pending litigations was RMB369 million (December 31, 2014: RMB222 million) for the Group, and total provision of RMB110 million (December 31, 2014: RMB117 million) for the Group was 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 December 31,	
	2015	2014
Within one year	**202,958**	293,515
In the second to the fifth year inclusive	**942,860**	466,978
Over five years	**247,069**	263,868
Total	**1,392,887**	1,024,361

(3) Credit enhancement

As at December 31, 2015, the Group provided credit enhancement for counterparties involving in borrowing arrangements in the amount of RMB1,542 million (December 31, 2014: RMB5,003 million).

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

52. Contingent liabilities and commitments *(continued)*

(4) Credit commitments

	As at December 31, 2015	2014
Bank bill acceptance	**25,745,112**	29,195,744
Loan commitments	**6,091,551**	5,289,668
Letters of guarantee issued	**3,312,998**	3,270,989
Undrawn credit card commitments	**1,446,288**	554,500
Letters of credit issued	**486,227**	171,615
Total	**37,082,176**	38,482,516

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

(5) Other commitments

	As at December 31, 2015	2014
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**321,077**	876,328

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

53. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

	Carrying amount of pledged assets As at December 31,		Related liabilities As at December 31,	
	2015	2014	2015	2014
Held-for-trading debt securities	**3,614,587**	3,105,814	**1,719,271**	2,026,173
Available-for-sale debt securities	**5,259,721**	1,956,773	**4,549,240**	1,579,293
Loans and advances to customers	**2,160,975**	2,907,351	**1,800,000**	2,800,000
Held-to-maturity debt securities	**18,630,028**	7,952,591	**18,231,900**	7,775,800
Finance lease receivables	**517,670**	3,641,594	**187,204**	2,609,302
Financial assets held under resale agreements	**3,904,808**	9,411,965	**3,874,246**	9,412,531
Total	**34,087,789**	28,976,088	**30,361,861**	26,203,099

Securities lending arrangements

Huarong Securities Co., Ltd., a Group entity, entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds, which are secured by client's securities and cash deposits held as collateral. The clients have obligations to return these securities and pay interest to the Group at specified future dates. The Group has retained substantially all the risks and rewards of these equity securities and exchange-traded funds lent and therefore has not derecognized these securities. The carrying amount of securities lent amounted to RMB27 million as at 31 December 2015 (December 31, 2014: RMB23 million) and classified as available-for-sale financial assets.

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

53. Transfers of financial assets *(continued)*

Asset-backed securities

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. As the underlying assets, the finance lease receivables did not meet the criteria of derecognition, the Group did not derecognize such finance lease receivables, the consideration received was treated as financial liabilities. As at December 31, 2015, the carrying amount of such transferred but not decognised finance lease receivables amounted to RMB3,043 million (December 31, 2014: RMB657 million), the carrying amount of the corresponding financial liabilities amounted to RMB2,427 million (December 31, 2014: RMB573 million).

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.

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

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

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

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, custody and agency services for distressed assets, distressed asset-based special situations investment and distressed asset-based property development.

Financial services operations

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

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

54. Segment information *(continued)*

Asset management and investment operations

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trust and other asset management business, financial investment, international business and other business.

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

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business with no customer contributing more than 10% of the Group's revenue.

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For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

54. Segment information *(continued)*

Asset management and investment operations *(continued)*

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

Year ended December 31, 2015	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	23,094,980	—	—	—	23,094,980
Fair value changes on distressed debt assets	1,637,250	—	—	—	1,637,250
Fair value changes on other financial assets	(3,616)	889,190	2,461,528	—	3,347,102
Interest income	680,407	13,366,977	136,287	(116,588)	14,067,083
Investment income	8,244,289	5,297,734	5,753,625	(128,306)	19,167,342
Commission and fee income	3,852,231	3,787,695	2,990,540	(232,474)	10,397,992
Net gains on disposal of associates	172,602	—	254,803	—	427,405
Other income and other net gains or losses	2,970,235	121,607	406,209	(251,442)	3,246,609
Total	40,648,378	23,463,203	12,002,992	(728,810)	75,385,763
Interest expense	(13,736,202)	(8,196,529)	(4,221,740)	252,292	(25,902,179)
Commission and fee expense	(108,916)	(790,737)	(87,820)	42,155	(945,318)
Operating expenses	(5,863,282)	(4,296,376)	(1,731,720)	403,826	(11,487,552)
Impairment losses on assets	(8,980,077)	(1,594,796)	(2,028,908)	—	(12,603,781)
Total	(28,688,477)	(14,878,438)	(8,070,188)	698,273	(50,938,830)
Change in net assets attributable to other holders of consolidated structured entities	(14,363)	(1,352,955)	(1,089,237)	—	(2,456,555)
Share of results of associates and joint ventures	(5,450)	15,257	245,755	—	255,562
Profit before tax	11,940,088	7,247,067	3,089,322	(30,537)	22,245,940
Income tax expense					(5,295,142)
Profit for the year					16,950,798
Capital expenditure	114,410	1,600,548	30,130	—	1,745,088
Depreciation and amortization	169,252	336,000	28,393	—	533,645
As at December 31, 2015					
Segment assets	370,130,715	370,650,778	138,763,629	(12,998,704)	866,546,418
Including: Interests in associates and joint ventures	1,230,531	128,694	5,333,410	—	6,692,635
Total assets	370,130,715	370,650,778	138,763,629	(12,998,704)	866,546,418
Segment liabilities	298,734,592	338,734,610	123,147,499	(12,870,885)	747,745,816
Total liabilities	298,734,592	338,734,610	123,147,499	(12,870,885)	747,745,816

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For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

54. Segment information *(continued)*

Asset management and investment operations *(continued)*

Year ended December 31, 2014	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	15,662,033	—	—	—	15,662,033
Fair value changes on distressed debt assets	886,187	—	—	—	886,187
Fair value changes on other financial assets	99,709	1,133,937	55,540	—	1,289,186
Interest income	517,626	11,373,009	156,975	—	12,047,610
Investment income	4,340,819	3,224,328	2,332,093	(93,675)	9,803,565
Commission and fee income	4,195,638	1,994,335	2,014,935	(219,263)	7,985,645
Net gains/(losses) on disposal of associates	128,089	—	(52)	—	128,037
Other income and other net gains or losses	2,817,250	189,601	490,232	(238,642)	3,258,441
Total	28,647,351	17,915,210	5,049,723	(551,580)	51,060,704
Interest expense	(10,320,389)	(6,791,412)	(891,663)	99,811	(17,903,653)
Commission and fee expense	(266,521)	(192,129)	(22,762)	28,944	(452,468)
Operating expenses	(3,714,147)	(3,709,714)	(1,468,443)	422,825	(8,469,479)
Impairment losses on assets	(4,958,357)	(861,125)	(406,105)	—	(6,225,587)
Total	(19,259,414)	(11,554,380)	(2,788,973)	551,580	(33,051,187)
Change in net assets attributable to other holders of consolidated structured entities	—	(836,977)	(470,243)	—	(1,307,220)
Share of results of associates	(47,590)	—	119,719	—	72,129
Profit before tax	9,340,347	5,523,853	1,910,226	—	16,774,426
Income tax expense					(3,743,581)
Profit for the year					13,030,845
Capital expenditure	100,396	1,319,059	241,486	—	1,660,941
Depreciation and amortization	161,426	280,672	25,637	—	467,735
As at December 31, 2014					
Segment assets	283,338,742	280,306,971	42,100,767	(5,225,338)	600,521,142
Including: Interests in associates	1,093,283	—	1,770,085	—	2,863,368
Total assets	283,338,742	280,306,971	42,100,767	(5,225,338)	600,521,142
Segment liabilities	236,223,653	254,583,329	31,285,383	(5,103,337)	516,989,028
Total liabilities	236,223,653	254,583,329	31,285,383	(5,103,337)	516,989,028

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V. EXPLANATORY NOTES *(continued)*

55. Related party transactions

(1) The MOF

As at December 31, 2015, the MOF directly owned 63.36% (December 31, 2014: 77.49%) of share capital of the Company including domestic shares and H shares.

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 by the MOF are mainly financial institutions.

The Group has the following balances and entered into the following transactions with the MOF. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties:

The Group had the following balances with the MOF:

	As at December 31,	
	2015	**2014**
Held-to-maturity investments	**5,747,571**	5,879,128
Available-for-sale financial assets	**93,500**	85,296
Amount due to the MOF	**7,710,062**	11,446,145
Dividends payable	**966,877**	—

The Group had the following transactions with the MOF:

	Year ended December 31,	
	2015	**2014**
Interest expense	**204,605**	283,573
Investment income	**222,737**	225,119

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

55. Related party transactions *(continued)*

(2) Government related entities

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

(3) Annuity Scheme

The Company and certain other entities within the Group have the following transactions with the Annuity Schemes set up within the Group:

	Year ended December 31,	
	2015	2014
Contribution to Annuity Schemes	114,166	90,232

(4) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

	Year ended December 31,	
	2015	2014
Emoluments of key management personnel		
— Salaries and other benefits	4,957	6,971
— Employer's contribution to pension scheme	436	278
— Discretionary and performance related incentive payments	4,174	11,665
Total (before tax)	9,567	18,914

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

55. Related party transactions *(continued)*

(4) Key management personnel *(continued)*

The total compensation packages for the above key management personnel for the year ended December 31, 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC.

The number of key management personnel whose emoluments fall within the following bands is as follows:

	Year ended December 31,	
	2015	2014
RMB nil to RMB500,000	2	—
RMB500,001 to RMB1,000,000	11	—
RMB1,500,001 to RMB2,000,000	1	11
	14	11

56. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risk parameters are managed within a range consistent with the Group's strategies and business targets. Based on this, the Group has refined a particular philosophy of risk management culture and established a risk management model and an organizational structure. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group include credit risk, market risk, liquidity risk and distressed assets risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

Risk management framework *(continued)*

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

56.1 Credit risk

(i) Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from deposits and placements with financial institutions, financial assets held under resale agreements, financial assets classified as receivables, loans and advance to customers, finance lease receivables and other investment securities held by the Group. The nature of credit risk of distressed debt assets classified as receivables is similar to those mentioned above. Risk management of them is detailed in note V. 56.4 together with other types of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return; and

- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment securities such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest method. The Group reviews the carrying amount of these assets at the end of the reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy reorganization; or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - — adverse changes in the payment status of borrowers in the portfolio; or
  - — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

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

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advance to customers, finance lease receivables, investment securities, and treasury operations of its banking activities. At the end of the reporting period, maximum exposure to credit risk is as follows:

	As at December 31,	
	2015	2014
Balances with central bank	**24,555,204**	26,578,033
Deposits with financial institutions	**76,896,262**	51,633,232
Placements with financial institutions	**9,298,706**	13,628,330
Financial assets held for trading	**8,197,243**	6,910,374
Financial assets designated as at fair value through profit or loss	**19,287,539**	7,722,740
Financial assets held under resale agreements	**32,538,933**	21,841,924
Loans and advances to customers	**81,625,232**	63,239,421
Finance lease receivables	**71,672,497**	63,494,344
Available-for-sale financial assets	**18,635,613**	16,340,770
Held-to-maturity investments	**34,357,970**	18,817,891
Financial assets classified as receivables	**328,685,840**	227,033,219
Other assets	**4,936,630**	7,511,608
Subtotal	**710,687,669**	524,751,886
Credit enhancements	**1,542,300**	5,002,500
Credit commitments	**37,082,176**	38,482,516
Subtotal	**38,624,476**	43,485,016
Total	**749,312,145**	568,236,902

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

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

Distressed debt assets designated as at fair value through profit or loss may contain certain elements of credit risk. The risks such assets exposed to are detailed in note V. 56.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB65,564 million for the Group as at December 31, 2015 (December 31, 2014: RMB23,612 million).

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

	As at December 31, 2015	2014
Distressed debt assets classified as receivables	**221,433,937**	168,712,792
Loans and advances to customers	**83,455,449**	64,449,297
Finance lease receivables	**72,872,647**	64,393,116
Subtotal	**377,762,033**	297,555,205
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(19,382,474)**	(11,474,107)
Loans and advances to customers	**(1,830,217)**	(1,209,876)
Finance lease receivables	**(1,200,150)**	(898,772)
Subtotal	**(22,412,841)**	(13,582,755)
Net carrying amount		
Distressed debt assets classified as receivables	**202,051,463**	157,238,685
Loans and advances to customers	**81,625,232**	63,239,421
Finance lease receivables	**71,672,497**	63,494,344
Total	**355,349,192**	283,972,450

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables *(continued)*

Analyzed by geographical area

	As at December 31,			
	2015		2014	
Area	Gross amount	%	Gross amount	%
Central Region	**141,184,107**	**37.4**	105,432,158	35.4
Western Region	**81,992,398**	**21.7**	66,072,312	22.2
Yangtze River Delta	**73,911,940**	**19.6**	61,646,155	20.7
Pearl River Delta	**33,322,391**	**8.8**	21,889,228	7.4
Bohai Rim	**26,922,579**	**7.1**	26,298,757	8.8
Northeastern Region	**20,428,618**	**5.4**	16,216,595	5.5
Total	**377,762,033**	**100.0**	297,555,205	100.0

Notes:

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

Notes to the Consolidated Financial Statements

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables *(continued)*

Analyzed by industry

	As at December 31,			
	2015		2014	
Industry	Gross amount	%	Gross amount	%
Corporate business				
Real estate	**154,821,749**	**41.0**	113,080,236	38.0
Manufacturing	**54,538,524**	**14.4**	46,884,436	15.8
Water, environment and public utilities management	**32,787,645**	**8.7**	23,136,496	7.8
Construction	**16,474,644**	**4.4**	14,200,149	4.8
Leasing and commercial services	**15,028,096**	**4.0**	13,362,961	4.5
Transportation, logistics and postal services	**13,497,274**	**3.6**	14,367,828	4.8
Mining	**7,983,073**	**2.1**	7,266,731	2.4
Others	**62,457,056**	**16.5**	49,818,401	16.7
Subtotal	**357,588,061**	**94.7**	282,117,238	94.8
Personal business				
Loans for business operations	**7,086,627**	**1.9**	6,488,696	2.2
Mortgage	**5,735,751**	**1.5**	3,926,748	1.3
Personal consumption loans	**2,570,830**	**0.7**	1,034,017	0.3
Others	**705,669**	**0.1**	272,246	0.2
Subtotal	**16,098,877**	**4.2**	11,721,707	4.0
Loans to margin clients	**4,075,095**	**1.1**	3,716,260	1.2
Total	**377,762,033**	**100.0**	297,555,205	100.0

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables *(continued)*

By contractual maturity and security type

	Gross amount as at December 31, 2015				Gross amount as at December 31, 2014			
	Up to 1 year	1 to 5 years	Over 5 years	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Unsecured	3,225,681	6,486,019	511,471	10,223,171	875,421	4,962,456	330,694	6,168,571
Guaranteed	28,628,130	58,518,432	2,932,064	90,078,626	11,880,813	56,451,774	4,275,545	72,608,132
Collateralized	26,988,430	206,401,457	11,772,997	245,162,884	19,618,035	166,117,750	11,247,814	196,983,599
Pledged	10,793,126	21,021,121	483,105	32,297,352	5,609,227	16,070,440	115,236	21,794,903
Total	69,635,367	292,427,029	15,699,637	377,762,033	37,983,496	243,602,420	15,969,289	297,555,205

(v) Past due distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

	Gross amount as at December 31, 2015						Gross amount as at December 31, 2014					
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total	Past due amount as a% of total gross amount	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total	Past due amount as a% of total gross amount
Distressed debt assets classified as receivables	2,032,730	2,078,304	3,286,660	61,000	7,458,694	3.4	1,455,835	1,102,500	2,537,490	—	5,095,825	3.0
Loans and advances to customers	1,295,171	730,639	453,531	—	2,479,341	3.0	1,041,622	626,782	136,067	—	1,804,471	2.8
Finance lease receivables	279,439	1,254,146	752,344	94,222	2,380,151	3.3	100,386	892,995	611,546	54,500	1,659,427	2.6
Total	3,607,340	4,063,089	4,492,535	155,222	12,318,186	3.3	2,597,843	2,622,277	3,285,103	54,500	8,559,723	2.9

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vi) Credit quality of distressed debt assets classified a receivables, loans and advances to customers and finance lease receivables

	As at December 31, 2015	2014
Neither past due nor impaired	**365,282,252**	288,973,353
Past due but not impaired[(1)]	**7,622,411**	4,672,967
Impaired[(2)]	**4,857,370**	3,908,885
Subtotal	**377,762,033**	297,555,205
Allowance for impairment losses	**(22,412,841)**	(13,582,755)
Net carrying amount	**355,349,192**	283,972,450

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

	Gross amount as at December 31, 2015					Gross amount as at December 31, 2014				
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Distressed debt assets classified as receivables	1,932,840	1,446,207	778,546	—	4,157,593	1,455,835	788,333	96,963	—	2,341,131
Loans and advances to customers	1,202,468	270,367	223,151	—	1,695,986	909,548	398,010	37,000	—	1,344,558
Finance lease receivables	279,439	990,213	447,495	51,685	1,768,832	100,386	509,563	377,329	—	987,278
Total	3,414,747	2,706,787	1,449,192	51,685	7,622,411	2,465,769	1,695,906	511,292	—	4,672,967

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vi) Credit quality of distressed debt assets classified a receivables, loans and advances to customers and finance lease receivables *(continued)*

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

	As at December 31, 2015			As at December 31, 2014		
	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value
Distressed debt assets classified as receivables						
— Individually assessed	**3,301,101**	**(2,498,717)**	**802,384**	2,754,694	(1,764,832)	989,862
Loans and advances to customers						
— Individually assessed	**689,418**	**(289,333)**	**400,085**	451,613	(197,131)	254,482
— Collectively assessed	**94,560**	**(39,822)**	**54,738**	25,128	(12,183)	12,945
Finance lease receivables						
— Individually assessed	**654,288**	**(376,433)**	**277,855**	583,427	(259,510)	323,917
— Collectively assessed	**118,003**	**(77,166)**	**40,837**	94,023	(48,302)	45,721
Total	**4,857,370**	**(3,281,471)**	**1,575,899**	3,908,885	(2,281,958)	1,626,927

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vi) Credit quality of distressed debt assets classified a receivables, loans and advances to customers and finance lease receivables *(continued)*

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables *(continued)*

	As at December 31,	
	2015	**2014**
Distressed debt assets classified as receivables		
Individually assessed and impaired	**3,301,101**	2,754,694
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	**1.5**	1.6
Fair value of collateral	**5,030,523**	3,877,945
Loans and advances to customers		
Individually assessed and impaired	**689,418**	451,613
Individually assessed and impaired as a % of total loans and advances to customers (%)	**0.8**	0.7
Collectively assessed and impaired	**94,560**	25,128
Collectively assessed and impaired as a % of total loans and advances to customers (%)	**0.1**	—
Fair value of collateral	**1,302,378**	741,951
Finance lease receivables		
Individually assessed and impaired	**654,288**	583,427
Individually assessed and impaired as a % of total finance lease receivables (%)	**0.9**	0.9
Collectively assessed and impaired	**118,003**	94,023
Collectively assessed and impaired as a % of total finance lease receivables (%)	**0.2**	0.1
Fair value of collateral	**1,197,245**	968,532

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vi) Credit quality of distressed debt assets classified a receivables, loans and advances to customers and finance lease receivables *(continued)*

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables *(continued)*

Analyzed by geographical area

	As at December 31,					
	2015			2014		
Area	Gross amount	%	Impairment ratio %	Gross amount	%	Impairment ratio %
Central Region	**3,473,510**	**71.5**	**2.5**	2,610,407	66.8	2.5
Western Region	**868,064**	**17.9**	**1.1**	723,653	18.5	1.1
Yangtze River Delta	**335,394**	**6.9**	**0.5**	306,477	7.8	0.5
Pearl River Delta	**—**	**—**	**—**	6,837	0.2	—
Bohai Rim	**34,100**	**0.7**	**0.1**	36,175	0.9	0.1
Northeastern Region	**146,302**	**3.0**	**0.7**	225,336	5.8	1.4
Total	**4,857,370**	**100.0**	**1.3**	3,908,885	100.0	1.3

(vii) Credit quality of investment securities

The tables below set forth the credit quality of investment securities.

	As at December 31, 2015	2014
Neither past due nor impaired[1]	**209,671,546**	120,317,489
Past due but not impaired[2]	**713,629**	110,414
Impaired[3]	**466,556**	326,795
Subtotal	**210,851,731**	120,754,698
Allowance for impairment losses		
— Individually assessed	**(700,671)**	(276,399)
— Collectively assessed	**(3,038,318)**	(891,990)
Net carrying amount	**207,112,742**	119,586,309

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vii) Credit quality of investment securities (continued)

(1) Neither past due nor impaired investment securities

	As at December 31, 2015						As at December 31, 2014					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	—	—	747,165	13,985,888	—	14,733,053	—	—	85,296	5,879,128	—	5,964,424
Public sector and quasi-government bonds	2,330,185	—	6,790,747	14,535,096	—	23,656,028	827,924	—	4,957,132	10,238,809	—	16,023,865
Financial institution bonds	571	—	1,887,007	5,666,584	—	7,554,162	55,494	—	2,846,121	2,607,891	—	5,509,506
Corporate bonds	5,866,487	—	4,785,079	170,402	—	10,821,968	6,026,956	—	5,023,901	92,063	—	11,142,920
Trust products	—	7,599,489	58,800	—	54,978,099	62,636,388	—	—	—	—	12,877,161	12,877,161
Wealth management products	—	2,164,691	384,658	—	4,700,000	7,249,349	—	5,756,336	2,803,898	—	—	8,560,234
Entrust loans	—	—	—	—	21,685,955	21,685,955	—	—	—	—	18,432,417	18,432,417
Debt instruments	—	—	—	—	41,626,651	41,626,651	—	—	—	—	20,499,999	20,499,999
Asset management plans	—	200,000	50,000	—	6,202,476	6,452,476	—	200,510	—	—	18,716,137	18,916,647
Convertible bonds	—	5,241,300	—	—	—	5,241,300	—	347,975	—	—	—	347,975
Structured products	—	4,082,059	—	—	—	4,082,059	—	1,417,919	—	—	—	1,417,919
Asset-backed securities	—	—	3,932,157	—	—	3,932,157	—	—	624,422	—	—	624,422
Total	8,197,243	19,287,539	18,635,613	34,357,970	129,193,181	209,671,546	6,910,374	7,722,740	16,340,770	18,817,891	70,525,714	120,317,489

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vii) Credit quality of investment securities *(continued)*

(2) Past due but not impaired investment securities

	As at December 31, 2015						As at December 31, 2014					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	—	—	—	—	39,375	39,375	—	—	—	—	80,414	80,414
Entrust loans	—	—	—	—	—	—	—	—	—	—	30,000	30,000
Debt instruments	—	—	—	—	674,254	674,254	—	—	—	—	—	—
Total	—	—	—	—	713,629	713,629	—	—	—	—	110,414	110,414

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(vii) Credit quality of investment securities *(continued)*

(3) Impaired investment securities

	As at December 31, 2015						As at December 31, 2014					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	–	–	–	–	289,795	289,795	–	–	–	–	326,795	326,795
Entrust loans	–	–	–	–	60,000	60,000	–	–	–	–	–	–
Debt instruments	–	–	–	–	116,761	116,761	–	–	–	–	–	–
Total	–	–	–	–	466,556	466,556	–	–	–	–	326,795	326,795

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.1 Credit risk *(continued)*

(viii) Investment securities analyzed by credit rating from reputable rating agencies

	As at December 31, 2015						As at December 31, 2014					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	2,643,626	—	—	—	12,089,427	14,733,053	—	—	—	—	5,964,424	5,964,424
Public sector and quasi-government bonds	—	—	—	—	23,656,028	23,656,028	—	—	—	—	16,023,865	16,023,865
Financial institution bonds	819,780	1,236,844	—	—	5,497,538	7,554,162	2,385,031	3,018,982	49,999	—	55,494	5,509,506
Corporate bonds	1,896,653	7,153,701	157,182	274,900	1,339,532	10,821,968	4,630,969	5,593,751	234,167	—	684,033	11,142,920
Trust products	—	—	—	—	62,965,558	62,965,558	—	—	—	—	13,284,370	13,284,370
Wealth management products	—	—	—	—	7,249,349	7,249,349	—	—	—	—	8,560,234	8,560,234
Entrust loans	—	—	—	—	21,745,955	21,745,955	—	—	—	—	18,462,417	18,462,417
Debt instruments	—	—	—	—	42,417,666	42,417,666	—	—	—	—	20,499,999	20,499,999
Asset management plans	—	—	—	—	6,452,476	6,452,476	—	—	—	—	18,916,647	18,916,647
Convertible bonds	—	—	—	—	5,241,300	5,241,300	—	—	—	—	347,975	347,975
Structured products	—	—	—	—	4,082,059	4,082,059	—	—	—	—	1,417,919	1,417,919
Asset-backed securities	3,676,230	125,209	34,248	—	96,470	3,932,157	429,676	29,887	34,248	—	130,611	624,422
Total	9,036,289	8,515,754	191,430	274,900	192,833,358	210,851,731	7,445,676	8,642,620	318,414	—	104,347,988	120,754,698

(ix) Other financial assets

Other financial assets include deposits and placement with financial institutions, financial assets held under resale agreements and balances with central bank. The directors of the Company consider that their credit risks are not significant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the distressed debt assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Interest rate risk *(continued)*

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

	As at December 31, 2015						
	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 bank	24,342,595	—	—	—	—	639,535	24,982,130
Deposits with financial institutions	58,571,545	5,916,850	10,407,867	2,000,000	—	—	76,896,262
Placements with financial institutions	9,000,000	194,808	103,898	—	—	—	9,298,706
Financial assets held for trading	294,310	100,586	770,782	2,548,533	4,483,032	4,806,759	13,004,002
Financial assets designated as at fair value through profit or loss	2,578,446	—	309,358	16,399,735	—	66,170,650	85,458,189
Financial assets held under resale agreements	24,450,923	4,273,523	2,536,690	1,277,797	—	—	32,538,933
Loans and advances to customers	12,096,881	4,442,726	33,308,347	26,522,947	5,254,331	—	81,625,232
Finance lease receivables	59,683,179	1,769,712	9,101,502	1,100,064	18,040	—	71,672,497
Available-for-sale financial assets	3,604,996	498,049	4,024,657	7,297,480	3,240,765	46,328,284	64,994,231
Held-to-maturity investments	2,178,003	3,751,016	2,197,875	16,672,237	9,558,839	—	34,357,970
Financial assets classified as receivables	20,110,231	9,833,861	76,881,557	221,147,081	713,110	—	328,685,840
Other financial assets	—	—	—	—	—	4,936,630	4,936,630
Total financial assets	216,911,109	30,781,131	139,642,533	294,965,874	23,268,117	122,881,858	828,450,622
Borrowings from central bank	—	—	(20,000)	—	—	—	(20,000)
Deposits from financial institutions	(3,203,153)	(2,900,000)	(8,165,000)	(1,200,000)	—	—	(15,468,153)
Placements from financial institutions	(564,936)	—	(400,000)	—	—	—	(964,936)
Financial assets sold under repurchase agreements	(22,737,213)	(5,239,295)	(585,353)	(1,800,000)	—	—	(30,361,861)
Borrowings	(44,122,089)	(28,097,092)	(105,964,057)	(90,789,344)	(26,059,200)	—	(295,031,782)
Due to customers	(82,777,200)	(8,638,312)	(22,716,547)	(24,691,400)	(1,000,000)	(175,414)	(139,998,873)
Bonds and notes issued	(563,023)	(5,329,709)	(15,394,195)	(107,385,667)	(14,359,134)	(22,111)	(143,053,839)
Other financial liabilities	(12,723,174)	(82,728)	(4,941,020)	(35,455,877)	(508,723)	(33,810,706)	(87,522,228)
Total financial liabilities	(166,690,788)	(50,287,136)	(158,186,172)	(261,322,288)	(41,927,057)	(34,008,231)	(712,421,672)
Interest rate gap	50,220,321	(19,506,005)	(18,543,639)	33,643,586	(18,658,940)	88,873,627	116,028,950

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Interest rate risk *(continued)*

	As at December 31, 2014						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	26,476,772	—	—	—	—	468,548	26,945,320
Deposits with financial institutions	36,152,490	9,034,817	6,445,925	—	—	—	51,633,232
Placements with financial institutions	13,322,380	305,950	—	—	—	—	13,628,330
Financial assets held for trading	600,001	449,248	1,651,164	849,538	3,360,423	1,144,773	8,055,147
Financial assets designated as at fair value through profit or loss	1,071,254	3,235,189	1,049,893	2,366,404	—	25,392,438	33,115,178
Financial assets held under resale agreements	8,278,048	5,354,620	8,209,256	—	—	—	21,841,924
Loans and advances to customers	7,509,693	5,493,836	24,800,782	22,625,574	2,809,536	—	63,239,421
Finance lease receivables	62,906,191	15,488	132,941	439,724	—	—	63,494,344
Available-for-sale financial assets	1,572,689	4,978,293	2,882,242	5,158,785	1,748,761	27,625,964	43,966,734
Held-to-maturity investments	599,861	1,591,982	832,041	10,425,657	5,368,350	—	18,817,891
Financial assets classified as receivables	9,067,662	17,543,913	41,901,243	157,385,635	1,134,766	—	227,033,219
Other financial assets	—	255,330	—	1,078,136	—	6,178,142	7,511,608
Total financial assets	167,557,041	48,258,666	87,905,487	200,329,453	14,421,836	60,809,865	579,282,348
Borrowings from central bank	—	—	(80,000)	—	—	—	(80,000)
Deposits from financial institutions	(3,100,966)	(1,888,041)	(6,721,000)	(1,950,000)	—	—	(13,660,007)
Placements from financial institutions	(983,570)	(177,451)	(950,000)	—	—	—	(2,111,021)
Financial assets sold under repurchase agreements	(16,458,911)	(4,738,946)	(5,005,242)	—	—	—	(26,203,099)
Borrowings	(30,770,871)	(42,848,671)	(64,574,135)	(77,180,673)	(24,510,850)	—	(239,885,200)
Due to customers	(71,886,904)	(8,204,253)	(19,762,846)	(17,169,358)	—	(222,711)	(117,246,072)
Bonds and notes issued	(1,796,687)	(1,030,000)	(2,972,725)	(42,002,727)	(200,000)	—	(48,002,139)
Other financial liabilities	(7,103,972)	(14,372,338)	(6,189,147)	(8,475,564)	(568,434)	(17,786,109)	(54,495,564)
Total financial liabilities	(132,101,881)	(73,259,700)	(106,255,095)	(146,778,322)	(25,279,284)	(18,008,820)	(501,683,102)
Interest rate gap	35,455,160	(25,001,034)	(18,349,608)	53,551,131	(10,857,448)	42,801,045	77,599,246

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Interest rate risk *(continued)*

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of the reporting period.

Interest rate sensitivity analysis

	Year ended December 31,			
	2015		2014	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	249,189	(546,457)	62,626	(223,233)
- 100 basis points	(249,189)	443,161	(62,626)	234,818

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 conducted in United States dollar ("USD"), Hong Kong dollar ("HKD") or other currencies.

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

At the end of the reporting period, a breakdown of the financial assets and liabilities analyzed by currency is as follows:

	As at December 31, 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	24,958,850	22,887	218	175	24,982,130
Deposits with financial institutions	56,145,873	7,473,175	13,275,947	1,267	76,896,262
Placements with financial institutions	9,000,000	298,706	—	—	9,298,706
Financial assets held for trading	9,595,666	489,632	2,918,704	—	13,004,002
Financial assets designated as at fair value through profit or loss	76,075,496	7,177,096	2,205,597	—	85,458,189
Financial assets held under resale agreements	32,345,272	—	193,661	—	32,538,933
Loans and advances to customers	81,132,566	492,666	—	—	81,625,232
Finance lease receivables	71,559,427	113,070	—	—	71,672,497
Available-for-sale financial assets	57,159,606	7,484,638	349,987	—	64,994,231
Held-to-maturity investments	34,353,469	—	4,501	—	34,357,970
Financial assets classified as receivables	311,834,150	13,004,297	3,847,393	—	328,685,840
Other financial assets	4,054,902	780,817	100,911	—	4,936,630
Total financial assets	768,215,277	37,336,984	22,896,919	1,442	828,450,622
Borrowings from central bank	(20,000)	—	—	—	(20,000)
Deposits from financial institutions	(15,468,153)	—	—	—	(15,468,153)
Placements from financial institutions	(900,000)	(64,936)	—	—	(964,936)
Financial assets sold under repurchase agreements	(30,361,861)	—	—	—	(30,361,861)
Borrowings	(279,783,681)	(8,405,900)	(6,842,201)	—	(295,031,782)
Due to customers	(139,549,724)	(449,148)	(1)	—	(139,998,873)
Bonds and notes issued	(100,521,020)	(42,510,708)	(22,111)	—	(143,053,839)
Other financial liabilities	(86,946,740)	(43,065)	(532,423)	—	(87,522,228)
Total financial liabilities	(653,551,179)	(51,473,757)	(7,396,736)	—	(712,421,672)
Net position	114,664,098	(14,136,773)	15,500,183	1,442	116,028,950

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

	As at December 31, 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	26,942,929	2,246	135	10	26,945,320
Deposits with financial institutions	44,410,859	6,551,324	669,080	1,969	51,633,232
Placements with financial institutions	13,200,000	428,330	—	—	13,628,330
Financial assets held for trading	7,386,901	—	668,246	—	8,055,147
Financial assets designated as at fair value through profit or loss	31,349,284	1,417,919	347,975	—	33,115,178
Financial assets held under resale agreements	21,841,924	—	—	—	21,841,924
Loans and advances to customers	63,224,317	15,104	—	—	63,239,421
Finance lease receivables	63,494,344	—	—	—	63,494,344
Available-for-sale financial assets	41,133,357	2,755,279	78,098	—	43,966,734
Held-to-maturity investments	18,817,891	—	—	—	18,817,891
Financial assets classified as receivables	220,201,192	4,807,770	2,024,257	—	227,033,219
Other financial assets	7,511,427	70	111	—	7,511,608
Total financial assets	559,514,425	15,978,042	3,787,902	1,979	579,282,348
Borrowings from central bank	(80,000)	—	—	—	(80,000)
Deposits from financial institutions	(13,660,007)	—	—	—	(13,660,007)
Placements from financial institutions	(1,750,000)	(361,021)	—	—	(2,111,021)
Financial assets sold under repurchase agreements	(26,203,099)	—	—	—	(26,203,099)
Borrowings	(236,529,005)	(397,735)	(2,958,460)	—	(239,885,200)
Due to customers	(117,200,029)	(46,042)	(1)	—	(117,246,072)
Bonds and notes issued	(38,921,115)	(9,081,024)	—	—	(48,002,139)
Other financial liabilities	(54,325,761)	(168,844)	(959)	—	(54,495,564)
Total financial liabilities	(488,669,016)	(10,054,666)	(2,959,420)	—	(501,683,102)
Net exposure	70,845,409	5,923,376	828,482	1,979	77,599,246

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

Foreign exchange rate sensitivity analysis

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

	As at December 31,	
	2015	2014
5% appreciation	120,060	(158,490)
5% depreciation	(120,060)	158,490

Price risk

Certain financial assets included in financial assets held for trading and the available-for-sale financial assets are subject to price risk which may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following table illustrates the potential impact of an increase or decrease of 1 percent in price on financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's profit before tax and equity.

	Year ended December 31,			
	2015		2014	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	984,622	1,527,412	411,703	738,176
-1 percent	(984,622)	(1,527,412)	(411,703)	(738,176)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.3 Liquidity risk *(continued)*

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at December 31, 2015							
	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 bank	19,607,281	5,374,860	—	—	—	—	—	24,982,141
Deposits with financial institutions	—	53,348,701	7,772,404	3,492,886	10,826,562	2,050,680	—	77,491,233
Placements with financial institutions	—	—	9,005,477	195,046	104,827	—	—	9,305,350
Financial assets held for trading	4,426,675	380,084	580,415	121,820	827,792	2,982,046	6,158,473	15,477,305
Financial assets designated as at fair value through profit or loss	66,170,650	209,000	2,369,446	—	320,368	16,410,175	—	85,479,639
Financial assets held under resale agreements	—	—	24,516,437	4,319,146	2,600,624	1,560,490	—	32,996,697
Loans and advances to customers	1,724,816	—	7,749,315	5,400,866	32,466,167	38,057,026	12,882,907	98,281,097
Finance lease receivables	917,706	—	2,580,103	4,128,798	21,422,391	52,481,477	1,273,418	82,803,893
Available-for-sale financial assets	42,286,800	—	2,585,159	280,100	3,150,273	15,163,758	4,419,456	67,885,546
Held-to-maturity investments	—	—	1,970,068	3,711,107	3,086,089	20,417,758	10,955,317	40,140,339
Financial assets classified as receivables	6,767,067	—	18,828,436	21,673,406	129,505,777	217,536,480	1,548,089	395,859,255
Other financial assets	57,248	—	75,444	24,410	1,539,509	1,391,329	27,048	3,114,988
Total financial assets	141,958,243	59,312,645	78,032,704	43,347,585	205,850,379	368,051,219	37,264,708	933,817,483
Borrowings from central bank	—	—	—	(143)	(20,109)	—	—	(20,252)
Deposits from financial institutions	—	(643,287)	(2,591,176)	(3,084,023)	(8,517,933)	(1,223,623)	—	(16,060,042)
Placements from financial institutions	—	—	(565,669)	—	(404,305)	—	—	(969,974)
Financial assets sold under repurchase agreements	—	—	(22,495,167)	(5,388,026)	(820,523)	(2,030,404)	—	(30,734,120)
Borrowings	—	(5,054,638)	(22,792,453)	(31,032,905)	(121,050,370)	(120,821,853)	(33,357,095)	(334,109,314)
Due to customers	—	(77,531,495)	(5,658,002)	(8,875,747)	(23,595,927)	(29,010,558)	(1,209,137)	(145,880,866)
Bonds and notes issued	—	—	(557,895)	(5,367,054)	(18,468,734)	(127,003,267)	(17,834,672)	(169,231,622)
Other financial liabilities	(1,514,442)	(2,602,942)	(14,171,743)	(9,626,147)	(6,214,655)	(46,784,002)	(967,364)	(81,881,295)
Total financial liabilities	(1,514,442)	(85,832,362)	(68,832,105)	(63,374,045)	(179,092,556)	(326,873,707)	(53,368,268)	(778,887,485)
Net position	140,443,801	(26,519,717)	9,200,599	(20,026,460)	26,757,823	41,177,512	(16,103,560)	154,929,998

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.3 Liquidity risk *(continued)*

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central bank	21,194,129	5,762,811	—	—	—	—	—	26,956,940
Deposits with financial institutions	—	28,841,798	11,516,996	9,129,248	2,453,633	—	—	51,941,675
Placements with financial institutions	—	—	13,363,644	306,772	—	—	—	13,670,416
Financial assets held for trading	1,144,773	—	650,516	462,448	1,697,683	920,206	3,360,423	8,236,049
Financial assets designated as at fair value through profit or loss	25,392,438	19,500	1,055,991	3,270,968	1,060,874	2,449,953	—	33,249,724
Financial assets held under resale agreements	—	—	8,331,592	5,450,593	8,285,238	—	—	22,067,423
Loans and advances to customers	1,772,120	—	2,981,656	4,381,997	28,500,598	28,028,490	10,306,853	75,971,714
Finance lease receivables	658,098	—	2,264,293	3,187,654	17,527,302	48,709,078	1,546,234	73,892,659
Available-for-sale financial assets	27,625,964	45,124	460,169	4,949,549	3,233,196	6,795,943	2,586,915	45,696,860
Held-to-maturity investments	—	—	389,272	1,418,515	1,656,474	12,919,555	6,274,902	22,658,718
Financial assets classified as receivables	5,356,803	98,490	7,059,676	12,005,109	98,849,406	144,081,426	715,989	268,166,899
Other financial assets	44,136	—	268,501	273,649	1,924,623	3,257,253	350	5,768,512
Total financial assets	83,188,461	34,767,723	48,342,306	44,836,502	165,189,027	247,161,904	24,791,666	648,277,589
Borrowings from central bank	—	—	—	(661)	(80,340)	—	—	(81,001)
Deposits from financial institutions	—	(193,066)	(3,018,658)	(1,892,821)	(7,041,043)	(2,125,973)	—	(14,271,561)
Placements from financial institutions	—	—	(984,993)	(177,814)	(977,475)	—	—	(2,140,282)
Financial assets sold under repurchase agreements	—	—	(17,186,483)	(5,064,501)	(4,293,054)	—	—	(26,544,038)
Borrowings	—	(16,064,395)	(14,076,270)	(41,597,496)	(74,575,047)	(94,154,364)	(30,365,880)	(270,833,452)
Due to customers	—	(65,936,322)	(6,190,770)	(8,256,568)	(20,184,086)	(19,940,178)	—	(120,507,924)
Bonds and notes issued	—	—	(1,002,264)	(1,042,282)	(2,265,557)	(51,243,616)	(828,346)	(56,382,065)
Other financial liabilities	(367,695)	(146,118)	(8,437,237)	(14,399,855)	(8,052,870)	(18,674,449)	(1,245,647)	(51,323,871)
Total financial liabilities	(367,695)	(82,339,901)	(50,896,675)	(72,431,998)	(117,469,472)	(186,138,580)	(32,439,873)	(542,084,194)
Net position	82,820,766	(47,572,178)	(2,554,369)	(27,595,496)	47,719,555	61,023,324	(7,648,207)	106,193,395

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V. 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.

	As at December 31, 2015							
	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 bank	19,607,270	5,374,860	—	—	—	—	—	24,982,130
Deposits with financial institutions	—	53,342,466	7,729,079	3,416,850	10,407,867	2,000,000	—	76,896,262
Placements with financial institutions	—	—	9,000,000	194,808	103,898	—	—	9,298,706
Financial assets held for trading	4,426,675	380,084	364,753	100,586	770,782	2,440,694	4,520,428	13,004,002
Financial assets designated as at fair value through profit or loss	66,170,650	209,000	2,369,446	—	309,358	16,399,735	—	85,458,189
Financial assets held under resale agreements	—	—	24,450,923	4,273,523	2,536,690	1,277,797	—	32,538,933
Loans and advances to customers	1,240,336	—	7,199,716	4,480,170	28,780,569	31,009,236	8,915,205	81,625,232
Finance lease receivables	501,073	—	2,199,184	3,587,487	18,681,160	45,600,821	1,102,772	71,672,497
Available-for-sale financial assets	42,233,101	—	2,417,637	213,624	2,771,552	13,475,278	3,883,039	64,994,231
Held-to-maturity investments	—	—	1,877,445	3,500,270	2,198,457	17,222,959	9,558,839	34,357,970
Financial assets classified as receivables	3,658,720	—	17,450,727	18,903,825	110,941,288	176,321,948	1,409,332	328,685,840
Other financial assets	73,181	—	541,875	724,634	2,150,685	1,419,207	27,048	4,936,630
Total financial assets	137,911,006	59,306,410	75,600,785	39,395,777	179,652,306	307,167,675	29,416,663	828,450,622
Borrowings from central bank	—	—	—	—	(20,000)	—	—	(20,000)
Deposits from financial institutions	—	(643,153)	(2,560,000)	(2,900,000)	(8,165,000)	(1,200,000)	—	(15,468,153)
Placements from financial institutions	—	—	(564,936)	—	(400,000)	—	—	(964,936)
Financial assets sold under repurchase agreements	—	—	(22,453,354)	(5,347,913)	(760,594)	(1,800,000)	—	(30,361,861)
Borrowings	—	(5,054,638)	(22,086,627)	(27,774,622)	(112,623,565)	(101,405,480)	(26,086,850)	(295,031,782)
Due to customers	—	(77,437,585)	(5,515,029)	(8,638,312)	(22,716,547)	(24,691,400)	(1,000,000)	(139,998,873)
Bonds and notes issued	—	—	(530,000)	(5,329,709)	(12,702,231)	(110,132,765)	(14,359,134)	(143,053,839)
Other financial liabilities	(1,524,637)	(2,694,841)	(17,218,963)	(10,514,860)	(7,913,691)	(46,687,872)	(967,364)	(87,522,228)
Total financial liabilities	(1,524,637)	(85,830,217)	(70,928,909)	(60,505,416)	(165,301,628)	(285,917,517)	(42,413,348)	(712,421,672)
Net position	136,386,369	(26,523,807)	4,671,876	(21,109,639)	14,350,678	21,250,158	(12,996,685)	116,028,950

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.3 Liquidity risk *(continued)*

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central bank	21,183,696	5,761,624	—	—	—	—	—	26,945,320
Deposits with financial institutions	—	28,837,157	11,376,405	9,034,817	2,384,853	—	—	51,633,232
Placements with financial institutions	—	—	13,322,380	305,950	—	—	—	13,628,330
Financial assets held for trading	1,144,773	—	600,001	449,248	1,651,164	849,538	3,360,423	8,055,147
Financial assets designated as at fair value through profit or loss	25,392,438	19,500	1,050,554	3,235,189	1,021,093	2,396,404	—	33,115,178
Financial assets held under resale agreements	—	—	8,278,048	5,354,620	8,209,256	—	—	21,841,924
Loans and advances to customers	1,460,526	—	2,430,494	3,618,979	25,608,667	22,789,059	7,331,696	63,239,421
Finance lease receivables	446,317	—	1,904,830	2,887,630	15,992,278	40,993,401	1,269,888	63,494,344
Available-for-sale financial assets	27,625,964	45,124	414,081	4,871,872	2,965,189	6,016,507	2,027,997	43,966,734
Held-to-maturity investments	—	—	299,091	1,279,883	1,119,002	10,751,565	5,368,350	18,817,891
Financial assets classified as receivables	2,962,166	98,490	6,731,335	10,891,360	87,860,010	117,786,680	703,178	227,033,219
Other financial assets	71,381	—	1,407,725	630,874	2,154,901	3,246,381	346	7,511,608
Total financial assets	80,287,261	34,761,895	47,814,944	42,560,422	148,966,413	204,829,535	20,061,878	579,282,348
Borrowings from central bank	—	—	—	—	(80,000)	—	—	(80,000)
Deposits from financial institutions	—	(193,007)	(3,000,000)	(1,796,000)	(6,721,000)	(1,950,000)	—	(13,660,007)
Placements from financial institutions	—	—	(983,570)	(177,451)	(950,000)	—	—	(2,111,021)
Financial assets sold under repurchase agreements	—	—	(17,096,581)	(4,938,099)	(4,168,419)	—	—	(26,203,099)
Borrowings	—	(16,064,395)	(13,823,282)	(38,533,604)	(67,521,796)	(79,431,273)	(24,510,850)	(239,885,200)
Due to customers	—	(65,927,597)	(6,182,017)	(8,204,253)	(19,762,847)	(17,169,358)	—	(117,246,072)
Bonds and notes issued	—	—	(1,000,000)	(1,030,000)	(499,714)	(44,899,414)	(573,011)	(48,002,139)
Other financial liabilities	(367,695)	(146,118)	(11,304,175)	(14,504,759)	(8,044,697)	(18,882,473)	(1,245,647)	(54,495,564)
Total financial liabilities	(367,695)	(82,331,117)	(53,389,625)	(69,184,166)	(107,748,473)	(162,332,518)	(26,329,508)	(501,683,102)
Net position	79,919,566	(47,569,222)	(5,574,681)	(26,623,744)	41,217,940	42,497,017	(6,267,630)	77,599,246

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.4 Risk management of distressed assets

56.4.1 Overview

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

The Group's distressed assets risk arises from distressed debts which the Group initially classifies as financial assets designated as at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

56.4.2 Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before taking up the distressed assets, and monitoring measures after taking up the distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.4 Risk management of distressed assets *(continued)*

56.4.2 Risk management of distressed debt assets *(continued)*

(i) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and

- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

The Group has established an independent valuation process for financial assets and financial liabilities. The Operation Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Finance Department records these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

(ii) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.4 Risk management of distressed assets *(continued)*

56.4.2 Risk management of distressed debt assets *(continued)*

(iii) Credit risk

In addition to distressed debt assets classified as receivables, certain distressed debt assets designated as at fair value through profit or loss may also be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral to cover the credit exposure.

V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.4 Risk management of distressed assets *(continued)*

56.4.3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

Measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;

- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and

- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

56.4.4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets designated as at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between market participants.

56.4.5. Impairment assessment

The Group performs impairment assessment on distressed debt assets classified as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note V.56.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolonged decline in the fair value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or issuer or macro-economic conditions that have a negative impact on the business operation of the investee.

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V. EXPLANATORY NOTES *(continued)*

56. Financial risk management *(continued)*

56.5 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 deployment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account of the percentage of shareholding, and deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2015 and 2014, the Company complied with the regulatory requirements on the minimum CAR.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments

57.1 Fair value of financial assets that are measured at fair value on a recurring basis

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 December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	**6,199,789**	**6,804,213**	**—**	**13,004,002**
Financial assets designated as at fair value through profit or loss	**219,950**	**2,364,691**	**82,873,548**	**85,458,189**
Available-for-sale financial assets	**17,554,307**	**23,267,431**	**13,457,303**	**54,279,041**
Total assets	**23,974,046**	**32,436,335**	**96,330,851**	**152,741,232**

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	3,974,734	4,080,403	10	8,055,147
Financial assets designated as at fair value through profit or loss	50,811	5,956,846	27,107,521	33,115,178
Available-for-sale financial assets	14,756,981	14,445,489	3,444,794	32,647,264
Total assets	18,782,526	24,482,738	30,552,325	73,817,589

There were no significant transfers between level 1 and level 2 within the Group for the years ended December 31, 2015 and 2014.

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V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.1 Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

The following table gives information about the fair values of the financial assets and their fair value hierarchy.

Financial assets	Fair value as at December 31, 2015	2014	Fair value hierarchy
1) Financial assets held for trading			
Debt securities	**8,197,243**	6,910,374	
Public sector and quasi-government bonds traded in inter-bank market	**2,330,185**	827,924	Level 2
Financial institution bonds traded in stock exchange	**—**	55,494	Level 1
Financial institution bonds traded in inter-bank market	**571**	—	Level 2
Corporate bonds traded in stock exchange	**2,015,852**	2,774,477	Level 1
Corporate bonds traded in inter-bank market	**3,850,635**	3,252,479	Level 2
Equity instruments	**4,027,056**	1,024,207	
Equity instruments listed or traded on exchanges	**3,988,484**	1,024,207	Level 1
Unlisted equity instruments	**38,572**	—	Level 2
Funds	**779,703**	120,556	
Listed	**195,453**	120,556	Level 1
Unlisted	**584,250**	—	Level 2
Derivatives	**—**	10	Level 3
Subtotal	**13,004,002**	8,055,147	

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.1 Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

Financial assets	Fair value as at December 31, 2015	2014	Fair value hierarchy
2) Financial assets designated as at fair value through profit or loss			
Distressed debt assets	**65,564,484**	23,612,200	Level 3
Wealth management products issued by banks and other financial institutions	**2,164,691**	5,756,336	Level 2
Asset management plans issued by financial institutions	**200,000**	200,510	Level 2
Equity instruments	**606,166**	1,780,238	
Equity investments in listed companies	**219,950**	50,811	Level 1
Equity investments in unlisted companies	**386,216**	1,729,427	Level 3
Convertible bonds	**5,241,300**	347,975	Level 3
Trust products issued by financial institutions	**7,599,489**	—	Level 3
Structured products	**4,082,059**	1,417,919	Level 3
Subtotal	**85,458,189**	33,115,178	
3) Available-for-sale financial assets			
Debt securities	**14,209,998**	12,912,450	
Government bonds traded in stock exchange	**653,626**	—	Level 1
Government bonds traded in inter-bank market	**93,539**	85,296	Level 2
Public sector and quasi-government bonds traded in inter-bank market	**6,790,747**	4,957,132	Level 2
Financial institution bonds traded in inter-bank market	**1,887,007**	2,846,121	Level 2
Corporate bonds traded in stock exchange	**2,685,488**	1,270,859	Level 1
Corporate bonds traded in inter-bank market	**2,099,591**	3,753,042	Level 2

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V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.1 Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

Financial assets	Fair value as at December 31, 2015	2014	Fair value hierarchy
3) Available-for-sale financial assets *(continued)*			
Equity instruments	**22,753,230**	15,985,848	
Listed equity instruments	**14,229,222**	13,231,094	
— Unrestricted listed equity instruments	**12,169,678**	13,231,094	Level 1
— Restricted listed equity instruments	**2,059,544**	—	Level 3
Unlisted equity instruments	**8,524,008**	2,754,754	
— Unlisted equity instruments	**7,050,058**	2,754,754	Level 3
— Private equity fund	**1,473,950**	—	Level 3
Funds	**8,565,374**	255,028	
Listed	**2,045,515**	255,028	Level 1
Unlisted	**6,519,859**	—	Level 2
Wealth management products issued by banks or other financial institutions	**538,162**	2,803,898	Level 2
Others	**8,212,277**	690,040	
Asset management plans	**2,175,715**	—	Level 3
Asset-backed securities, subordinate tranche	**317,702**	624,422	Level 3
Asset-backed securities, senior tranche	**3,733,247**	—	Level 2
Trust products issued by financial institutions	**380,334**	—	Level 3
Distressed assets acquired by subsidiaries	**—**	65,618	Level 3
Others	**1,605,279**	—	Level 2
Subtotal	**54,279,041**	32,647,264	
Total	**152,741,232**	73,817,589	

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.1 Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

Valuation methods for financial instruments

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow model. All significant inputs are observable, directly or indirectly from the market.

For Level 3 financial instruments, 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.

57.2 Reconciliation of Level 3 fair value measurements

	Financial assets held for trading	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2015	10	27,107,521	3,444,794
Recognized in profit or loss	—	2,794,624	(17,930)
Recognized in other comprehensive income	—	—	150,675
Fair value changes transfer out upon disposal	—	(1,501,632)	(101,009)
Purchases	—	107,950,527	10,482,936
Settlements/disposals	(10)	(53,477,492)	(502,163)
As at December 31, 2015	—	82,873,548	13,457,303
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	—	1,292,992	—

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.2 Reconciliation of Level 3 fair value measurements *(continued)*

	Financial assets held for trading	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2014	—	9,972,360	935,404
Recognized in profit or loss	—	926,041	73,224
Recognized in other comprehensive income	—	—	(35,259)
Fair value changes transfer out upon disposal	—	(756,853)	—
Purchases	10	24,906,414	2,675,447
Settlements/disposals	—	(7,889,630)	(204,022)
Transfer out	—	(50,811)	—
As at December 31, 2014	10	27,107,521	3,444,794
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	—	169,188	—

57.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities that are not measured in the consolidated statement of financial position at their fair value on a recurring basis. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, financial assets sold under repurchase agreements, due to customers are not included in the tables below.

	Year ended December 31,			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	**81,625,232**	**84,410,808**	63,239,421	64,600,859
Held-to-maturity investment	**34,357,970**	**35,159,870**	18,817,891	18,965,760
Financial assets classified as receivables	**328,685,840**	**333,220,082**	227,033,219	237,609,010
Total	**444,669,042**	**452,790,760**	309,090,531	321,175,629
Financial liabilities				
Borrowings	**(295,031,782)**	**(309,439,748)**	(239,885,200)	(262,841,214)
Bonds and notes issued	**(143,053,839)**	**(145,589,585)**	(48,002,139)	(48,463,925)
Total	**(438,085,621)**	**(455,029,333)**	(287,887,339)	(311,305,139)

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

57. Fair value of financial instruments *(continued)*

57.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis *(continued)*

	As at December 31, 2015	2014	Fair value Hierarchy	Valuation Technique
Financial assets				
Loans and advances to customers	**84,410,808**	64,600,859	Level 3	Discounted cash flows
Held-to-maturity investments	**4,501**	—	Level 1	Quoted bid prices in an active market
Held-to-maturity investments	**35,155,369**	18,965,760	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd
Financial assets classified as receivables	**333,220,082**	237,609,010	Level 3	Discounted cash flows
Total	**452,790,760**	321,175,629		
Financial liabilities				
Borrowings	**(309,439,748)**	(262,841,214)	Level 3	Discounted cash flows
Bonds and notes issued	**(52,898,317)**	(11,181,024)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	**(92,106,607)**	(37,282,901)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd
Bonds and notes issued	**(584,661)**	—	Level 3	Discounted cash flows
Total	**(455,029,333)**	(311,305,139)		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Acquisition of subsidiaries

Huarong International Financial Holdings Limited

On August 31, 2015, the Group acquired 51.93% of the issued share capital of Huarong International Financial Holdings Limited for consideration of equivalent RMB386 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB90 million. Huarong International Financial Holdings Limited is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. The principal place of business of Huarong International Financial Holdings Limited is Hong Kong and its principal activity is brokerage business.

Consideration transferred

Cash	385,969

Assets acquired and liabilities recognised at the date of acquisition are as follows:

Cash and deposits with financial institutions	702,256
Property and equipment	804
Other assets	120,101
Bonds and notes issued	(20,970)
Other liabilities	(210,657)
Net assets	591,534

Goodwill arising on acquisition:

Consideration paid	385,969
Plus: non-controlling interests	295,538
Less: net assets acquired	(591,534)
Goodwill arising on acquisition	89,973

Goodwill arose in the acquisition of Huarong International Financial Holdings Limited because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Huarong International Financial Holdings Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Acquisition of subsidiaries *(continued)*

Huarong International Financial Holdings Limited *(continued)*

Impairment testing of goodwill

As at 31 December 2015, the recoverable amounts of the cash-generating unit of Huarong International Financial Holdings Limited have been determined based on a fair value calculation using cash flow projection based on financial budget approved by management covering a five-year period, and a discount rate of 19% cost of equity. The cash flows beyond the five year period are estimated at a 3% terminal growth rate. No impairment loss was considered necessary.

Net cash inflow on acquisition of Huarong International Financial Holdings Limited

Cash consideration paid	(385,969)
Less: cash and cash equivalent balances acquired	546,960
	160,991

Chongqing Huarong Liangjiang Real Estate Co., Ltd.

On June 1, 2015, the Group acquired 70% of the issued share capital of Chongqing Huarong Liangjiang Real Estate Co., Ltd. for consideration of RMB300 million. This acquisition has been accounted for using the acquisition method. The amount of negative goodwill arising as a result of the acquisition was RMB172 million. Chongqing Huarong Liangjiang Real Estate Co., Ltd. is a limited liability company incorporated in Chongqing. The principal place of business of Chongqing Huarong Liangjiang Real Estate Co., Ltd. is Chongqing and its principal activities are real estate development, property management and hospitality management.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Acquisition of subsidiaries *(continued)*

Chongqing Huarong Liangjiang Real Estate Co., Ltd. *(continued)*

Consideration transferred

Cash	300,000

Assets acquired and liabilities recognised at the date of acquisition are as follows:

Cash	91,312
Property and equipment	546
Other assets	2,194,019
Borrowings	(900,000)
Deferred tax liabilities	(229,858)
Other liabilities	(481,380)
Net assets	674,639

Bargain purchase gain:

Consideration paid	300,000
Plus: non-controlling interests	202,392
Less: net assets acquired	(674,639)
Bargain purchase gain	(172,247)

None of the bargain purchase gain on this acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Chongqing Huarong Liangjiang Real Estate Co., Ltd.

Cash consideration paid	(300,000)
Less: cash and cash equivalent balances acquired	91,312
	(208,688)

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Notes	As at December 31, 2015	2014
Assets			
Cash and balances with central bank		**1,819**	1,834
Deposits with financial institutions	59.1	**19,145,829**	20,474,113
Placements with financial institutions	59.2	**7,800,000**	12,800,000
Financial assets held for trading	59.3	**103,671**	40,464
Financial assets designated as at fair value through profit or loss	59.4	**48,735,474**	22,337,555
Financial assets held under resale agreements	59.5	**50,000**	2,200,000
Available-for-sale financial assets	59.6	**31,431,517**	29,385,052
Financial assets classified as receivables	59.7	**228,166,326**	166,713,736
Amounts due from subsidiaries	59.8	**11,522,316**	1,433,700
Interests in associates	59.9	**2,285,002**	2,823,984
Interests in subsidiaries	59.10	**19,929,837**	17,497,909
Interests in consolidated structured entities		**3,579,933**	1,918,730
Investment properties	59.11	**620,743**	529,842
Property and equipment	59.12	**916,795**	1,120,724
Deferred tax assets		**3,847,354**	2,048,662
Other assets	59.13	**1,688,461**	1,781,134
Total assets		**379,825,077**	283,107,439

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015 *(continued)*

	Notes	As at December 31, 2015	2014
Liabilities			
Financial assets sold under repurchase agreements		**480,000**	—
Borrowings	59.14	**207,159,115**	171,890,000
Tax payable		**1,980,559**	1,308,493
Bonds and notes issued	59.15	**66,782,949**	31,882,703
Other liabilities	59.16	**20,824,779**	17,888,997
Total liabilities		**297,227,402**	222,970,193
Equity			
Share capital		**39,070,208**	32,695,870
Capital reserve		**17,167,555**	7,803,134
Surplus reserve		**2,441,087**	1,631,898
General reserve		**5,043,363**	2,189,070
Other reserves		**5,470,862**	3,700,369
Retained earnings		**13,404,600**	12,116,905
Total equity		**82,597,675**	60,137,246
Total equity and liabilities		**379,825,077**	283,107,439

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
As at January 1, 2015	32,695,870	7,803,134	1,631,898	2,189,070	3,700,369	12,116,905	60,137,246
Profit for the year	—	—	—	—	—	8,091,887	8,091,887
Other comprehensive income	—	—	—	—	1,770,493	—	1,770,493
Total comprehensive income for the year	—	—	—	—	1,770,493	8,091,887	9,862,380
Share issued	6,374,338	9,356,341	—	—	—	—	15,730,679
Appropriation to surplus reserve	—	—	809,189	—	—	(809,189)	—
Appropriation to general reserve	—	—	—	2,854,293	—	(2,854,293)	—
Dividends	—	—	—	—	—	(3,140,710)	(3,140,710)
Others	—	8,080	—	—	—	—	8,080
As at December 31, 2015	39,070,208	17,167,555	2,441,087	5,043,363	5,470,862	13,404,600	82,597,675

	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
As at January 1, 2014	25,835,870	132,011	1,000,912	1,546,510	(124,509)	8,835,190	37,225,984
Profit for the year	—	—	—	—	—	6,309,860	6,309,860
Other comprehensive income	—	—	—	—	3,824,878	—	3,824,878
Total comprehensive income for the year	—	—	—	—	3,824,878	6,309,860	10,134,738
Share issued	6,860,000	7,640,013	—	—	—	—	14,500,013
Appropriation to surplus reserve	—	—	630,986	—	—	(630,986)	—
Appropriation to general reserve	—	—	—	642,560	—	(642,560)	—
Dividends	—	—	—	—	—	(1,754,599)	(1,754,599)
Others	—	31,110	—	—	—	—	31,110
As at December 31, 2014	32,695,870	7,803,134	1,631,898	2,189,070	3,700,369	12,116,905	60,137,246

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.1 Deposits with financial institutions

	As at December 31,	
	2015	**2014**
Banks	**18,918,999**	20,208,068
Clearing settlement funds	**226,830**	266,045
Total	**19,145,829**	20,474,113

As at December 31, 2015, the Company's carrying amount of restricted deposits with financial institutions was RMB227 million (December 31, 2014: RMB266 million).

59.2 Placements with financial institutions

The Company's placements as at December 31, 2015 and 2014 were conducted with commercial banks.

59.3 Financial assets held for trading

The Company's balances as at December 31, 2015 and 2014 mainly consisted of fund investments.

59.4 Financial assets designated as at fair value through profit or loss

The Company's balances as at December 31, 2015 and 2014 mainly consisted of unlisted distressed debt assets.

59.5 Financial assets held under resale agreements

	As at December 31,	
	2015	**2014**
By collateral type:		
Bonds	**—**	2,200,000
Others	**50,000**	—
Total	**50,000**	2,200,000

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.5 Financial assets held under resale agreements *(continued)*

The Company had not received securities which can be resold or repledged as at December 31, 2015. (The Company had received securities with a fair value of RMB2,304 million at December 31, 2014, which can be resold or repledged.) None of these was resold or repledged as at December 31, 2015 (December 31, 2014: none) by the Company. The Company has an obligation to return the securities to their counterparties on the maturity date of the resale agreements.

59.6 Available-for-sale financial assets

	As at December 31,	
	2015	**2014**
Listed investments:		
Equity instruments	**13,879,488**	12,747,093
Debt securities [1]		
— Public sector and quasi-government bonds	**2,823,050**	1,364,882
Asset-backed securities	**400,579**	391,371
Funds	**46,642**	87,187
Subtotal	**17,149,759**	14,590,533
Unlisted investments:		
Equity instruments[2]	**12,435,390**	11,992,928
Wealth management products	**—**	2,755,279
Trust products	**105,000**	—
Asset management plans	**1,826,787**	—
Asset-backed securities	**61,247**	106,421
Subtotal	**14,428,424**	14,854,628
Less: Allowance for impairment losses	**(146,666)**	(60,109)
Subtotal	**14,281,758**	14,794,519
Total	**31,431,517**	29,385,052

(1) Listed debt securities listed include those traded in interbank and stock exchange in Mainland China.

(2) Included in the balance is equity instruments of RMB10,715 million as at December 31, 2015 (December 31, 2014: RMB11,319 million) that were measured at cost because their fair values cannot be reliably measured.

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(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.7 Financial assets classified as receivables

	As at December 31, 2015	As at December 31, 2014
Distressed debt assets		
Loans acquired from financial institutions	**49,144,697**	59,347,924
Other debt assets acquired from non-financial institutions	**172,989,240**	110,064,868
Subtotal	**222,133,937**	169,412,792
Less: Allowance for impairment losses		
— Individually assessed	**(2,498,717)**	(1,764,832)
— Collectively assessed	**(16,883,757)**	(9,709,275)
	(19,382,474)	(11,474,107)
Subtotal	**202,751,463**	157,938,685
Other financial assets classified as receivables		
Debt instruments	**14,158,317**	6,514,618
Trust products	**12,549,941**	2,708,733
Subtotal	**26,708,258**	9,223,351
Less: Allowance for impairment losses		
— Individually assessed	**(223,081)**	(134,800)
— Collectively assessed	**(1,070,314)**	(313,500)
	(1,293,395)	(448,300)
Subtotal	**25,414,863**	8,775,051
Total	**228,166,326**	166,713,736

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.7 Financial assets classified as receivables *(continued)*

The Company's movements of allowance for impairment losses during the year are as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1, 2015	**1,899,632**	**10,022,775**	**11,922,407**
Provided for the year	**964,459**	**11,160,070**	**12,124,529**
Reversal for the year	**(1,856)**	**(3,228,774)**	**(3,230,630)**
Unwinding of discount on allowance	**(140,437)**	**—**	**(140,437)**
As at December 31, 2015	**2,721,798**	**17,954,071**	**20,675,869**
As at January 1, 2014	1,949,218	5,688,034	7,637,252
Provided for the year	71,601	6,003,536	6,075,137
Reversal for the year	(21,800)	(1,668,795)	(1,690,595)
Unwinding of discount on allowance	(99,387)	—	(99,387)
As at December 31, 2014	1,899,632	10,022,775	11,922,407

59.8 Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand at the end of the reporting period. The Company expected to recover the majority portion of the amounts due from subsidiaries within one year from the end of the reporting period. The range of interest rates charged for the amounts due is from 6.48% to 6.78%.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.9 Interests in associates

Interests in associates included RMB865 million of interests in listed companies as at December 31, 2015 (December 31, 2014: RMB953 million). Fair value of such listed companies amounted to RMB1,265 million and RMB1,178 million as at the respective dates.

59.10 Interests in subsidiaries

	As at December 31,	
	2015	**2014**
Carrying amount	**20,134,837**	17,702,909
Allowance for impairment loss	**(205,000)**	(205,000)
Net carrying amount	**19,929,837**	17,497,909

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For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.10 Interests in subsidiaries *(continued)*

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31,2015 (In'000)	Proportion of ownership held by the Group At December 31, 2015 %	2014 %	Proportion of voting rights held by the Group At December 31, 2015 %	2014 %	Principal activities
Subsidiaries of the Company								
Huarong Xiangjiang Bank Corporation Limited (華融湘江銀行股份有限公司)	Changsha, PRC	October 2010	RMB6,161,131	50.98	50.98	50.98	50.98	Bank
Huarong Securities Co., Ltd. (華融證券股份有限公司)(1)	Beijing, PRC	September 2007	RMB4,674,464	81.56	81.56	81.56	81.56	Securities
China Huarong Financial Leasing Co., Ltd. (華融金融租賃股份有限公司)	Hangzhou, PRC	December 2001	RMB5,000,000	79.92	79.92	79.92	79.92	Leasing
Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司)	Beijing, PRC	June 2006	RMB1,788,000	59.30	59.30	59.30	59.30	Asset Management
Huarong International Trust Co., Ltd. (華融國際信託有限責任公司)	Urumqi, PRC	August 2002	RMB1,982,886	98.09	98.09	98.09	98.09	Trust
Huarong Real Estate Co., Ltd. (華融置業有限責任公司)(2)	Zhuhai, PRC	May 1994	RMB1,850,000	100.00	100.00	100.00	100.00	Real Estate Industry
Huarong Huitong Asset Management Co., Ltd (華融滙通資產管理有限公司)(3)	Changsha, PRC	September 2010	RMB306,700	100.00	66.84	100.00	66.84	Asset Management
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)	Beijing, PRC	November 2009	RMB91,000	100.00	100.00	100.00	100.00	Asset Management
Other Group Entities								
Huarong Futures Co., Ltd. (華融期貨有限責任公司)	Haikou, PRC	September 1993	RMB320,000	92.50	92.50	92.50	92.50	Futures
Huarong Tianze Investment Limited (華融天澤投資有限公司)	Shanghai, PRC	November 2012	RMB170,000	100.00	100.00	100.00	100.00	Investment Holding

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.10 Interests in subsidiaries *(continued)*

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31,2015 (In'000)	Proportion of ownership held by the Group At December 31, 2015 %	Proportion of ownership held by the Group At December 31, 2014 %	Proportion of voting rights held by the Group At December 31, 2015 %	Proportion of voting rights held by the Group At December 31, 2014 %	Principal activities
Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司)	Chongqing, PRC	July 2010	RMB399,000	72.80	72.80	72.80	72.80	Investment Holding
Huarong Qianhai Wealth Management Co., Ltd. (華融前海財富管理股份有限公司)	Shenzhen, PRC	September 2014	RMB187,500	68.00	68.00	68.00	68.00	Wealth Management
China Huarong International Holdings Limited (華融國際控股有限公司)	Hong Kong, PRC	January 2013	HKD422,949	100.00	100.00	100.00	100.00	Investment Holding
China Huarong Western Development Investment Co., Ltd. (華融西部開發投資股份有限公司)	Yinchuan, PRC	December 2014	RMB400,000	60.00	60.00	60.00	60.00	Asset Management
Huarong International Financial Holdings Limited (華融國際金融控股有限公司)(4)	Bermuda UK	November 1993	HKD3,278	51.93	—	51.93	—	Securities

The English names of these subsidiaries are for identification purpose only.

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.10 Interests in subsidiaries *(continued)*

(1) In July 2015, Huarong Securities Co., Ltd. capitalized its retained earnings in an amount of RMB919 million as its registered and paid in capital, which was increased to RMB4,674 million thereafter.

(2) In July 2015, the Company made an additional capital injection of RMB1,000 million into Huarong Real Estate Co., Ltd., and the total registered and paid-in capital was increased to RMB1,850 million.

(3) The Company fully provided for its investment in Huarong Huitong Asset Management Co., Ltd. in prior year due to its financial difficulty. In May and June 2015, the Company acquired an aggregate additional 33.16% equity interest in aggregate from non-controlling shareholders in Huarong Huitong Asset Management Co., Ltd, which then became a wholly owned subsidiary of the Company.

(4) In August 2015, an additional 51.93% equity interest of Huarong International Financial Holdings Limited was acquired by China Huarong International Holdings Limited, a wholly owned subsidiary of the Company, with a consideration of HKD468 million (or RMB386 million).

59.11 Investment properties

The Company's net book value and fair value of investment properties as at December 31, 2015 amounted to RMB621 million and RMB1,337 million respectively (December 31, 2014: RMB530 million and RMB848 million).

59.12 Property and equipment

Net book values

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
As at December 31, 2015	**801,820**	**3,693**	**55,063**	**33,600**	**22,619**	**916,795**
As at December 31, 2014	1,003,996	3,689	60,425	35,162	17,452	1,120,724

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.13 Other assets

	As at December 31, 2015	2014
Other receivables	**926,987**	1,068,538
Foreclosed assets	**560,050**	554,608
Payment in advance	**110,030**	—
Land use right	**28,979**	—
Prepaid expense	**18,350**	—
Intangible assets	**13,147**	17,458
Dividends receivable	**11,406**	18,319
Interest receivable	**3,220**	30,311
Others	**16,292**	91,900
Total	**1,688,461**	1,781,134

59.14 Borrowings

The Company has the following unsecured borrowings:

	As at December 31, 2015	2014
Carrying amount repayable*:		
Within one year	**110,109,115**	85,810,000
More than one year, but not exceeding two years	**31,860,000**	42,080,000
More than two years, but not exceeding five years	**40,690,000**	19,500,000
More than five years	**24,500,000**	24,500,000
Total	**207,159,115**	171,890,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.14 Borrowings *(continued)*

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,	
	2015	**2014**
Within one year	**106,109,115**	83,010,000
More than one year, but not exceeding two years	**31,860,000**	38,080,000
More than two years, but not exceeding five years	**40,690,000**	19,500,000
More than five years	**24,500,000**	24,500,000
Total	**203,159,115**	165,090,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, SHIBOR, HIBOR, LIBOR or prime rate.

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

	As at December 31,	
	2015	**2014**
Effective interest rate		
Fixed-rate borrowings	**3.60%–7.25%**	4.00%–7.25%
Variable-rate borrowing	**5.00%–5.75%**	5.75%–7.30%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.15 Bonds and notes issued

	As at December 31						
	2015	2014	Principal Amount	Term	Issuance date	Coupon rate per annum	Remarks
Financial bonds	5,990,904	5,983,186	RMB6,000 million	3 years	November 2013	5.55% fixed rate	Interest payable annually
Financial bonds	5,984,076	5,979,627	RMB6,000 million	5 years	November 2013	5.66% fixed rate	Interest payable annually
Financial bonds	9,972,605	9,960,181	RMB10,000 million	3 years	December 2014	4.60% fixed rate	Interest payable annually
Financial bonds	9,966,705	9,959,709	RMB10,000 million	5 years	December 2014	4.80% fixed rate	Interest payable annually
Financial bonds	17,436,580	—	RMB17,500 million	3 years	July 2015	4.01% fixed rate	Interest payable annually
Financial bonds	17,432,079	—	RMB17,500 million	5 years	July 2015	4.21% fixed rate	Interest payable annually
Total	66,782,949	31,882,703	RMB67,000 million				

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Statement of financial position and changes in equity of the Company *(continued)*

59.16 Other liabilities

	As at December 31,	
	2015	**2014**
Amount due to the MOF	**7,710,062**	11,446,145
Other payable	**5,254,052**	2,622,936
Guarantee deposit received from customers	**2,182,232**	1,034,207
Interest payable	**1,635,414**	1,151,363
Employee benefits payable	**1,349,478**	1,043,655
Dividends payable	**1,225,962**	—
Amounts received in advance	**796,006**	—
Sundry taxes payable	**451,442**	326,596
Provisions	**169,821**	117,461
Others	**50,310**	146,634
Total	**20,824,779**	17,888,997

Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. Events after the reporting period

1. Pursuant to the meeting of the Board of Directors on March 17, 2016, the proposal for profit appropriations of the Company for the year ended December 31, 2015 is set forth as follows:

   (i) An appropriation of RMB809 million to the statutory surplus reserve;

   (ii) An appropriation of RMB1,444 million to the general reserve, which includes RMB1,161 million of general reserve determined based on the risk assets level as at September 30, 2015;

   (iii) Except for the special dividend amounting to RMB1,248 million for the period from July 1 to September 30, 2015, no other dividend will be distributed for 2015.

   As at December 31, 2015 the statutory surplus reserve and the special dividend had been recognized as appropriation. Except for the general reserve amounting to RMB1,161 million recognized on the Group's consolidated financial statement, other general reserve will be recognized on the Group's consolidated financial statements after approval by shareholders in the forthcoming general meeting.

2. The Company completed the issuance of RMB10 billion financial bonds on March 2, 2016. The financial bonds have a tenor of 5 years, with a fixed coupon rate of 3.39%, payable annually.

3. The Company was approved by the CBRC, to establish a subsidiary, Huarong Consumer Finance Co., Ltd. which commenced business on January 26, 2016. The registered capital of Huarong Consumer Finance Co., Ltd. is RMB600 million, of which RMB330 million was contributed by the Company, representing a 55% of equity interest in this company.

4. Pursuant to the Notice on the Preparation for the Full Implementation of the Pilot Scheme of Value-Added Tax Reform (Cai Shui [2016] No.32) issued by the MOF and the State Administration of Taxation in March 2016, effective from May 1, 2016, the Group will be subject to value-added tax instead of business tax. The Group is assessing the potential impacts of the newly implemented scheme.

20. Confirmation from Directors and Senior Management regarding the Annual Report

Pursuant to the regulations and requirements such as the Securities Law of the People's Republic of China, the Articles of Association, and the Administrative Rules for the Information Disclosure of China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), the Board, Audit Committee of the Board and senior management have arrived at the following opinions upon thorough consideration and review of the annual report for 2015 of the Company:

1. The Company strictly complied with China Accounting Standards for Business Enterprises and the 2015 annual report of the Company fairly reflected the financial conditions and operating results of the Company during the year.

2. The 2015 financial report of the Company prepared in accordance with PRC GAAP and IFRS have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with China Auditing Standards and International Standards on Auditing. Standard auditors' reports and unqualified opinions were issued.

3. We believe there are no false information, misleading statements or material omission in the 2015 annual report of the Company, and individually and collectively accept responsibility for the truthfulness, accuracy and completeness of the information contained herein.

Directors and senior management:

Name	**Position**
Lai Xiaomin	Chairman of the Board and Executive Director
Ke Kasheng	Executive Director and President
Wang Keyue	Executive Director and Vice President
Tian Yuming	Non-executive Director
Wang Cong	Non-executive Director
Dai Lijia	Non-executive Director
Wang Sidong	Non-executive Director
Li Hui	Non-executive Director
Song Fengming	Independent Non-executive Director
Wu Xiaoqiu	Independent Non-executive Director
Tse Hau Yin	Independent Non-executive Director
Liu Junmin	Independent Non-executive Director
Liang Zhijun	Vice President
Zhang Lin	Vice President
Li Yuping	Member of senior management
Wang Lihua	Vice President
Xiong Qiugu	Vice President
Hu Jiliang	Vice President
Wang Wenjie	Vice President
Hu Ying	Assistant to President
Yang Guobing	Assistant to President
Hu Jianjun	Secretary to the Board

21. List of Domestic and Overseas Entities

21.1 Head Office

China Huarong Asset Management Co., Ltd.
Address: No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59618888
Fax: 010-59618000

21.2 Branches

China Huarong Asset Management Co., Ltd. — Beijing Branch
Address: No. 293 Fuchengmennei Street, Xicheng District, Beijing
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Fax: 010-66511257

China Huarong Asset Management Co., Ltd. — Tianjin Branch
Address: No. 2–3 Jianshan Road, Hexi District, Tianjin
Postal code: 300211
Tel: 022-28310023
Fax: 022-28310013

China Huarong Asset Management Co., Ltd. — Hebei Branch
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Postal code: 050011
Tel: 0311-89291700
Fax: 0311-89291706

China Huarong Asset Management Co., Ltd. — Shanxi Branch
Address: No. 52 Kangle Street, Taiyuan, Shanxi Province
Postal code: 030001
Tel: 0351-4603076
Fax: 0351-4602761

China Huarong Asset Management Co., Ltd. — Inner Mongolia Branch
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Postal code: 010020
Tel: 0471-6981022
Fax: 0471-6967697

21. List of Domestic and Overseas Entities

China Huarong Asset Management Co., Ltd. — Laioning Branch
Address: No. 142 Ningshan Middle Road, Huanggu District, Shenyang, Liaoning Province
Postal code: 110036
Tel: 024-86284751
Fax: 024-86284760

China Huarong Asset Management Co., Ltd. — Jilin Branch
Address: No. 917 Tongzhi Street, Changchun, Jilin Province
Postal code: 130061
Tel: 0431-88962708
Fax: 0431-88948454

China Huarong Asset Management Co., Ltd. — Heilongjiang Branch
Address: No. 55 Pinghuai Street, Nangang District, Harbin, Heilongjiang Province
Postal code: 150008
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Fax: 0451-82718507

China Huarong Asset Management Co., Ltd. — Shanghai Branch
Address: 10/F, No. 15 Zhongshan Dong Er Road, Huangpu District, Shanghai
Postal code: 200002
Tel: 021-63282215
Fax: 021-63280161

China Huarong Asset Management Co., Ltd. — Jiangsu Branch
Address: No. 42 Beijing East Road, Xuanwu District, Nanjing, Jiangsu Province
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Tel: 025-57710759
Fax: 025-83612051

China Huarong Asset Management Co., Ltd. — Zhejiang Branch
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Tel: 0571-87836736
Fax: 0571-87836704

China Huarong Asset Management Co., Ltd. — Anhui Branch
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21. List of Domestic and Overseas Entities

China Huarong Asset Management Co., Ltd. — Jiangxi Branch
Address: No. 2 Tie Street, Donghu District, Nanchang City, Jiangxi Province
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Fax: 0791-86649000

China Huarong Asset Management Co., Ltd. — Fujian Branch
Address: Block B, No. 108 Gutian Road, Gulou District, Fuzhou, Fujian Province
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Fax: 0591-83320266

China Huarong Asset Management Co., Ltd. — Shandong Branch
Address: No. 89 Jingsan Road, Jinan, Shandong Province
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Fax: 0531-86059731

China Huarong Asset Management Co., Ltd. — Henan Branch
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China Huarong Asset Management Co., Ltd. — Hubei Branch
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Fax: 027-88318257

China Huarong Asset Management Co., Ltd. — Hunan Branch
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China Huarong Asset Management Co., Ltd. — Guangdong Branch
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21. List of Domestic and Overseas Entities

China Huarong Asset Management Co., Ltd. — Guangxi Branch
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Fax: 0771-5871108

China Huarong Asset Management Co., Ltd. — Hainan Branch
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Fax: 0898-66700042

China Huarong Asset Management Co., Ltd. — Sichuan Branch
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China Huarong Asset Management Co., Ltd. — Yunnan Branch
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Fax: 0871-65700888

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Fax: 0851-5504533

21. List of Domestic and Overseas Entities

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China Huarong Asset Management Co., Ltd. — Gansu Branch
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Fax: 0991-2826694

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Fax: 021-63265700

21. List of Domestic and Overseas Entities

21.3 Principal Operating Subsidiaries

Huarong Securities Co., Ltd.
Address: 12–18/F, No. 18 Chaoyangmen North Street, Chaoyang District, Beijing
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Tel: 010-85556656
Fax: 010-85556690

China Huarong Financial Leasing Co., Ltd.
Address: 6–7/F, Block A, World Trade Center, No. 122 Shuguang Road, Hangzhou, Zhejiang Province
Postal code: 310007
Tel: 0571-87007839
Fax: 0571-87950511

Huarong Xiangjiang Bank Corporation Limited
Address: Xinyuan Jiezuo Building, No. 828 Furong South Road I, Tianxin District, Changsha, Hunan Province
Postal code: 410004
Tel: 0731-89828689
Fax: 0731-89828806

Huarong International Trust Co., Ltd.
Address: 7/F, Block A, CPIC Plaza, No. 28 Fengsheng Lane, Tai Ping Qiao Street, Xicheng District, Beijing
Postal code: 100032
Tel: 010-58315975
Fax: 010-58315933

Huarong Futures Co., Ltd.
Address: 3/F, No. 53-1 Longkun North Road, Haikou, Hainan Province
Postal code: 570105
Tel: 0898-66779479
Fax: 0898-66779397

Huarong Rongde Asset Management Co., Ltd.
Address: 9/F, 3/F, Excel Center, No. 6 Wudinghou Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59315310
Fax: 010-59315388

21. List of Domestic and Overseas Entities

Huarong Real Estate Co., Ltd.
Address: Jia No. 2, Baiwanzhuang Street, Xicheng District, Beijing
Postal code: 100037
Tel: 010-57649188
Fax: 010-57649111

Huarong (HK) International Holdings Limited
Address: Level 41, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Tel: 00852-25880900
Fax: 00852-28775119

中国华融资产管理股份有限公司
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