# 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**

# Global Offering


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**IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.**

中國華融
CHINA HUARONG

# 中國華融資產管理股份有限公司
# China Huarong Asset Management Co., Ltd.*

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

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | : | **5,769,880,000 H Shares (subject to the Over-allotment Option)** |
| **Number of International Offer Shares** | : | **5,481,386,000 H Shares (subject to adjustment and the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | : | **288,494,000 H Shares (subject to adjustment)** |
| **Maximum Offer Price** | : | **HK$3.39 per Offer Share (payable in full on application, plus a brokerage of 1.0%, an SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% and subject to refund)** |
| **Nominal value** | : | **RMB1.00 per H Share** |
| **Stock code** | : | **2799** |

**Joint Sponsors**

**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

**Joint Bookrunners and Joint Lead Managers**

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the registrar of companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the registrar of companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

We are incorporated, and most of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from that of Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of Articles of Association".

The Offer Price is expected to be determined through agreement between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at the Price Determination Date. The Price Determination Date is expected to be on or around October 23, 2015 or such later time as may be agreed by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), but in any event no later than October 29, 2015. The Offer Price will be not more than HK$3.39 per Offer Share and is currently expected to be not less than HK$3.03 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.39 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the finalized Offer Price is lower than HK$3.39.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "QIBs" in reliance on Rule 144A under the U.S. Securities Act or other exemption from, or in a transaction not subject to, registration under the U.S. Securities Act; and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

October 16, 2015

* *For identification purpose only.*

| | |
|---|---|
| Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] | 11:30 a.m. on Thursday, October 22, 2015 |
| Application lists open[3] | 11:45 a.m. on Thursday, October 22, 2015 |
| Latest time to lodge **WHITE** and **YELLOW** Application Forms | 12:00 noon on Thursday, October 22, 2015 |
| Latest time to give **electronic application instructions** to HKSCC[4] | 12:00 noon on Thursday, October 22, 2015 |
| Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) | 12:00 noon on Thursday, October 22, 2015 |
| Application lists close | 12:00 noon on Thursday, October 22, 2015 |
| Expected Price Determination Date | Friday, October 23, 2015 |
| Announcement of Offer Price | Thursday, October 29, 2015 |
| Announcement of :<br>• the applications amounts in the Hong Kong Public Offering;<br>• the level of indications of interest in the International Offering; and<br>• the basis of allocation of the Hong Kong Offer Shares<br>to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on the Company's website at **www.chamc.com.cn**[5] and the website of the Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk**[6] on or before | Thursday, October 29, 2015 |
| Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares—11. Publication of Results") from | Thursday, October 29, 2015 |
| Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID" function on | Thursday, October 29, 2015 |
| H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7] | Thursday, October 29, 2015 |
| White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9] | Thursday, October 29, 2015 |
| Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on | Friday, October 30, 2015 |

*Notes:*

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in "Structure of the Global Offering".

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m. on the last day for submitting applications, you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 22, 2015, the application lists will not open on that day. See the "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS".

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, October 29, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares".

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the offer Price is less than the price payable on application.

**The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date, which is expected to be on or about October 30, 2015. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.**

The above expected timetable is a summary only. For further details in relation to the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

**IMPORTANT NOTICE TO INVESTORS**

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorized by the Company, the Joint Global Coordinators, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of their respective directors, or any other person involved in the Global Offering. Information contained on the Company's website, located at http://www.chamc.com.cn, does not form part of this prospectus.

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***This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. It should be read in conjunction with the rest of this prospectus to ensure its completeness. You should read the whole document including the appendices before you decide to invest in the Offer Shares.***

***There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.***

## OUR BUSINESS

### Overview

We are the largest financial asset management company in China in terms of total assets. With distressed asset management as the foundation of our business and supported by our comprehensive financial services business, we have established a unique "through-the-cycle" business model to provide our clients with a diversified array of financial products and services.

Our principal business segments are (i) distressed asset management, (ii) financial services, and (iii) asset management and investment. For the years ended December 31, 2012, 2013, 2014, income from distressed asset management, financial services and asset management and investment represented 56.1%, 35.1% and 9.9%, respectively, of our total income, and profit before tax from these three business segments represented 55.7%, 32.9% and 11.4%, respectively, of our total profit before tax. For the six months ended June 30, 2015, income from these three business segments represented 55.2%, 32.0% and 13.4% of our total income, respectively, and profit before tax from these three business segments represented 51.6%, 31.9% and 16.2% of our total profit before tax, respectively. The table below sets forth a breakdown of the major business lines and operating entities of each principal business segment.

| | Distressed asset management | Financial services | Asset management and investment |
|---|---|---|---|
| **Major business Lines** | • Distressed debt asset management<br>• DES asset management<br>• Custody and agency services for distressed assets<br>• Distressed asset-based special situations investments<br>• Distressed asset-based property development | • Securities and futures<br>• Financial leasing<br>• Banking | • Asset management<br>• Financial investment<br>• International business<br>• Other businesses |
| **Major operating entities** | • The Company<br>• Huarong Rongde<br>• Huarong Real Estate | • Huarong Securities<br>• Huarong Futures<br>• Huarong Financial Leasing<br>• Huarong Xiangjiang Bank | • The Company<br>• Huarong Trust<br>• Huarong International |

### Distressed Asset Management

Distressed asset management business is the foundation of our portfolio of products and services. We utilize differentiated operation models targeting various distressed asset market segments to derive income from appreciation in asset value and restructuring of assets. We acquire distressed debt assets from financial institutions and non-financial enterprises through competitive bidding, public auctions, blind auctions and negotiated acquisitions. Based on the characteristics of the distressed debt assets, the repayment abilities of the debtors, the conditions of the related collateral and the risk level involved, we realize value preservation and appreciation of these assets through disposal or restructuring, and obtain cash proceeds or assets with operational value.

We engage in our distressed debt asset management business through the acquisition-and-disposal model and the acquisition-and-restructuring model. Under our acquisition-and-disposal model, we acquire distressed debt assets at a discount to their Original Value, enhance the value of these assets on the basis of asset classification and realize profits from these assets through sale of these assets or collection of debts by various means. For the years ended December 31, 2012, 2013, 2014, and the six months ended June 30, 2015, the IRR on our completed acquisition-and-disposal projects, 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, was 14.7%, 15.7%, 16.0% and 17.0%, respectively. Under our acquisition-and-restructuring model, we perform debt restructuring, asset consolidation or enterprise restructuring based on the actual conditions and risk levels of distressed debt assets, and enter into debt restructuring agreements with the debtors concurrently with the acquisition of distressed debt assets, which provide for our restructuring income. As of June 30, 2015, assets secured by collateral, pledges or guarantees accounted for 99.1% of the Company's acquisition-and-restructuring distressed debt assets, and assets secured by collateral or pledges accounted for 90.2% of the Company's acquisition-and-restructuring distressed debt assets. 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 periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except number of projects and percentages) | | | |
| Number of new projects | 250 | 333 | 591 | 373 |
| Number of existing projects as of the end of the period | 315 | 516 | 853 | 1,084 |
| Gross amount of distressed debt assets[(1)] | 55,230.0 | 92,133.0 | 169,412.8 | 212,491.0 |
| Allowance for impairment losses[(2)] | 3,907.6 | 7,247.2 | 11,474.1 | 15,301.8 |
| Carrying amount of distressed debt assets[(3)] | 51,322.4 | 84,885.8 | 157,938.7 | 197,189.2 |
| Acquisition cost of newly added distressed debt assets | 40,620.8 | 66,275.0 | 128,378.3 | 81,561.3 |
| Income from distressed debt assets | | | | |
| Operating income from distressed debt assets[(4)] | 4,645.0 | 8,918.0 | 15,662.0 | 11,012.5 |
| Financial advisory income | 2,014.3 | 2,265.7 | 2,954.8 | 1,851.6 |
| Total | **6,659.3** | **11,183.7** | **18,616.8** | **12,864.1** |
| Annualized return on monthly average gross amount of distressed debt assets[(5)(10)] | 19.4% | 17.9% | 13.1% | 12.9% |
| Impaired distressed debt assets[(6)] | 481.7 | 2,491.9 | 2,754.7 | 3,430.5 |
| Impaired distressed debt assets ratio[(7)] | 0.9% | 2.7% | 1.6% | 1.6% |
| Allowance to distressed debt assets ratio[(8)] | 7.1% | 7.9% | 6.8% | 7.2% |
| Impaired distressed debt assets coverage ratio[(9)] | 811.2% | 290.8% | 416.5% | 446.1% |

(1) Gross amount of distressed debt assets equals the Company's distressed debt assets classified as receivables, as shown in the Accountants' 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 Accountants' Report.
(3) Carrying amount of distressed debt assets disposed 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 Accountants' 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 Accountants' 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 Accountants' 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.
(10) For illustration, the annualized figure for annualized return on monthly average gross amount of distressed debt assets for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

DES asset management is also a significant component of our distressed asset management business. We obtain DES Assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. We enhance the value of our DES Assets by improving the business operations of DES Companies, exit such investments mainly through asset swaps, trade sales, restructuring or initial public offerings of DES Companies and realize value appreciation of these DES Assets. The table below sets forth certain details of our DES Assets as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except number of companies) | | | |
| **Composition of existing DES asset portfolio** | | | | |
| DES companies | 269 | 250 | 230 | 221 |
| Unlisted | 239 | 210 | 197 | 195 |
| Listed | 30 | 40 | 33 | 26 |
| **Carrying amount of DES Assets** | 21,482.6 | 21,587.0 | 24,388.6 | 26,595.1 |
| Unlisted | 12,767.2 | 12,959.9 | 11,736.9 | 11,518.9 |
| Listed | 8,715.4 | 8,627.1 | 12,651.7 | 15,076.2 |

As a result of our outstanding operation capabilities, our distressed asset management business achieved strong operating results during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, profit before tax of our distressed asset management business amounted to RMB4,067.1 million, RMB7,636.0 million, RMB9,340.3 million and RMB6,614.9 million, respectively, and our Pre-tax ROAE was 31.1%, 36.9%, 26.3% and 26.0%, respectively.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's capital adequacy ratio was 13.70%, 13.45%, 13.58% and 12.83%, respectively, which were calculated by dividing net qualified capital by risk weighted assets. The risk weighted assets were calculated according to different risk weighting and by taking into account the effects of qualified collateral, pledge and guarantees.

**Financial Services**

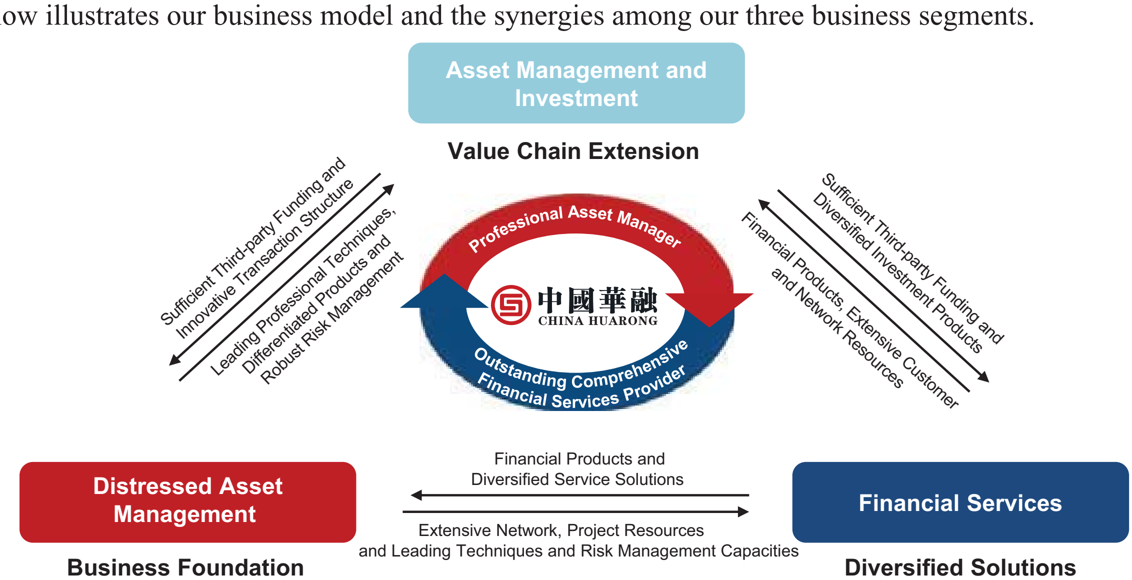
Our financial services business supports and enhances our overall business by providing a diversified array of financial products and services. Leveraging our multiple financial licenses, we provide flexible, customized and diversified financing channels and financial products and services to our clients through Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Futures. We have integrated our financial services business with our distressed asset management as well as asset management and investment businesses. Accordingly, we have established a comprehensive financial services platform covering various stages throughout the business life cycles of our corporate clients and along their entire value chains. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, profit before tax of our financial services business amounted to RMB3,028.4 million, RMB4,065.1 million, RMB5,523.9 million and RMB4,094.4 million, respectively, and our Pre-tax ROAE was 19.2%, 21.5%, 23.6% and 29.6%, respectively.

**Asset Management and Investment**

Our asset management and investment business is an extension of our distressed asset management and financial services businesses. It effectively diversifies our funding sources and investment methods, enhances the overall profitability of our distressed asset management business and improves the business and income structures of the Group. We effectively apply the client resources, professional expertise, risk management capabilities and project sources derived from our distressed asset management business, together with the financing channels and the flexible investment methods provided by our financial services business, to our third-party asset management business. By way of such application, we have gradually developed a "capital-light" business model. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, profit before tax of our asset management and investment business amounted to RMB2,118.2 million, RMB1,940.0 million, RMB1,910.2 million and RMB2,072.7 million, respectively, and our Pre-tax ROAE was 22.6%, 23.8%, 20.6% and 34.5%, respectively.

**Business Synergies**

Based on our diversified and comprehensive portfolio of products and services and through effective control and coordination by the Head Office, we have achieved synergistic effects and established a business model that operates and generates profits through economic cycles. The diagram below illustrates our business model and the synergies among our three business segments.



Our distressed asset management business brings tremendous business opportunities to our financial services as well as our asset management and investment businesses through sharing extensive client base, leading professional techniques and robust risk management capabilities. We leverage on our financial services business to provide clients in other business segments with comprehensive products and services as well as customized financial solutions. Our asset management and investment business provides distressed asset management and financial services businesses with flexible and innovative transaction structures and sufficient third-party capital and funding, and improves the overall return of the distressed asset management and financial services businesses. Through the synergy of the three principal business segments, we have successfully achieved a comprehensive products and services system that covers across the corporate capital structure and throughout enterprise lifecycle of our clients. Through the provision of customized "one-stop" integrated financial services to enterprises at different stages of their business lifecycles, we have achieved steady growth and sustainable development throughout various stages of economic cycles.

## SUMMARY OF FINANCIAL INFORMATION DATA

The summary of audited historical consolidated income statements for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 and unaudited historical consolidated income statements for the six months ended June 30, 2014, and the consolidated statements of financial position as of December 31, 2012, 2013 and 2014 and June 30, 2015 set forth below are derived from our consolidated financial statements, including the notes thereto, which are set forth in "Appendix I — Accountants' Report."

### Summary Historical Consolidated Income Statements

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Income from distressed debt assets classified as receivables | 4,645.0 | 8,918.0 | 15,662.0 | 7,014.5 | 11,012.5 |
| Fair value changes on distressed debt assets | 249.8 | 509.1 | 886.2 | 537.6 | 486.0 |
| Fair value changes on other financial assets | 459.6 | 941.7 | 1,289.2 | 530.8 | 2,177.3 |
| Interest income | 9,686.5 | 10,075.6 | 12,047.6 | 5,883.1 | 7,030.8 |
| Investment income | 5,328.3 | 8,179.5 | 9,803.6 | 4,396.7 | 9,828.6 |
| Commission and fee income | 5,243.9 | 6,784.6 | 7,985.6 | 3,477.8 | 5,517.6 |
| Net (losses)/gains on disposal of associates | (59.5) | 14.3 | 128.0 | 13.9 | 175.3 |
| Other income and other net gains or losses | 509.7 | 1,896.6 | 3,258.5 | 1,447.8 | 1,597.9 |
| Total | 26,063.3 | 37,319.4 | 51,060.7 | 23,302.2 | 37,826.0 |
| Interest expense | (9,084.0) | (10,930.6) | (17,903.7) | (7,882.5) | (12,126.7) |
| Commission and fee expense | (211.1) | (328.4) | (452.5) | (215.3) | (564.3) |
| Operating expenses | (4,861.1) | (7,016.6) | (8,469.4) | (3,260.4) | (5,331.2) |
| Impairment losses on assets | (2,323.3) | (4,850.2) | (6,225.6) | (2,249.7) | (6,150.2) |
| Total | (16,479.5) | (23,125.8) | (33,051.2) | (13,607.9) | (24,172.4) |
| Change in net assets attributable to other holders of consolidated structured entities | (571.0) | (554.8) | (1,307.2) | (405.0) | (970.6) |
| Share of results of associates | 96.6 | 0.9 | 72.1 | 31.9 | 140.6 |
| **Profit before tax** | 9,109.4 | 13,639.7 | 16,774.4 | 9,321.2 | 12,823.6 |
| Income tax expense | (2,122.8) | (3,546.5) | (3,743.6) | (2,242.5) | (2,955.8) |
| **Profit for the year/period** | 6,986.6 | 10,093.2 | 13,030.8 | 7,078.7 | 9,867.8 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | 5,892.2 | 8,659.6 | 10,656.2 | 5,678.3 | 8,373.3 |
| Holders of perpetual capital instruments | — | — | 0.7 | — | 83.9 |
| Non-controlling interests | 1,094.4 | 1,433.6 | 2,373.9 | 1,400.4 | 1,410.6 |

In addition, for the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, our net realized gains from disposal of available-for-sale financial assets were RMB1,609.5 million, RMB3,472.5 million, RMB2,283.4 million and RMB4,597.9 million. Other incomes and net gains and losses mainly include the revenue from properties development from Huarong Real Estate. In 2012, 2013, 2014 and the six months ended June 30, 2015, our revenue from properties development was nil, RMB1,268.8 million, RMB2,487.1 million and RMB881.1 million.

## Summary Historical Consolidated Statements of Financial Position

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| **Assets** | | | | |
| Cash and balances with the central bank | 16,897.8 | 21,152.0 | 26,945.3 | 27,087.5 |
| Deposits with financial institutions | 20,469.3 | 29,922.9 | 51,633.2 | 62,426.8 |
| Financial assets designated as at fair value through profit or loss | 16,125.6 | 20,264.0 | 33,115.2 | 48,574.8 |
| Financial assets held under resale agreements | 39,784.9 | 40,463.7 | 21,841.9 | 22,241.2 |
| Available-for-sale financial assets | 29,135.0 | 28,965.7 | 43,966.7 | 51,240.8 |
| Financial assets classified as receivables | 74,921.7 | 124,320.0 | 227,033.2 | 297,629.2 |
| Loans and advances to customers | 37,645.7 | 48,176.4 | 63,239.4 | 76,721.3 |
| Finance lease receivables | 47,645.2 | 55,546.3 | 63,494.3 | 72,692.0 |
| Other assets | 32,408.4 | 39,556.3 | 69,251.9 | 75,942.4 |
| **Total assets** | **315,033.6** | **408,367.3** | **600,521.1** | **734,556.0** |
| **Liabilities** | | | | |
| Deposits from financial institutions | 11,889.3 | 16,017.9 | 13,660.0 | 10,364.0 |
| Borrowings | 89,759.9 | 136,131.1 | 239,885.2 | 294,064.0 |
| Financial assets sold under repurchase agreements | 48,146.0 | 33,988.6 | 26,203.1 | 20,016.5 |
| Due to customers | 70,051.8 | 87,885.9 | 117,246.1 | 136,372.3 |
| Bonds and notes issued | 3,487.0 | 17,886.2 | 48,002.1 | 76,362.1 |
| Other liabilities | 49,128.1 | 63,923.4 | 71,992.5 | 100,228.0 |
| **Total liabilities** | **272,462.1** | **355,833.1** | **516,989.0** | **637,406.9** |
| **Equity** | | | | |
| Equity attributable to equity holders of the Company | 34,176.1 | 41,966.6 | 69,408.2 | 81,316.0 |
| Perpetual Capital Instruments | — | — | 1,450.7 | 2,254.4 |
| Non-controlling interests | 8,395.4 | 10,567.6 | 12,673.2 | 13,578.7 |
| **Total equity** | 42,571.5 | 52,534.2 | 83,532.1 | 97,149.1 |
| **Total equity and liabilities** | **315,033.6** | **408,367.3** | **600,521.1** | **734,556.0** |

## Major Financial Ratios

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| ROAE(1)(4) | 19.4% | 22.7% | 19.1% | 22.2% |
| ROAA(2)(4) | 2.6% | 2.8% | 2.6% | 3.0% |
| Cost-to-income ratio(3) | 29.0% | 25.9% | 24.7% | 19.7% |

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

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

(3) 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) For illustration, annualized figure for each of the ROAE and ROAA for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return ratio for the six months ended June 30, 2015 by two and did not represent the return ratio for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

ROAE increased from 19.4% in 2012 to 22.7% in 2013. The increase was mainly due to the increase in ROAA. ROAE decreased from 22.7% in 2013 to 19.1% in 2014, which was mainly due to (i) certain equity dilution brought by the strategic investment introduced in 2014; (ii) the decrease in ROAA.

ROAA increased from 2.6% in 2012 to 2.8% in 2013. The increase was mainly because (i) we exerted great effort on the development of distressed assets business, which was with higher ROAA and represented 38.2% of the total assets of our Group as of December 31, 2013 (before inter-segment elimination), as compared with 32.7% as of December 31, 2012; (ii) the increased ROAA of certain subsidiaries, including Huarong Xiangjiang Bank's increased ROAA, and Huarong Real Estate's revenue from properties development in 2013.

ROAA decreased from 2.8% in 2013 to 2.6% in 2014. The decrease was mainly due to (i) the decrease in annualized return on monthly average gross amount of our acquisition-and-restructuring distressed assets; (ii) the relatively high profit in 2013 as we seized the business opportunity and disposed of certain higher return DES Assets of non-listed companies in 2013; (iii) higher growth in interest expenses in 2014 due to the growth in external debt financing to satisfy the needs of the business expansion of the Company, reflecting the increase in the proportion of interest bearing liabilities to total liabilities; (iv) the above adverse influence was partially offset by the fact that we continued to exert more efforts on the development of distressed asset management business, which was with higher ROAA and represented 47.2% of the total assets of our Group (before inter-segment elimination) in 2014 as compared with 38.2% in 2013.

Cost-to-income ratio decreased from 29.0% in 2012 to 25.9% in 2013, and further to 24.7% in 2014. The decrease was mainly due to (i) the significant increase in total income resulted from the business expansion of our Group; (ii) the lower growth rate in operating expenses than that of income due to better budget planning and effective cost control.

### Segment Results

The table below sets out the total income and profit before tax of each of our business segments during the Track Record Period:

| | For the year ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | | 2014 | | | |
| | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total |
| | (in millions of RMB, except percentages) | | | | | | | | | | | |
| Distressed asset management | 11,336.9 | 43.5% | 4,067.1 | 44.6% | 19,806.6 | 53.1% | 7,636.0 | 56.0% | 28,647.4 | 56.1% | 9,340.3 | 55.7% |
| Financial services | 11,437.0 | 43.9% | 3,028.4 | 33.2% | 13,792.6 | 37.0% | 4,065.1 | 29.8% | 17,915.2 | 35.1% | 5,523.9 | 32.9% |
| Asset management and investment | 4,206.3 | 16.1% | 2,118.2 | 23.3% | 4,326.5 | 11.6% | 1,940.0 | 14.2% | 5,049.7 | 9.9% | 1,910.2 | 11.4% |
| Inter-segment elimination | (916.9) | (3.5)% | (104.3) | (1.1)% | (606.3) | (1.7)% | (1.4) | 0.0% | (551.6) | (1.1)% | — | — |
| **Total** | **26,063.3** | **100.0%** | **9,109.4** | **100.0%** | **37,319.4** | **100.0%** | **13,639.7** | **100.0%** | **51,060.7** | **100.0%** | **16,774.4** | **100.0%** |

| | For the six months ended June 30, 2014 | | | | For the six months ended June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total |
| | (unaudited) | | | | | | | |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 13,186.0 | 56.6% | 5,628.7 | 60.4% | 20,864.3 | 55.2% | 6,614.9 | 51.6% |
| Financial services | 8,467.1 | 36.3% | 2,700.1 | 29.0% | 12,121.1 | 32.0% | 4,094.4 | 31.9% |
| Asset management and investment | 1,912.5 | 8.2% | 992.7 | 10.6% | 5,081.6 | 13.4% | 2,072.7 | 16.2% |
| Inter-segment elimination | (263.4) | (1.1)% | (0.3) | 0.0% | (241.0) | (0.6)% | 41.6 | 0.3% |
| **Total** | **23,302.2** | **100.0%** | **9,321.2** | **100%** | **37,826.0** | **100.0%** | **12,823.6** | **100.0%** |

Profit before tax for asset management and investment segment decreased by 8.4% from RMB2,118.2 million in 2012 to RMB1,940.0 million in 2013, mainly due to the fact that certain investment projects of the segment, with provisions made for impairment in previous years, were due and recovered in 2012, resulting in reversal of provisions for impairment, and higher profit before tax in 2012 than that of 2013.

Profit before tax from asset management and investment segment decreased by 1.5% from RMB1,940.0 million in 2013 to RMB1,910.2 million in 2014. The decrease was mainly due to the increase in interest expenses, reflecting the enlarged scale of external financing of this segment.

The table below sets out the profit margin for each of our business segments during the Track Record Period. The profit margin of each segment is based on profit before tax of each segment (before inter-segment elimination) divided by total income of each segment (before inter-segment elimination).

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed asset management | 35.9% | 38.6% | 32.6% | 31.7% |
| Financial services | 26.5% | 29.5% | 30.8% | 33.8% |
| Asset management and investment | 50.4% | 44.8% | 37.8% | 40.8% |

The table below sets out the total assets for each of our business segments during the Track Record Period.

| | For the year ended December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Total assets | % of total | Total assets | % of total | Total assets | % of total | Total assets | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 103,001.1 | 32.7% | 155,964.3 | 38.2% | 283,338.7 | 47.2% | 326,412.8 | 44.4% |
| Financial services | 191,805.1 | 60.9% | 232,691.8 | 57.0% | 280,307.0 | 46.7% | 329,484.0 | 44.9% |
| Asset management and investment | 22,559.5 | 7.2% | 22,189.1 | 5.4% | 42,100.8 | 7.0% | 84,331.4 | 11.5% |
| Inter-segment elimination | (2,332.1) | (0.8)% | (2, 477.9) | (0.6)% | (5,225.4) | (0.9)% | (5,672.2) | (0.8)% |
| **Total** | **315,033.6** | **100.0%** | **408,367.3** | **100.0%** | **600,521.1** | **100.0%** | **734,556.0** | **100.0%** |

The table below sets out net assets for each of our business segments during the Track Record Period.

| | For the year ended December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Net assets | % of total | Net assets | % of total | Net assets | % of total | Net assets | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 17,586.5 | 41.3% | 23,832.0 | 45.4% | 47,115.1 | 56.4% | 54,482.8 | 56.1% |
| Financial services | 16,630.4 | 39.1% | 21,178.0 | 40.3% | 25,723.6 | 30.8% | 29,548.7 | 30.4% |
| Asset management and investment | 8,525.2 | 20.0% | 7,746.0 | 14.7% | 10,815.4 | 12.9% | 13,236.9 | 13.6% |
| Inter-segment elimination | (170.6) | (0.4)% | (221.8) | (0.4)% | (122.0) | (0.1)% | (119.3) | (0.1)% |
| **Total** | **42,571.5** | **100.0%** | **52,534.2** | **100.0%** | **83,532.1** | **100.0%** | **97,149.1** | **100.0%** |

The table below sets out the Pre-tax ROAE for each of our business segments during the Track Record Period. The Pre-tax ROAE of each segment is based on the profit before tax divided by the average of beginning and ending balance of the shareholders' equity.

| | For the year ended December 31, | | | For the six months ended June 30,(1) |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed asset management | 31.1% | 36.9% | 26.3% | 26.0% |
| Financial services | 19.2% | 21.5% | 23.6% | 29.6% |
| Securities and futures | 5.1% | 8.0% | 18.1% | 41.4% |
| Financial leasing | 26.5% | 27.7% | 25.2% | 21.3% |
| Banking | 23.4% | 25.3% | 25.9% | 27.5% |
| Asset management and investment | 22.6% | 23.8% | 20.6% | 34.5% |

(1) For illustration, annualized figure for each of the average return rate on pre-tax net assets for the six months ended June 30, 2015 as set in the table above was calculated by multiplying the actual return rate by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

The Pre-tax ROAE of the distressed asset management segment decreased to 26.3% in 2014 as compared to 36.9% in 2013, which was primarily due to (i) the decrease of the Company's annualized return on monthly average gross amount of distressed debt assets classified as receivables; (ii) the relatively high profit in 2013 due to our disposal of certain higher-return unlisted DES Assets in 2013, (iii) higher growth in interest expenses in 2014 due to the growth in external debt financing to satisfy the needs of the business expansion of the Company, reflecting the increase in the proportion of interest bearing liabilities to total liabilities; and (iv) the net asset increased upon the completion of strategic investment introduction in August 2014, resulting in certain equity dilution.

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, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Industry | (in millions of RMB, except percentages) | | | | | | | |
| Real estate | 41,824.2 | 75.6% | 61,912.8 | 67.2% | 105,985.0 | 62.6% | 136,777.9 | 64.4% |
| Manufacturing | 2,540.1 | 4.6% | 6,003.7 | 6.5% | 15,483.5 | 9.1% | 28,059.8 | 13.2% |
| Construction | 971.9 | 1.8% | 1,906.9 | 2.1% | 9,252.4 | 5.5% | 8,599.5 | 4.0% |
| Mining | 2,817.2 | 5.1% | 3,204.3 | 3.5% | 5,383.0 | 3.2% | 8,322.7 | 3.9% |
| Leasing and commercial services | 2,284.5 | 4.1% | 2,331.7 | 2.5% | 6,005.9 | 3.5% | 8,231.2 | 3.9% |
| Water, environment and public utilities management | 201.5 | 0.4% | 1,715.0 | 1.9% | 4,079.6 | 2.4% | 3,433.2 | 1.6% |
| Transportation, logistics and postal services | 414.5 | 0.8% | 2,716.8 | 2.9% | 4,387.0 | 2.6% | 2,711.8 | 1.3% |
| Others | 4,176.1 | 7.6% | 12,341.8 | 13.4% | 18,826.4 | 11.1% | 16,354.9 | 7.7% |
| Total | 55,230.0 | 100.0% | 92,133.0 | 100.0% | 169,412.8 | 100.0% | 212,491.0 | 100.0% |

Our business is not significantly impacted by the development of a particular industry sector. Although our distressed debt assets under the acquisition-and-restructuring model are concentrated in the real estate industry during the Track Record Period, through our specific risk management measures, we are able to significantly mitigate and adequately cover the potential credit risks. See "Risk Management—Management of Major Risks—Management of Credit Risk—Credit risk management within the acquisition-and-restructuring businesses".

## THE EMERGENCE AND DEVELOPMENT OF CHINA'S DISTRESSED ASSET MANAGEMENT INDUSTRY

China's distressed asset management industry emerged in 1999 when the PRC government established the Four AMCs to receive, manage and dispose non-performing loans carved out from ICBC, ABC, BOC, CCB and China Development Bank. The development of China's distressed asset management industry could be broadly divided into three phases:

- In the Policy Phase, the Four AMCs raised funds through issuing financial bonds and obtaining refinancing loans from the PBOC to acquire distressed assets carved out from the relevant banks for management, operation and disposal. At the same time, by way of debt-to-equity swaps, the Four AMCs acquired equity stakes in certain large and medium SOEs which had good development prospect but were facing temporary financial or operational difficulties.

- In the Transition Phase, the Four AMCs began to acquire distressed assets on a commercial basis and gradually expanded their scope of acquisition to include joint stock commercial banks, city commercial banks, rural commercial banks, city credit cooperatives, rural credit cooperatives, trust companies and financial leasing companies. The Four AMCs were entitled to gains and responsible for losses resulting from commercialized acquisition and disposal of distressed assets themselves and were evaluated based on their return on capital.

- In the Commercialization Phase, the Four AMCs became more experienced in operating their market-oriented and comprehensive business model, each with its own distinguishing characteristics. The Four AMCs are currently at an important stage of commercialization. Their original business of distressed asset management is becoming more diversified while each of them is being transformed from a single financial institution into a comprehensive financial holding group.

## RISK MANAGEMENT

Comprehensive risk management is our core competitive strength. We insist on prudent and modest risk management strategies. Through our continuous exploration and innovation, we have developed a particular risk management culture as well as established a risk management model and organizational structure that satisfy industry regulatory requirements, work well with the financial markets and enhance the control by our Head Office. We have also established a comprehensive risk management system that establishes a clear risk appetite, a deliberate management system, and an effective performance assessment mechanism. Consequently, we have formed a strong basis to prevent and resolve various types of risks effectively, and to achieve steady operations and robust development.

Our risk management framework is a three-dimensional risk management system consisting of: (i) three hierarchies within our corporate governance structure, (ii) three tiers of professional teams specialized in risk management, and (iii) three lines of defense adopted in our practical operations. The three hierarchies of risk management within our corporate governance structure refer to (i) the Board, (ii) the senior management, and (iii) the Board of Supervisors. Our three tiers of professional teams specialized in risk management refer to (i) the chief risk officer of the Group; (ii) the risk management department and other departments of the Group involved in risk management; and (iii) the risk directors of the business departments of the Group, risk directors of the Company Branches, and the chief risk officers or risk directors of the subsidiaries. The three lines of defense adopted in practical risk operations refer to (i) routine risk management carried out by the business departments; (ii) risk management policy provision, method formulation and supervision carried out by the risk management department and other risk-related functional departments of the Group; and (iii) independent audits carried out by the audit department of the Group.

## RECENT DEVELOPMENT

In July 2015, the Company issued five-year fixed rate financial bonds in an aggregate principal amount of RMB17,500 million with a coupon rate of 4.21% per annum and three-year fixed rate financial bonds in an aggregate principal amount of RMB17,500 million with a coupon rate of 4.01% per annum in the interbank bond market in China.

At an extraordinary general meeting of the Shareholders held on June 14, 2015, Shareholders adopted a proposal on dividend distribution. A cash dividend (the "Special Dividend") in respect of the period from the next calendar day after the benchmark date of the accountants' report used in our initial public offering of H Shares to the last day of the calendar month immediately prior to the completion of our initial public offering of H Shares (the "Special Dividend Date"), was declared to Shareholders whose name appeared on our register of members as at the Special Dividend Date. Based on the latest available management accounts of the Company and the estimates of our management, we currently estimate the Special Dividend to be approximately RMB1,245.0 million. The actual amount of the Special Dividend will be determined upon the completion of an audit in the first half of 2016, and the Special Dividend will be paid in the first half of 2016. Although the Special Dividend will only be paid after the Listing of the H Shares, the Directors consider the cash resources prior to the Special Dividend Date to be sufficient to cover the full payment of the Special Dividend.

Recently, the PRC A share stock market has been volatile. It experienced a significant surge from the second half of 2014 to mid-June 2015, which was followed by a sharp decline. The PRC Government has taken monetary and regulatory measures to stabilize the market. Although our overall business, financial condition and results of operations have not been materially affected, the market uncertainties remain. For more details, see "Risk Factors—Risks Relating to our Group—Risks Relating to Our Distressed Asset Management Business—If we are unable to exit our investments in DES Companies in a timely manner or at prices higher than our acquisition cost, our business, results of operations and financial condition may be materially and adversely affected", "Risk Factors—Risks Relating to our Group—Risks Relating to Our Financial Services Business—Our securities business may be subject to, and materially and adversely affected by, external uncertainties, including policy, market and competition", "Risk Factors—Risks Relating to our Group—Risks Relating to Our Financial Services Business—The proprietary trading business under our securities business is subject to market volatility and our investment decisions. If the market experiences significant adjustment or we make mistakes in investment decisions, the financial condition and results of operations of our securities business may be materially and adversely affected", "Risk Factors—Risks Relating to our Group—Other Risks Relating to Our Operations—Our business operation is exposed to market risk" and "Risk Factors—Risks Relating to the Financial Industry in China—Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business".

We have continued to grow our business since June 30, 2015, the date of the latest audited financial information of the Company. The Directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our financial condition, business and prospects after June 30, 2015.

## USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK$3.21 per Offer Share (being the mid-point of the range of the Offer Price as stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$17,912.0 million from the Global Offering after deducting the underwriting expenses, commissions and estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for capital replenishment to further strengthen the operation of distressed assets, refine the comprehensive financial service platform and develop asset management and investment business. The allocation of proceeds from the Global Offering is as follows (subject to adjustments based on our business needs and changes in market conditions):

- approximately 60%, or HK$10,747.2 million, will be used to develop distressed asset management, our core business. We are devoted to continuous innovation and to seizing the opportunities brought by the structural transformation of the Chinese economy, increasing the scale of distressed assets acquired, further developing the management of distressed assets acquired from financial and non-financial enterprises, and enhancing the overall profitability of distressed asset management business through structural adjustment of capital source and other means;
- approximately 30%, or HK$5,373.6 million, will be used to develop business of financial services by increasing capital contribution to the subsidiaries of the Company of such business segment. We will provide flexible, customized and diversified financing channels and financial products and services to our customers through a multi-license financial service platform, and effectively integrate the distressed assets operation with our asset management and investment business to form a comprehensive financial service system with coverage of various life cycles of customers and a long service chain covering all upstream and downstream industries; and
- approximately 10%, or HK$1,791.2 million, will be used to develop asset management and investment business, expand the investment business of the Company and increase capital contribution to the subsidiaries of the Company of such business segment.

## OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (a) the Global Offering has been completed and 5,769,880,000 H Shares have been newly issued; (b) the Over-allotment Option has not been exercised; and (c) there are 24,411,745,353 issued and outstanding H Shares following completion of the Global Offering.

| | **Based on an Offer Price of HK$3.03** | **Based on an Offer Price of HK$3.39** |
|---|---|---|
| Market Capitalization | HK$116,551 million | HK$130,399 million |
| Unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders(1)(2) | HK$3.01 | HK$3.06 |

(1) The unaudited pro forma adjusted net tangible asset value per Share attributable to our Shareholders is calculated after making the adjustments referred to in Appendix II to this prospectus and based on the 38,465,750,462 Shares expected to be in issue immediately following the completion of the Global Offering.

(2) On June 14, 2015, the Shareholders approved a cash dividend (the "Special Dividend"), in respect of the period from the next calendar day after the benchmark date of the accountants' report used in our initial public offering of H Shares to the last day of the month immediately prior to the completion of our initial public offering (the "Special Dividend Date"), to Shareholders on our register of members as of the Special Dividend Date. The amount of the Special Dividend will be determined based on the audited unconsolidated net profit of the Company in accordance with PRC GAAP or IFRS, whichever is lower.

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share have not taken into account the effect of the Special Dividend. If the Special Dividend has been accounted for, the unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share would be reduced.

## MAJOR SHAREHOLDER

The major Shareholder is the MOF, which will hold an interest of approximately 64.50% of the total issued share capital of the Company following completion of the Global Offering (assuming no exercise of the Over-allotment Option). Upon the completion of the Global Offering, 50% of the Shares held by the MOF will be converted to H Shares on a one-for-one basis and approved for listing on the Hong Kong Stock Exchange, subject to completion of certain procedural requirements, and the remaining 50% of the Shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares. If the MOF intends to convert its Domestic Shares to H Shares in the future, upon to the approval by the CSRC or the authorized securities approval authorities of the State Council and the Hong Kong Stock Exchange, such Shares could be converted into H Shares and listed on the Hong Kong Stock Exchange while no approval from voting of class Shareholders would be required. Please see the section headed "Share Capital" for further information. Further information on our substantial shareholders is set out in the section headed "Substantial Shareholders" in this prospectus.

## DIVIDEND POLICY

The Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of accumulated losses, if any, for previous years;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches 50% of our registered capital, no further allocations to this statutory reserve will be required;
- appropriation to required general reserve; and
- appropriation for discretionary reserve upon approval at Shareholders' general meeting.

According to the requirements of the MOF, we shall maintain a general reserve, which is an integral part of our reserves, through appropriation of net profit after tax, of not less than 1.5% of the total risk assets.

According to our Articles of Association, dividend can only be paid out of the distributable profits determined in accordance with the PRC GAAP or IFRS or the accounting standards in the place where the Company's Shares are listed, whichever is lower.

We declared dividends of RMB1,248.1 million, RMB1,754.6 million and RMB1,893.0 million to the Shareholders based on profit in 2012, 2013 and 2014, respectively. Our Board of Directors passed a resolution in respect to dividend payments in August 2015, proposing that we pay dividends out of our distributable net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis, which shall not be less than 10%; in particular, for the years ending December 31, 2016 and 2017, we pay approximately 30% of our distributable net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis as dividends. The actual dividend amount and means of distribution will be approved by the Shareholders' general meeting. Dividends we have declared in the past may not be indicative of our future dividend policy or payments. Whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends we receive from the subsidiaries of the Company, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that the Board of Directors deems relevant.

## REGULATORY NON-COMPLIANCE

We had certain incidents of regulatory non-compliance during the Track Record Period. Our Board of Directors confirms that such non-compliance would not cause any material and adverse effects on our business, financial condition and results of operations. For further details of such non-compliance, please see the section titled "Business—Legal and Regulatory Proceedings."

## LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$609.0 million. Listing expenses of approximately HK$1.1 million have been incurred as of June 30, 2015. Listing expenses of approximately HK$607.9 million are expected to be incurred after June 30, 2015, of which HK$69.1 million is expected to be included in our consolidated statement of profit or loss and other comprehensive income and HK$538.8 million is expected to be accounted for as a deduction from equity.

## RISK FACTORS

Our business faces risks including (i) risks relating to our Group, (ii) risks relating to the financial industry in China, (iii) risks relating to China, and (iv) risks relating to the Global Offering, as set out in "Risk Factors" in this prospectus. Some of the major risks we face include:

- If we are unable to maintain the quality of our distressed debt asset portfolio, our business, results of operations and financial condition may be materially and adversely affected.
- The limitations of our due diligence procedures and analytical approaches as well as other factors beyond our control may affect our judgments and valuation regarding the acquisition -and -disposal of distressed debt assets.
- Our securities business may be subject to, and materially and adversely affected by, external uncertainties, including policy, market and competition.
- Inability to effectively maintain asset quality of our financial leasing business may have a material adverse impact on our business, financial condition and results of operations.
- Our banking business is concentrated in Hunan province, China. Any adverse effect on such area may materially and adversely affect our banking business asset quality, results of operation and financial condition.

- Our asset management business depends largely on our ability to raise funds and manage third-party funds continuously. Decline in the size of the AUM and poor management performance may materially and adversely affect our asset management and investment business.

As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

According to information from some publicly available Internet and media reports, some of the Policy DES Companies in which we have minority shareholdings, among which, some companies have defense related business, may engage in business dealings in or with Iran or other countries or persons to which some OFAC-administered and other sanctions apply, potentially including U.S. secondary sanctions. See "Risk Factors—Risk Relating to Our Group—Other Risks Relating to Our Operations—We face uncertainties due to economic sanction regulations imposed by the U.S. and other jurisdictions" and "Risk Management—"Internal Controls, Compliance and Internal Audit"—Reputational and Sanctions Risk for the Subject Companies".

## VALUE CALCULATION FOR UNLISTED DES ASSETS

To help the investors to better understand the value of our Unlisted DES Assets, we engaged the valuation specialist, Jones Lang LaSalle, to provide a calculated value report on the Major Unlisted DES Assets. As of June 30, 2015, with respect to 34 Unlisted DES Assets of the top 40 Unlisted DES Assets in terms of carrying amount, we obtained the information needed for the Value Calculation from the relevant DES Companies and public sources and provided Jones Lang LaSalle with such information for it to perform the Value Calculation. As of June 30, 2015, the carrying amount of Unlisted DES Assets included in the calculated value report amounted to RMB8,132.1 million, accounting for 70.6% of the total carrying amount of our Unlisted DES Assets. As of the same date, the calculated value of Unlisted DES Assets included in the calculated value report amounted to RMB20,084 million. Such calculated value is not fair value appraised in accordance IFRS and you should not place undue reliance on it. For more information, see "Appendix III—Calculated Value Report."

With respect to our equity interests in the remaining six unlisted DES Companies (the "Excluded DES Companies"), we could not obtain all the information needed for Value Calculation due to restriction from the Protection of State Secret Laws. As a result, the equity interests we hold in the Excluded DES Companies were not included in the Calculated Value Report issued by Jones Lang LaSalle. The equity interests we hold in the Excluded DES Companies and the income contributed by these equity interests only account for an insignificant amount of the total assets and total income of the Group. As of June 30, 2015, the carrying amount of the equity interests we hold in the Excluded DES Companies was RMB1,142.2 million, accounting for 4.3% of the carrying amount of all DES Assets and 0.2% of the total assets of the Group. For the year ended December 31, 2014, the income we derived from the Excluded DES Companies was RMB21.9 million, accounting for 0.04% of the total income of the Group.

In order to identify and monitor any reputational and other risks relating to the Excluded DES Companies, in addition to the internal control policies and procedures generally applicable to all DES Assets, we have put in place a series of internal control policies and procedures. We are in the process of disposing our equity interest in one of the Excluded DES Companies, and will commence the disposal procedures for our equity interests in the other five Excluded DES Companies immediately upon listing. We will use our best efforts to complete the disposal within 12 months from the Listing Date. We will also disclose an update on the progress of disposal in our 2015 annual and 2016 interim financial reports, and, if we could not complete the disposal within 12 months from the Listing Date due to reasons beyond our control, such as approval process or market conditions, continue to disclose an update on the progress of disposal in our interim and annual financial reports thereafter until our equity interests in all Excluded DES Companies are disposed of. One of our executive directors will be in charge of the disposal process, will monitor the progress of the disposal and will report to the audit committee of the Board every six months. The executive director in charge of the disposal process will be subject to the formal monitoring and oversight by the independent non-executive directors of the Company, including discussion of disposal planning and progress every six months during which the executive director in charge of the disposal process will present the disposal planning and progress and the independent non-executive directors will discuss the disposal planning and progress with the executive director in charge of the disposal process and seek responses from the executive director in charge of the disposal process for any questions that they may have. We will retain a compliance advisor until all the Excluded DES Companies have been disposed of. We will not increase any further investments in the Excluded DES Companies or increase our portfolio of DES Assets for which we cannot obtain sufficient information for Value Calculation due to restriction from the Protection of State Secret Laws. For more details regarding the Excluded DES Companies, please see "Risk Factors—Risks Relating to our Group—Risks Relating to Our Distressed Asset Management Business—We do not participate in the daily management of the DES Companies and, as a result, our limited influence on these enterprises may affect our ability to receive dividends or exit from such investments and to realize the value of our investment in such DES Companies", "Business—Our Principal Businesses—Distressed asset management business—DES asset management", "Risk Management—Internal Controls, Compliance and Internal Audit—Internal Control Measures for the Excluded DES Companies" and "Financial Information—Excluded DES Companies".

***In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.***

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| "5000 Industrial Enterprises" | 5,000 enterprises in 27 major sectors of the industrial economy of China, which are selected by the PBOC for analyzing the prospects of PRC banking industry among hundreds of thousands of industrial enterprises in China according to the standard and requirement set by SDPC, Standardization Administration of PRC, MOF and NBSC and with leading or representative positions in the national economy of China |
| "ABC" | Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company incorporated in the PRC on January 15, 2009, and an Independent Third Party |
| "Accountants' Report" | the report on the financial information regarding the Company and its subsidiaries for each of the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 as audited by independent auditors and set forth in "Appendix I — Accountants' Report" in this prospectus |
| "AMC(s)" | the asset management company(ies) approved for establishment by the State Council, including Huarong Corporation or China Huarong, China Great Wall, China Orient and China Cinda |
| "Application Form(s)" | **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them |
| "Articles of Association" or "Articles" | the articles of association of the Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus |
| "Board" or "Board of Directors" | the board of directors of the Company |
| "Board of Supervisors" | the board of supervisors of the Company |
| "BOC" | Bank of China Limited (中國銀行股份有限公司), a company incorporated in the PRC on August 26, 2004, and an Independent Third Party |
| "BoCOM" | Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company incorporated in the PRC on December 24, 2004, and an Independent Third Party |
| "business day" | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |

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| "CBRC" | China Banking Regulatory Commission (中國銀行業監督管理委員會) |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "CCASS Clearing Participant" | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| "CCASS Custodian Participant" | a person admitted to participate in CCASS as a custodian participant |
| "CCASS Investor Participant" | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| "CCASS Participant" | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| "CCB" | China Construction Bank Corporation (中國建設銀行股份有限公司), a company incorporated in the PRC on September 17, 2004, and an Independent Third Party |
| "China" or "PRC" | the People's Republic of China excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan |
| "China Cinda" | China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company incorporated in the PRC on June 29, 2010, by conversion from its predecessor China Cinda Asset Management Corporation (中國信達資產管理有限公司), and is an Independent Third Party |
| "China Great Wall" | China Great Wall Asset Management Corporation (中國長城資產管理公司), a company incorporated in the PRC on November 2, 1999, and an Independent Third Party |
| "China Huarong" or the "Company" | China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), a joint stock limited company incorporated in the PRC on September 28, 2012 by conversion from Huarong Corporation |
| "China Life Group" | China Life Insurance (Group) Company (中國人壽保險（集團）公司), a company incorporated in the PRC in August 1996, and a Shareholder of the Company |
| "China Life Group Share Subscription Agreement" | the share subscription agreement entered into by the Company and China Life Group on June 30, 2014 |

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| "China Life Group Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and China Life Group on June 30, 2014 |
| "China Life Group Subscription Shares" | the 1,150,000,000 shares subscribed by China Life Group according to the China Life Group Share Subscription Agreement |
| "China Orient" | China Orient Asset Management Corporation (中國東方資產管理公司), a company incorporated in the PRC on October 27, 1999, and an Independent Third Party |
| "CICC" | China International Capital Corporation Limited (中國國際金融股份有限公司) or China International Capital Corporation (中國國際金融有限公司). China International Capital Corporation was a company incorporated in the PRC in July 1995 with limited liability and restructured as China International Capital Corporation Limited on June 1, 2015. A limited partnership fund, of which CICC's wholly-owned subsidiary is the general partner, is a general partner of CICC Growth Capital Fund I |
| "CICC Growth Capital Fund I" | CICC Growth Capital Fund I, L.P., a limited partnership established and existing under the laws of Cayman Island in November 2010, holds 100% equity interests in CICC Special Situation Investment |
| "CICC Share Subscription Agreement" | the share subscription agreement entered into by the Company, CICC Strategic Investment and CICC Special Situation Investment on June 27, 2014 |
| "CICC Special Situation Investment" | CICC Special Situation Investment Limited, a company established and existing under the laws of Cayman Island in May 2014 with limited liability, and holds 100% equity interests in CICC Strategic Investment |
| "CICC Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and CICC on June 27, 2014 |
| "CICC Strategic Investment" | CICC Strategic Investment Company Limited, a company established and existing under the laws of Cayman Island in June 2014, and a wholly-owned subsidiary of CICC Special Situation Investment and a Shareholder of the Company |
| "CICC Subscription Shares" | the 750,000,000 shares subscribed by CICC Strategic Investment pursuant to the CICC Share Subscription Agreement |
| "CIRC" | China Insurance Regulatory Commission (中國保險監督管理委員會) |

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| "COFCO" | COFCO Corporation (中糧集團有限公司), a company incorporated in the PRC in July 1983, and holds 100% equity interests in COFCO (HK) |
| "COFCO (HK)" | COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), a company established and existing under the laws of Hong Kong in August 1981, and a wholly-owned subsidiary of COFCO and a Shareholder of the Company |
| "COFCO Share Subscription Agreement" | the share subscription agreement entered into by the Company, COFCO (HK) and COFCO on June 27, 2014 |
| "COFCO Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and COFCO on June 27, 2014 |
| "COFCO Subscription Shares" | the 708,000,000 shares subscribed by COFCO (HK) pursuant to the COFCO Share Subscription Agreement |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Company Branch(es)" | branch(es) of the Company |
| "Consolidation Supervision Guidelines" | "Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional)" (金融資產管理公司併表監管指引 (試行)) promulgated by the CBRC and effective on March 8, 2011 |
| "CSI" | CITIC Securities International Company Limited (中信證券國際有限公司), a company established and existing under the laws of Hong Kong in April 1998, and holds 100% equity interests in CSI AMC |
| "CSI AMC" | CSI AMC Company Limited, a company established and existing under the laws of Hong Kong in June 2014, and a subsidiary of CSI and a Shareholder of the Company |
| "CSI Share Subscription Agreement" | the share subscription agreement entered into by the Company, CSI AMC and CSI on June 27, 2014 |
| "CSI Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and CSI on June 27, 2014 |

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| "CSI Subscription Shares" | the 790,000,000 shares subscribed by CSI AMC pursuant to the CSI Share Subscription Agreement |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會) |
| "Delong Group" | Xinjiang Delong (Group) Limited and the relevant companies that act in concert with it |
| "Director(s)" | director(s) of the Company |
| "Domestic Share(s)" | ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as fully paid in Renminbi |
| "Domestic Above-scale Enterprise" | an industrial enterprise with an annual operating income of RMB20 million or more |
| "EIT" | enterprise income tax of the PRC |
| "EIT Law" | Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on March 16, 2007, and effective on January 1, 2008 |
| "Fidelidade" | FIDELIDADE – COMPANHIA DE SEGUROS, S.A., an insurance company established and existing under the laws of Portugal in October 1835, and a subsidiary of Fosun International and a Shareholder of the Company |
| "Financial Leasing Companies" | the companies that engage in financial leasing and have financial institution licenses granted by the CBRC |
| "Financial Subsidiaries" | Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank, Huarong Trust and Huarong Futures |
| "Fosun" | Shanghai Fosun High Technology (Group) Co., Ltd, a company incorporated in the PRC in 2005 with limited liability, a subsidiary of Fosun International |
| "Fosun International" | Fosun International Limited, a company incorporated in Hong Kong in December 2004 and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00656) in July 2007, and holds 85% equity interests in Fidelidade as of June 2015 |
| "Fosun International Share Subscription Agreement" | the share subscription agreement entered into by the Company and Fidelidade on June 27, 2014 |

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| "Fosun International Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and Fosun International on June 27, 2014 |
| "Fosun International Subscription Shares" | the 500,000,000 shares subscribed by Fidelidade according to the Fosun International Share Subscription Agreement |
| "Four AMCs" | China Huarong, China Great Wall, China Orient and China Cinda, collectively |
| "Four City Commercial Banks and a Credit Cooperative of Hunan" | Former Commercial Bank of Zhuzhou, Commercial Bank of Xiangtan, Commercial Bank of Hengyang and Commercial Bank of Yueyang, and Shaoyang Credit Cooperative in Hunan |
| "GDP" | gross domestic product |
| "GEM Board" | Growth Enterprise Market Board |
| "Global Offering" | the Hong Kong Public Offering and the International Offering |
| "Goldman Sachs" | The Goldman Sachs Group, Inc., a corporation established and existing under the laws of the State of Delaware, U.S.A. and listed on The New York Stock Exchange (NYSE: GS), and holds 100% equity interests in Goldman Sachs SSG |
| "Goldman Sachs Share Subscription Agreement" | the share subscription agreement entered into by the Company, Goldman Sachs SSG and Goldman Sachs on June 27, 2014 |
| "Goldman Sachs SSG" | Special Situations Investing Group II, LLC, a limited liability company established and existing under the laws of the State of Delaware, U.S.A., in August 2004, which is a wholly-owned subsidiary of Goldman Sachs and a Shareholder of the Company |
| "Goldman Sachs Strategic Cooperation MOU" | the non-binding memorandum of understanding regarding strategic cooperation entered into by the Company, Goldman Sachs SSG and Goldman Sachs on June 27, 2014 |
| "Goldman Sachs Subscription Shares" | the 147,000,000 shares subscribed by Goldman Sachs SSG according to the Goldman Sachs Share Subscription Agreement |
| "Green Application Form(s)" | the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited |

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| "Group," "our Group," "we" or "us" | the Company and, except where the context otherwise requires, some or all of its subsidiaries or, where the context refers to any time prior to their respective incorporation, the business which their respective predecessors were engaged in and which were subsequently assumed by them |
| "H Share(s)" | ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange |
| "H Share Registrar" | Computershare Hong Kong Investor Services Limited |
| "Head Office" | the head office of the Company |
| "HK$" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, which is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Offer Shares" | the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering |
| "Hong Kong Public Offering" | the offering by the Company of initially 288,494,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) for cash at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in "Structure of the Global Offering" in this prospectus and the Application Forms |
| "Hong Kong Stock Exchange" or "HKEx" | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "Hong Kong Underwriters" | the underwriters listed in the paragraph headed "Hong Kong Underwriters" in "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offering |
| "Hong Kong Underwriting Agreement" | the underwriting agreement dated on or around October 14, 2015 relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the |

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| | Hong Kong Underwriters and the Company, as further described in the paragraph headed "Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in "Underwriting" in this prospectus |
| "Huarong Corporation" | China Huarong Asset Management Corporation (中國華融資產管理公司), the predecessor of China Huarong, and a limited company incorporated in the PRC on November 1, 1999 |
| "Huarong Financial Leasing" | China Huarong Financial Leasing Co., Ltd. (華融金融租賃股份有限公司), formerly known as Zhejiang Financial Leasing Co., Ltd., a joint stock company incorporated in the PRC on December 28, 2001 with limited liability and renamed as China Huarong Financial Leasing Co., Ltd. on June 14, 2007, in which the Company holds 79.92% equity interest |
| "Huarong Futures" | Huarong Futures Co. Ltd. (華融期貨有限責任公司), a joint stock company incorporated in the PRC on September 22, 1993 with limited liability, in which the Company holds 75.44% equity interest through Huarong Securities |
| "Huarong Huitong" | Huarong Huitong Asset Management Co., Ltd. (華融匯通資產管理有限公司), a company incorporated in the PRC on September 14, 2010 with limited liability, in which the Company holds 100% equity interest |
| "Huarong International" | Huarong (HK) International Holdings Limited or China Huarong International Holdings Limited. Huarong (HK) International Holdings Limited was incorporated in Hong Kong on January 2, 2013 and changed its name into China Huarong International Holdings Limited on April 9, 2015. The Company holds 88.10% and 11.90% equity interest in it through Huarong Real Estate and Huarong Zhiyuan (both being wholly-owned subsidiaries of the Company), respectively |
| "Huarong Qianhai Wealth Management" | Huarong Qianhai Wealth Management Co., Ltd. (華融前海財富管理股份有限公司), a company incorporated in the PRC on September 22, 2014 with limited liability, in which the Company holds 55.46% equity interest through Huarong Tianze |
| "Huarong Real Estate" | Huarong Real Estate Co., Ltd. (華融置業有限責任公司), formerly known as Zhuhai Hengqin Xindong Real Estate Development Company, a company incorporated in the |

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| | PRC on May 26, 1994 with limited liability and renamed as Huarong Real Estate Co., Ltd. in 2009, and a wholly-owned subsidiary of the Company |
| "Huarong Rongde" | Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司), formerly known as Rongde Asset Management Co., Ltd., a company incorporated in the PRC on June 6, 2006 with limited liability and renamed as Huarong Rongde Asset Management Co., Ltd. in 2012, in which the Company holds 59.30% equity interest |
| "Huarong Securities" | Huarong Securities Co., Ltd. (華融證券股份有限公司), a joint stock company incorporated in the PRC on September 7, 2007 with limited liability, in which the Company holds 81.56% equity interest |
| "Huarong Tianze" | Huarong Tianze Investment Limited (華融天澤投資有限公司), a company incorporated in the PRC on November 21, 2012 with limited liability, in which the Company holds 81.56% equity interest through Huarong Securities |
| "Huarong Trust" | Huarong International Trust Co., Ltd. (華融國際信託有限責任公司), formerly known as Xinjiang International Trust & Investment Co., Ltd., a company incorporated in the PRC on August 28, 2002 with limited liability and renamed as Huarong International Trust Co., Ltd., in which the Company holds 98.09% equity interest |
| "Huarong Western Development" | China Huarong Western Development Investment Co., Ltd. (華融西部開發投資股份有限公司), a joint stock company incorporated in the PRC on December 12, 2014 with limited liability, in which the Company holds 60.00% equity interest through Huarong Zhiyuan |
| "Huarong Xiangjiang Bank" | Huarong Xiangjiang Bank Corporation Limited (華融湘江銀行股份有限公司), a commercial bank incorporated in the PRC on October 8, 2010, in which the Company holds 50.98% equity interest |
| "Huarong Yufu" | Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司), a company incorporated in the PRC on July 22, 2010 with limited liability, in which the Company holds 72.80% equity interest through Huarong Real Estate |
| "Huarong Zhiyuan" | Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司), a company incorporated in the PRC on November 10, 2009 with limited liability, and a wholly-owned subsidiary of the Company |

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| "IASB" | International Accounting Standards Board |
| "ICBC" | Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a company incorporated in the PRC on October 28, 2005, and an Independent Third Party |
| "IFRS" | the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the IASB |
| "Independent Third Party(ies)" | a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules |
| "International Offer Shares" | the H Shares offered pursuant to the International Offering |
| "International Offering" | the offer for subscription and sale of initially 5,481,386,000 H Shares to institutional, professional, corporate and other investors, subject to adjustment and the Over-allotment Option, as further described in "Structure of the Global Offering" in this prospectus |
| "International Underwriters" | the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering |
| "International Underwriting Agreement" | the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date among the Company, the Joint Global Coordinators and the International Underwriters, as further described in the paragraph headed "International Offering" in "Underwriting" in this prospectus |
| "Joint Bookrunners" | The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., CCB International Capital Limited, Credit Suisse (Hong Kong) Limited, ICBC International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Huarong International Securities Limited, BOCI Asia Limited, CMB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, China Merchants Securities (HK) Co., Limited, DBS Asia Capital Limited, BOCOM International Securities Limited, |

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| | ABCI Capital Limited, Deutsche Bank AG, Hong Kong Branch, Jefferies Hong Kong Limited, Nomura International (Hong Kong) Limited, Morgan Stanley Asia Limited, CLSA Limited and China Securities (International) Corporate Finance Company Limited |
| "Joint Global Coordinators" | The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., CCB International Capital Limited, Credit Suisse (Hong Kong) Limited, ICBC International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and Merrill Lynch International |
| "Joint Lead Managers" | The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., CCB International Capital Limited, Credit Suisse (Hong Kong) Limited, ICBC International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Huarong International Securities Limited, BOCI Asia Limited, CMB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, China Merchants Securities (HK) Co., Limited, DBS Asia Capital Limited, BOCOM International Securities Limited, ABCI Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Jefferies Hong Kong Limited, Nomura International (Hong Kong) Limited, Morgan Stanley Asia Limited, CLSA Limited and China Securities (International) Corporate Finance Company Limited |
| "Joint Sponsors" | Goldman Sachs (Asia) L.L.C., HSBC Corporate Finance (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and ICBC International Capital Limited |
| "Jones Lang LaSalle" | Jones Lang LaSalle Corporate Appraisal and Advisory Limited |
| "Khazanah" | Khazanah Nasional Bhd, a company established and existing under the Companies Act 1965, laws of Malaysia, which holds 100% equity interest in Pantai Juara Investments |

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| "Khazanah Share Subscription Agreement" | the share subscription agreement entered into by the Company and Pantai Juara Investments on June 27, 2014 |
| "Khazanah Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company and Pantai Juara Investments on June 27, 2014 |
| "Khazanah Subscription Shares" | the 755,000,000 shares subscribed by Pantai Juara Investments according to the Khazanah Share Subscription Agreement |
| "Latest Practicable Date" | October 6, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication |
| "Listing Date" | the date, expected to be on or about October 30, 2015, on which the H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange |
| "Listing Committee" | the Listing Committee of the Hong Kong Stock Exchange |
| "Listing Rules" or "Hong Kong Listing Rules" | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time) |
| "Macau" | the Macau Special Administrative Region of the PRC |
| "Main Board" | the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM Board of the Hong Kong Stock Exchange |
| "Mandatory Provisions" | the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former State Council Securities Committee and the former State Commission for Economic System Reform on August 27, 1994 |
| "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "NABG" | National Australia Bank Group |
| "NAO" | the National Audit Office of the PRC (中華人民共和國審計署) |

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| "NBSC" | the National Bureau of Statistics of the PRC (中華人民共和國國家統計局) |
| "NDRC" | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "NEEQ" | National Equities Exchange and Quotation system |
| "Non-PRC Resident Enterprise" | as defined under the EIT Law, meaning companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC |
| "NPC" | National People's Congress of the PRC (中華人民共和國全國人民代表大會) |
| "NSSF" | the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會) or National Social Security Fund of the PRC (中華人民共和國全國社會保障基金) |
| "Non-standard assets" | debt or equity assets that are not traded in the interbank markets or on the exchanges |
| "Offer Price" | the final offer price per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold pursuant to the Global Offering as described in "Structure of the Global Offering" in this prospectus |
| "Offer Shares" | the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option |
| "Over-allotment Option" | the option expected to be granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require the Company to issue and sell up to an aggregate of 865,482,000 additional H Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering to cover over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering |

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| "Pantai Juara Investments" | Pantai Juara Investments Limited, an investment entity incorporated in May 2014 under the Labuan Companies Act of Malaysia, which is a wholly-owned subsidiary of Khazanah |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC Company Law" | the Company Law of the People's Republic of China (中華人民共和國公司法) |
| "PRC GAAP" | generally accepted accounting principles in the PRC |
| "PRC Government" or "State" | all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities of the PRC |
| "Price Determination Date" | the date, expected to be on or around October 23, 2015 (Hong Kong time) on which the Offer Price is determined, or such later time as the Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than October 29, 2015 |
| "prospectus" | this prospectus being issued in connection with the Hong Kong Public Offering |
| "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 |
| "province" | each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC |
| "Qianhai Special Zone" | Qianhai Shenzhen-Hong Kong Modern Service Industries Cooperation Zone |
| "QIBs" | qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Restricted Strategic Shareholders" | Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "Rule 144A" | Rule 144A under the U.S. Securities Act |

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| "SAC" | the Securities Association of China (中國證券業協會) |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAIC" | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) |
| "SASAC" | the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會) |
| "SAT" | the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) |
| "Securities and Futures Ordinance" or "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Securities Law" | the Securities Law of the People's Republic of China (中華人民共和國證券法) |
| "SETC" | the former State Economy and Trade Commission of the PRC (中華人民共和國國家經濟貿易委員會) |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "Shanghai Free Trade Zone" | China (Shanghai) Pilot Free Trade Zone (中國（上海）自由貿易試驗區) |
| "Share Subscription Agreements" | each or any of China Life Group Share Subscription Agreement, Warburg Share Subscription Agreement, CSI Share Subscription Agreement, Khazanah Share Subscription Agreement, CICC Share Subscription Agreement, COFCO Share Subscription Agreement, Fosun International Share Subscription Agreement and Goldman Sachs Share Subscription Agreement |
| "Share(s)" | ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Simsen International" | Simsen International Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 993) |
| "SMEs" | small- and medium-sized enterprises |

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| "SOE(s)" | state-owned enterprise(s) |
| "Special Regulations" | the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended |
| "SSE" | Shanghai Stock Exchange (上海證券交易所) |
| "Stabilizing Manager" | Goldman Sachs (Asia) L.L.C. |
| "State Council" | the State Council of the PRC |
| "Strategic Cooperation Agreements and/or MOU" | each or any of China Life Group Strategic Cooperation Agreement, Warburg Strategic Cooperation Agreement, CSI Strategic Cooperation Agreement, Khazanah Strategic Cooperation Agreement, CICC Strategic Cooperation Agreement, COFCO Strategic Cooperation Agreement, Fosun International Strategic Cooperation Agreement and/or Goldman Sachs Strategic Cooperation MOU |
| "Strategic Investors" | strategic investors of the Company, including China Life Group, Warburg Pincus, CSI, Khazanah, CICC, COFCO, Fosun International and Goldman Sachs |
| "Strategic Shareholders" | strategic shareholders of the Company, including China Life Group, Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG |
| "Supervisors" | supervisor(s) of the Company |
| "SZSE" | Shenzhen Stock Exchange (深圳證券交易所) |
| "Takeovers Code" or "Hong Kong Takeovers Code" | the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Track Record Period" | the three financial years ended December 31, 2014 and six months ended June 30, 2015 |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |

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| "U.S." or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US$" or "U.S. dollars" or "USD" | United States dollars, the lawful currency of the United States |
| "U.S. Securities Act" | the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| "Warburg Pincus" | Warburg Pincus LLC, a company established and existing under the laws of the State of New York of the U.S. on December 30, 1996 with limited liability, is the manager of Warburg Pincus International |
| "Warburg Pincus Financial International" | Warburg Pincus Financial International Ltd, a company established and existing under the laws of Republic of Mauritius in August 2012, a wholly-owned subsidiary of Warburg Pincus International and a Shareholder of the Company |
| "Warburg Pincus International" | Warburg Pincus International L.P., a limited partnership established and existing under the laws of Cayman Island in June 2014, and holds 100% equity interest in Warburg Pincus Financial International |
| "Warburg Share Subscription Agreement" | the share subscription agreement entered into by the Company with Warburg Pincus Financial International and Warburg Pincus International on June 27, 2014 |
| "Warburg Strategic Cooperation Agreement" | the master strategic cooperation agreement entered into by the Company with Warburg Pincus Financial International on June 27, 2014 |
| "Warburg Subscription Shares" | the 2,060,000,000 shares subscribed by Warburg Pincus Financial International according to the Warburg Share Subscription Agreement |
| "White Form eIPO" | the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk |
| "White Form eIPO Service Provider" | Computershare Hong Kong Investor Services Limited |

*In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of the subsidiaries of the Company) have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language marked with "*" are for identification purposes only.*

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

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| "acquisition-and-disposal business" | we acquire distressed debt assets at a discount to their Original Value, enhance the value of these assets based on asset classification and realize profit from these assets through sales of assets or collection of debts by various means |
| "acquisition-and-restructuring business" | we determine the methods to collect debts or restructure assets according to the risk level of distressed assets and reach restructuring agreement with the debtors and relevant parties at the time of acquisition of distressed assets |
| "assets in satisfaction of debt" | assets to discharge debt repayment obligations of the obligors |
| "AUM" | assets under management |
| "average securities brokerage commission rate" | equals commission and fee income on securities brokerage business of our Group as divided by our brokerage trading volume of stocks and funds in the PRC |
| "Banking Financial Institutions" | include (i) commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks; (ii) financial asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions established upon the approval of banking regulatory authorities under the State Council |
| "Basel Accord I" | the Basel Capital Accord issued in 1998 |
| "Basel Accord II" | the Revised Basel Capital Framework issued in June 2004 |
| "Basel Accord III" | the Basel Capital Accord issued in December 2010 |
| "Basel Accords" | Basel Accord I, Basel Accord II and Basel Accord III, collectively |
| "Basel Committee" | Basel Committee on Banking Supervision |
| "basis point(s)" | a unit relating to interest rates that is equal to 1/100th of a percentage point |
| "benchmark interest rate" | the benchmark interest rate set by the PBOC on financial institutions' Renminbi deposits and loans |
| "CAGR" | compound annual growth rate |

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| "Calculated Value" | value or value interval of certain businesses, ownership of business, collateral and intangible assets estimated based on the judgment of professional valuers in accordance with the Business Valuation Standards of the American Society of Appraisers and the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, and via methods as agreed with their clients. Such value is not fair value appraised in accordance with IFRS |
| "Capital Adequacy Regulations" | the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法), as promulgated by the CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007 |
| "Capital Administrative Measures" | the Administrative Measures for Capital Management of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)), as promulgated by the CBRC on June 7, 2012 and effective as of January 1, 2013 |
| "Cash Recovery Ratio" | one of the two performance evaluation indicators determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of cash recovered from disposal of distressed assets to the Original Value of distressed assets |
| "commercial bank(s)" | include large commercial banks, joint-stock commercial banks, city commercial bank, rural commercial banks and foreign banks |
| "Commercial Distressed Assets" | the distressed assets acquired by the Four AMCs that are not Policy Distressed Assets |
| "coverage ratio" | balance of provision for impairment losses of the credit assets divided by impaired credit assets |
| "debt-to-equity swap(s)" or "DES" | the practice of converting indebtedness owed by the obligors to equity |
| "DES Assets" | (i) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large SOEs according to national policy prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company |

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| | acquired through distressed asset management; and (v) the equity portfolio China Huarong received as part of its share capital when we were established in 1999 |
| "DES Assets Acquired from the MOF" | the equity interests in 281 DES Companies that we acquired from the MOF in September 2012 |
| "DES Companies" | the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity |
| "distressed assets" | primarily including distressed debt assets, DES assets, assets in satisfaction of debt and Distressed Entities |
| "distressed debt assets" | primarily including loans, accounts receivables and other obligations which are overdue, expected to be overdue or those the obligors have or expected to have difficulties in repaying |
| "Distressed Entities/Financial Institutions" | enterprises/financial institutions or other entities that are in a distressed situation ranging from temporary financial and/or operational issues, to those in liquidation procedures. These entities typically need restructuring, liquidation, M&A, financing and other customized financial solutions |
| "Expense Ratio" | one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of expenses involved in the disposal of distressed assets to the total amount of cash recovered. These expenses primarily include those relating to remuneration, general administration and business expenses |
| "FI Distressed Assets" | distressed assets acquired from financial institutions |
| "five-category loan classification system" | a loan classification system generally adopted by banks and other financial institutions in the PRC pursuant to applicable guidelines. It classifies loans into five categories as "normal", "special mention", "substandard", "doubtful" and "loss" based on assessment of various factors affecting obligors' repayment ability |
| "gross amount" | gross amount of a financial asset is the amount before deduction of any provision for impairment losses |
| "IPO" | initial public offering |
| "IRR" | internal rate of return, the discount rate that makes the net present value of all cash flows from a particular project equal to zero |

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| "joint stock commercial bank(s)" | the banks that are approved by the CBRC to be incorporated under PRC Company Law (中華人民共和國公司法) and PRC Commercial Banking Law (中華人民共和國商業銀行法) with joint stock ownership, including China Merchants Bank, China CITIC Bank, Shanghai Pudong Development Bank, China Everbright Bank, Industrial Bank, China Guangfa Bank, China Minsheng Bank, Hua Xia Bank, Ping An Bank, Evergrowing Bank, China Zheshang Bank and China Bohai Bank |
| "large commercial bank(s)" | Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation and Industrial and Commercial Bank of China Limited, and their respective predecessors, collectively |
| "Listed DES Assets" | shares we hold in listed DES Companies |
| "M&A" | mergers and acquisitions |
| "Major Unlisted DES Assets" | Top 34 Unlisted DES Assets held by us ranked by carrying amount as of June 30, 2015 with basis for value calculation |
| "Net Capital" | equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/minus the capital from other adjustments recognized or approved by the relevant regulatory authorities |
| "NFE Distressed Assets" | accounts receivable and other distressed assets from non-financial enterprises |
| "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 |
| "Original Value" | the sum of the original principal amount of and interests accrued (as applicable) on distressed debt assets of banks prior to disposal, without taking into account any provision for impairment or value reduction resulting from default or other events |
| "OFAC" | the U.S. Office of Foreign Assets Control |
| "Performance Evaluation of State-owned Financial Institutions" | a performance evaluation conducted by the MOF on the state-owned financial institutions. For the AMCs, this evaluation focuses on benchmarks such as ROAE, ROAA, profit growth, cost-to-income ratio and the change in value of state's equity interest<br><br>The enterprises that are evaluated will be rated by the MOF on a scale of "A" to "E", with "A" being the highest level |

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| | of rating. The "A" level is further divided into "AAA", "AA" and "A", with "AAA" being the highest rating. The results of this evaluation constitute an important basis for rating the performance of a particular financial institution by the MOF |
| "Policy Distressed Assets" | the distressed assets acquired by the Four AMCs as directed by the PRC Government on a policy basis, where both the price for and financing of distressed asset acquisitions were determined or arranged by the government. The total amount of such assets was approximately RMB1.4 trillion |
| "Policy DES Companies" | the DES Companies whose distressed indebtedness held by the AMCs was swapped for equity in accordance with the Opinions on Certain Issues Regarding Converting Debt into Equity (關於實施債權轉股權若干問題的意見) issued by the State Economic and Trade Commission and the PBOC in 1999 |
| "Pre-tax ROAE" | pre-tax return on average net assets (profit before tax divided by the average balance of net assets) |
| "ROAA" | return on average assets |
| "ROAE" | return on average equity attributable to equity holders of the parent company |
| "Special Situation Investment" | a type of multi-asset class and strategy investments involving a diverse range of products, instruments and asset classes such as cash, equity and debt, which applies flexible transaction structures and funding arrangements to seek optimal risk-adjusted returns<br><br>When we refer to "Special Situations Investment" or "SSI" in this prospectus, we refer to those businesses combining typical characteristics of SSI with our distressed asset management business or our prominent advantages, including opportunities arisen from temporary liquidity issues of investment targets or appreciation of asset value |
| "SHIBOR" | Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center |
| "stock index futures" | standardized futures contracts on the value of a particular stock market index |
| "Unlisted DES Assets" | shares we hold in unlisted DES Companies |
| "Value Calculation" | the value estimation performed by Jones Lang LaSalle for the purpose of issuing the Calculated Value Report for our Major Unlisted DES Assets |

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

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

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

*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the H Shares. Any of these risks could materially and adversely affect our business, financial condition and results of operations. The trading price of the H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the following fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain material matters discussed below, see "Regulatory Environment", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of Articles of Association".*

## RISKS RELATING TO OUR GROUP

### Risks Relating to Our Distressed Asset Management Business

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

Our distressed debt asset management business mainly includes the acquisition-and-restructuring business and the acquisition-and-disposal business. Distressed debt assets under these two business operations are recorded as the following two accounting items in the consolidated balance sheet, respectively: financial assets classified as receivables and financial assets designated as at fair value through profit or loss.

During the Track Record Period, our distressed debt assets classified as receivables grew rapidly. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the gross amount of distressed debt assets classified as receivables was RMB55,230.0 million, RMB92,133.0 million, RMB168,712.8 million and RMB211,791.0 million, respectively. In respect of distressed debt assets in this category, we are exposed to credit risks from the debtors. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our impaired distressed debt assets classified as receivables accounted for 0.9%, 2.7%, 1.6% and 1.6% of the total distressed debt assets classified as receivables, respectively. We cannot assure you that we will be able to effectively maintain the quality of the distressed debt assets that we acquired. The actual or potential deterioration in creditworthiness of the debtors or their guarantors, declines in the value of collateral, and reduced profitability of debtors may cause the quality of our distressed debt assets to deteriorate and may lead to significant increases in our provisions for distressed debt assets classified as receivables, which may in turn materially and adversely affect our results of operations and financial condition.

Our distressed debt assets designated as at fair value through profit or loss mainly include NPLs from banks. We may have difficulties to successfully dispose these assets. In addition, we may need to hold these assets for a period of time longer than we expected before we can complete their disposal. The fair value of these distressed debt assets may decrease below our initial purchase price if the business operations of the debtors deteriorate or the value of collateral decreases.

In addition, the quality of our distressed debt asset portfolio is affected by certain macro factors, including the economic conditions and liquidity conditions of the PRC and global markets, and changes of the relevant PRC policies, laws and regulations. Any adverse changes of such factors will increase our credit risks from the debtors. If the debtors fail to improve their cash flow, the debtors may default on their obligations, which may have a material adverse effect on the quality of our distressed debt assets.

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

***The limitations of our due diligence procedures and analytical approaches as well as other factors beyond our control may affect our judgments and valuation regarding the acquisition-and-disposal of distressed debt assets.***

Before we acquire any distressed debt asset, we conduct due diligence that we consider reasonable and appropriate based on the facts applicable to each distressed debt asset acquisition. The due diligence that we have conducted or will conduct with respect to any opportunity to acquire distressed debt assets may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could cause us to make erroneous judgment about the risks of such assets. In particular, when we acquire distressed debt assets, we may be unable to fully identify defects in the pre-existing creditor rights, potential claims by other relevant parties in connection with such distressed debt assets, or defects in the procedures creating a guarantee, which could materially and adversely affect our ability to enforce our rights and realize the value of collateral, and even subject us to litigation risks.

There are no readily ascertainable market prices for most of the distressed debt assets that we acquire. When determining the acquisition price of distressed debt assets, our in-house valuation team and/or qualified independent valuers will consider various factors, including (i) our due diligence on the quality of distressed debt assets; (ii) estimated costs associated with the management or disposal of such debt assets; and (iii) market conditions and competitive dynamics. Our due diligence strategy and selection process for acquiring distressed debt assets may not be successfully implemented which may result in unsatisfactory returns or losses from our investment.

The valuation methods adopted by our in-house valuation team and/or qualified independent valuers to appraise the value of distressed debt assets involve subjective judgments, assumptions and opinions, which may not be accurate or correct. Given the complexity of our investment strategies, we typically utilize some analytical approaches with reference to the information and data provided by the sellers of distressed debt assets or third parties in pricing. In the event that these analytical approaches, data and information prove to be incorrect, inaccurate, misleading or incomplete, any decisions made in reliance thereon may expose us to potential risks. We may make unsound acquisition decisions, including acquiring distressed debt assets at prices higher than the reasonable market level, due to our failure to accurately determine reasonable market prices for distressed debt assets.

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

As of June 30, 2015, the Company's distressed debt assets classified as receivables in the industries of (i) real estate, (ii) manufacturing, (iii) construction and (iv) mining represented 64.4%, 13.2%, 4.0% and 3.9% of the total distressed debt assets classified as receivables, respectively. Our risk exposure to the PRC real estate industry primarily relates to receivables due from real estate companies or secured by real estate collateral. In the past few years, the PRC Government had imposed restrictive policies to control the real estate market, including restrictive credit measures relating to land, tax, property development, mortgage and other real estate transactions and developments, increase in down-payment ratios and interest rates of property mortgage, as well as restrictions on investments and sales of real estate properties. If the PRC Government implements more restrictive policies or extends the implementation periods for any of the relevant policies, it may materially and adversely affect the capability and willingness of the debtors to repay, as well as the value and quality of the properties pledged as collateral. Meanwhile, if any other industry which accounts for a significant portion of our distressed debt assets classified as receivables experiences an adverse development trend, the debtors of such distressed debt assets classified as receivables may be unable to repay us or may default in repayment. As a result, our asset quality, results of operations and financial condition may be materially and adversely affected.

Our DES Asset portfolio primarily concentrates in the industrial, materials, and energy sectors. As of June 30, 2015, the carrying amount of our DES Assets in industrial, materials and energy sectors represented 56.4%, 22.8% and 6.7%, respectively, of the total carrying amount of all of our DES Assets. Certain of the industries in our DES Asset portfolio may be subject to restrictions under the policies of the PRC Government, such as certain restrictions on business expansion of enterprises in industries with excess capacity or orders to eliminate obsolete capacity of some industries. An adverse change in the business environment in any industry in which our equity interests are concentrated may lead to deterioration of the operating results of enterprises in this industry, which may in turn affect their equity value or ability to distribute dividends, and may materially and adversely affect our asset quality, results of operations and financial condition.

As of June 30, 2015, among the distressed debt assets classified as receivables, such assets from our top ten debtors, in terms of carrying amount before allowance for impairment losses, represented 5.3% of the total assets in such category. If any of these debtors fails or delays in making repayment, our asset quality, results of operations and financial condition may be materially and adversely affected.

As of June 30, 2015, our top 20 Listed DES Assets and the Major Unlisted DES Assets in terms of carrying amount accounted for 99.8% and 70.6% of the total carrying amount of our Listed DES Assets and Unlisted DES Assets, respectively. If the operating results of any of these enterprises deteriorate and, in turn, affect their equity value or ability to distribute dividend, our asset quality, results of operations and financial condition may be materially and adversely affected.

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

Distressed debt asset management is one of our main businesses. The distressed debt assets that we acquire from financial institutions and non-financial enterprises are primarily comprised of NPLs sold by banks, distressed debt assets sold by non-bank financial institutions and distressed debt sold by non-financial enterprises. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the gross amount of our distressed debt assets amounted to RMB58,356.3 million, RMB100,267.2 million, RMB191,750.4 million and RMB247,065.6 million, respectively. The profit from our distressed debt asset management and the growth of such business depends, to some extent, on the overall supply of distressed debt assets in the market and our ability to acquire distressed debt assets.

Changes in the balance of NPL of commercial banks, the balance of distressed debt assets of non-bank financial institutions, the overall volume of accounts receivable of enterprises, macro economic conditions, government policies and market liquidity fluctuations could have significant effect on the supply of distressed debt assets in the market. As a result, the supply of distressed debt assets in the market may be limited or changed adversely. The amount of distressed debt assets that we are able to acquire depends on a number of factors beyond our control, including the policies of the PRC Government, willingness of banks, non-bank financial institutions and enterprises to sell their distressed debt assets and competition with other AMCs. If we fail to acquire distressed debt assets at reasonable costs or at all, or if any changes in government policies with regard to distressed debt asset management prevent us from growing our distressed debt asset portfolio in a reasonable manner, our results of operations and financial condition may be materially and adversely affected.

***Acquisition of distressed debt assets from non-financial enterprises is a new source to expand our distressed debt asset portfolio. The success of its future development is subject to our ability to accumulate the business experience and the laws, regulations and policies.***

Since 2012, AMCs have begun to acquire large amounts of distressed debt assets from non-financial enterprises. We generally record such distressed debt assets as financial assets classified as receivables in our consolidated balance sheet and both the absolute amount and their proportion to the total distressed debt assets have been increasing. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the total distressed debt assets we acquired from non-financial enterprises were RMB4,617.3 million, RMB28,184.2 million, RMB111,566.9 million and RMB149,659.1 million, respectively, representing 7.9%, 28.1%, 58.2% and 60.6% of the total distressed debt assets classified as receivables, respectively.

Our experience or knowledge in handling the acquisition of distressed debt assets from non-financial enterprises may be insufficient because it is a new source of distressed debt assets, which may affect our ability to assess the quality of such distressed debt assets and our ability to prevent legal disputes with our transaction counterparties. In addition, we may not be able to make appropriate judgments in respect of the quality of the distressed assets and future income due to the lack of sufficient historical data, or inappropriate appraisal approaches to such assets. Furthermore, the laws, rules and policies related to the acquisition of distressed debt assets from non-financial enterprises may change from time to time, subject to the macroeconomic policies of the PRC Government and the development of the distressed asset management industry. If we fail to manage these risks and challenges effectively, our non-financial enterprise distressed debt assets business could be materially and adversely affected, which may in turn materially and adversely affect our asset quality, results of operation and financial condition.

***Due to the competition in the acquisition of distressed debt assets, we may need to purchase distressed debt assets at higher costs.***

In respect of the acquisition of distressed debt assets, we face competitive pressure from the other three AMCs in the PRC. Meanwhile, as relevant PRC regulatory authorities enhance their regulations on the minimum capital requirements of AMCs, the adequacy of capital becomes one of the main factors determining the AMCs' acquisition capacity of distressed debt assets. The other AMCs may have more sufficient capital and lower cost of capital than ours, providing them with stronger acquisition capacity of distressed debt assets.

As various provinces and cities continue to establish local asset management companies, the number of our competitors acquiring distressed debt assets may continue to increase. As at the end of March 2015, the CBRC approved local asset management companies to conduct business of bulk acquisition of distressed debt assets, which involved 11 provinces and cities, namely Jiangsu, Zhejiang, Anhui, Guangdong, Shanghai, Beijing, Tianjin, Chongqing, Fujian, Liaoning and Shandong. Such local asset management companies can participate in acquisition of distressed assets of financial institutions in batches within their respective provinces, autonomous regions and municipalities. Financial institutions such as banks, trusts, finance companies, financial leasing companies can transfer distressed debt assets in batches to those local asset management companies in accordance with the relevant laws, administrative regulations and requirements.

Given the competitive pressures from the other three AMCs and local asset management companies in respect of the acquisition of distressed debt assets, we may need to purchase distressed debt assets at higher costs.

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

A substantial portion of our distressed debt assets classified as receivables are secured by collateral, pledges or guarantees. As of June 30, 2015, the Group's assets with credit risk exposure, including distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables, that were secured by pledges, collateral or guarantees accounted for 97.7%, while assets with credit risk exposure that were secured by pledges or collateral accounted for 75.4%. The Company's distressed debt assets acquired through acquisition-and-restructuring that were secured by pledges, collateral and guarantees accounted for 99.1%, while distressed debt assets that were secured by pledges or collateral accounted for 90.2%.

The value of the collateral securing our debt assets may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors such as the PRC economy and monetary policy. The collateral securing our distressed debt assets primarily include real estate properties and other assets located in the PRC. In particular, fluctuations in the real estate market in the PRC may result in a decline in the value of the real estate properties securing our debt assets to a level significantly below the outstanding balance of principal and accrued interest of such debt assets. Any decline in the value of such collateral may reduce the amounts we can recover and increase our impairment losses on assets.

Some of the guarantees securing our distressed debt assets are provided by the debtor's related parties. Such distressed debt assets may be not secured by collateral, pledges or other security measures other than guarantees. Significant deterioration in the financial condition of a guarantor could affect the ability of such guarantor to provide guarantee. Moreover, we are subject to the risk that courts or other judicial or governmental authorities may declare the guarantee to be invalid or otherwise decline or fail to enforce such guarantee. As a result, we are exposed to the risk that we may not be able to recover all or any of the amounts guaranteed.

Moreover, we sometimes obtain assets in satisfaction of debt when acquiring or disposing distressed debt assets and we do not intend to hold these assets in the long term. Certain land and buildings which we acquired in satisfaction of debt have defects in titles primarily because, among other things, the land use right certificates or the building ownership certificates have not been obtained by the previous owners or transferred to us. As a result, we may not be able to exercise our rights over these assets, which may affect our result of disposing these assets and the amount we expect to recover.

***During the operation of acquisition-and-restructuring business, the provisions we make for impairment losses on distressed debt assets classified as receivables may not be sufficient to cover actual losses arising from these distressed debt assets.***

We conduct impairment assessments for distressed debt assets classified as receivables every six months and make provisions for impairment losses accordingly. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our provisions for impairment losses of distressed debt assets classified as receivables were RMB3,907.6 million, RMB7,247.2 million, RMB11,474.1 million and RMB15,301.8 million, respectively, and the ratios of our provisions for impairment losses to the total distressed debt assets classified as receivables were 7.1%, 7.9%, 6.8% and 7.2%, respectively. The amount of provisions for impairment losses is based on our current assessments of, and expectations for, various factors affecting the quality of our portfolio of distressed debt assets classified as receivables. These factors include the debtors' financial condition, their capability and willingness to repay, the realizable value of any collateral, the capability and willingness of the debtors' guarantors (if any) to fulfill their obligations, as well as the PRC macro-economy, monetary policies and legal environment. Many of these factors are beyond our control, and as a result, we cannot assure you that our assessment of and expectations for these factors will be accurate. In addition, our classification and provision policies for distressed debt assets classified as receivables are different from those adopted by PRC commercial banks. If our assessments of the factors that affect the quality of our portfolio of distressed debt assets classified as receivables are not accurate, our provisions for impairment losses may not be adequate to cover our actual losses, and we may need to make additional provisions for impairment losses, which may lower our profits as well as materially and adversely affect our business, results of operations and financial condition.

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

The amount of income we generate from our distressed debt assets depends on various factors, many of which are beyond our control, including the economic conditions and market conditions in the PRC and global markets, and changes in the relevant PRC policies, laws and regulations. Adverse changes in these factors could lead to deterioration in the financial condition and the repayment capability of the companies in which we hold distressed debt assets or make it difficult for us to realize the expected value of the distressed debt assets. Income from fair value changes on distressed debt assets includes (i) net gains or losses generated from the disposal of distressed debt assets designated as at fair value through profit or loss in the consolidated balance sheet, and (ii) unrealized fair value changes of such distressed debt assets. In 2012, 2013 and 2014 and for the six months ended June 30, 2015, the change in fair value of our distressed debt assets amounted to RMB249.8 million, RMB509.1 million, RMB886.2 million and RMB486.0 million, respectively. We cannot assure you that the value of distressed debt assets we acquired will not decrease or that we will achieve the returns from disposing our distressed debt assets as expected, in part or at all. In addition, we may seek to realize the value of distressed debt assets through litigation or arbitration. However, we cannot assure you that we can achieve the outcome as expected.

We realize the value of distressed debt assets primarily through debt collection and litigation, debt restructuring, DES arrangements, assets for debt repayment, negotiated transfer, asset exchange, public listings and auctions. Given the distressed debt asset management industry in the PRC is expected to further evolve, certain innovative financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed debt assets may not be available for us. In addition, our distressed debt asset management is subject to existing rules, regulations and policies, which may change from time to time based on the development of the industry. Newly introduced disposal methods may need further improvement before they are proven effective, and there are legal uncertainties with respect to new methods prior to the promulgation of rules, regulations and policies governing such new methods. Although we believe our disposal methods are in compliance with applicable rules, regulations and policies, the regulatory authorities may take different views, which could restrict or prevent us from using specific methods of distressed debt asset disposal and/or result in fines and other penalties.

***We do not participate in the daily management of the DES Companies and, as a result, our limited influence on these enterprises may affect our ability to receive dividends or exit from such investments and to realize the value of our investment in such DES Companies.***

DES asset management is one of the principal businesses of our distressed asset operations. For the history and further details of our DES Assets, see "History and Corporate Structure", "Business—Our Principal Businesses—Distressed Asset Management Business—DES Asset Management Business" and "Regulatory Environment".

According to the restrictions of the relevant government policies and regulations as well as the characteristics of our distressed asset business, we are generally unable to participate in the daily management of the DES Companies and, as a result, we have limited influence on such enterprises. The controlling shareholders, de facto controller, majority shareholders or the management of these DES Companies may make business, financial or management decisions that may not align with our interests and, as a result, may prevent us from achieving expected investment returns. In particular, before we realize gains from disposals of DES Assets, our investment returns from DES Assets consist primarily of dividends distributed by the DES Companies. The dividend policy is at the discretion of the shareholders and/ or de facto controller of these DES Companies and they may exert significant influence over dividend distribution in a manner that may not align with our interests. In addition, shareholders and/or de facto controller of these DES Companies may disagree with the manner or the prices we propose to exit from these DES Companies. If we may not be able to dispose the DES Assets in the manner, schedule and price as expected, or if we are liable for the additional legal costs arising from disputes, litigation and other legal proceedings we are involved with or against the DES Companies, their shareholders and/ or de facto controller, our business, results of operations and financial condition could be materially and adversely affected.

In addition, we may not be fully aware of issues arising from daily operations and legal compliance of DES Companies. Even if we are aware of such issues, we may not be able to make such companies to resolve the issues due to our limited influence on them. As a result, issues arising from the daily operations and legal compliance of such companies may materially and adversely affect our business, results of operations and financial condition.

We have equity interests in certain DES Companies which cannot provide us with sufficient information for Value Calculation due to restriction from the Protection of State Secret Laws.

According to the Protection of State Secret Laws, (i) confidential matters relating to national defense and military activities shall be considered as state secret, (ii) institutions and entities, without approval or authorization, shall not disclose information relating to state secret to the public, and (iii) any illegal dissemination or disclosure of state secret in violation of the Protection of State Secret Laws may be imposed with administrative or criminal penalties taking into account the specific situation. We are entitled, as a shareholder of these DES Companies, to our shareholder's rights under PRC Company Law (including but not limited to the power to attend the shareholder meetings, nominate board representatives and attend the board meetings). As a shareholder, we receive adequate information to evaluate our risks exposure in these DES Companies and to take appropriate measures to monitor and manage our exposure. However, due to the restrictions imposed under the Protection of State Secret Laws, we usually have only limited financial information and information related to significant corporate development regarding these DES Companies. As a result, we do not have full access to information regarding these DES Companies' day-to-day business. If these DES Companies' businesses involve any non-compliance or other legal issues, even if they do not necessarily pose a direct regulatory risk to us, we could be exposed to reputational risk.

***If we are unable to exit our investments in DES Companies in a timely manner or at prices higher than our acquisition cost, our business, results of operations and financial condition may be materially and adversely affected.***

As of June 30, 2015, the carrying amount of the unlisted equity investments in our DES asset portfolio accounted for 43.3% of the carrying amount of our total DES asset portfolio, and the liquidity of such unlisted equity investments is relatively low. In general, the means of exiting investments in DES Companies include share repurchase, equity transfer, initial public offering or asset restructuring. Our DES Companies may take a longer time than we expected to reach the standards for an initial public offering or for us to exit our investments through other means. As a result, our investment period may be longer than we anticipated, which could reduce our expected returns on investments. If an IPO cannot be achieved for any reason, we cannot exit our investments in the open market, which may have a material adverse impact on the realizable value of our investments. In addition, our ability to exit investments in DES Companies is also subject to capital markets conditions. If there is an adverse trend in capital markets conditions, we may be unable to sell our investments at desirable prices or may not be able to sell such assets within the time period as scheduled. Moreover, during the listing process of DES Companies, if we need to perform our obligations in accordance with applicable PRC laws to reduce holding of state-owned shares, the returns on our investments may be reduced. In 2012, 2013 and 2014, the average exit multiple of our DES investments was 2.9 times, 5.2 times and 1.9 times, respectively. We cannot assure you that we can maintain the past average exit multiple level in the future. If we are unable to exit our investments in DES Companies in a timely manner or at prices higher than our acquisition cost, our business, results of operations and financial condition may be materially and adversely affected.

***The calculated value of the equity interests we hold in certain Unlisted DES Companies disclosed in this prospectus has been assessed by an independent valuer. Since such value is not the fair value assessed in accordance with the IFRS, you should not overly rely on such calculated value.***

As of June 30, 2015, substantially all of our unlisted equity investments were DES Assets in our distressed asset portfolio.

We are unable to conduct fair value assessments on our Unlisted DES Assets because (i) there have been no price quotations in the active market for our Unlisted DES Assets; (ii) we are unable to obtain certain key information required for comprehensive fair value assessments on such Unlisted DES Assets by the valuer due to our lack of control over these enterprises; and (iii) forecasts on revenue, expenses and cash flow with respect to such enterprises are not available to us, and we are unable to make reliable estimates.

We have engaged Jones Lang LaSalle, an Independent Third Party, to calculate the value of the Major Unlisted DES Assets held by us. As of June 30, 2015, the Major Unlisted DES Assets accounted for 70.6% of the total carrying amount of our Unlisted DES Assets. See "Business—Our Principal Businesses—Distressed Asset Management Business—DES Asset Management Business" and "Appendix III—Calculated Value Report". The calculated value of the Major Unlisted DES Assets held by us was calculated by Jones Lang LaSalle in accordance with the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, and was based on certain limited procedures agreed by the Jones Lang LaSalle and us. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability by market participants in an orderly transaction conducted at the measurement date. Calculated value refers to the estimated value of an enterprise, enterprise ownership interest, collateral or intangible assets based on a professional judgment made on the value or value range by applying calculation methods as agreed upon with the client. The measurement of fair value shall be determined on the basis and assumptions used by market participants in the pricing of target assets. During the process of value calculation, if any party fails to obtain all information required for the pricing of target assets by market participants, the valuer will rely on the best information provided by the management and make assumptions accordingly. The valuer will also assess the reasonableness of the information provided by the management based on external market data and internal research. For details of principal factors Jones Lang LaSalle has considered and key assumptions adopted in arriving at the calculated value, see "Calculated Value Report" in Appendix III.

The valuer uses practicable methods to estimate the value because the information available for estimation of enterprise value is limited. The results are referred to as calculated value. Jones Lang LaSalle had limited contact with the management of the subject companies given our lack of control over the Unlisted DES Companies. Jones Lang LaSalle was unable to obtain the prospective financial information necessary for applying the income approach. Considering such limitations, Jones Lang LaSalle used the market approach as the primary approach to estimate the value of the equity investments. The market approach considers the comparable companies' benchmark multiples with relevant adjustments made to reflect the condition and utility of the appraised assets relative to the market comparable. As the Jones Lang LaSalle estimated the enterprises' values based on the agreed procedures and applied the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, it presented the results of these procedures as a calculated value instead of fair value.

The calculated value in the report of Jones Lang LaSalle was prepared based on the data of the Unlisted DES Companies from their latest financial performance and operations that are either publicly disclosed or otherwise provided and explained to us by these enterprises or their controlling shareholders. While Jones Lang LaSalle has exercised reasonably prudent care when using such information, (i) the relevant information was derived from Unlisted DES Companies and cannot be independently verified by us; (ii) there were limitations on the information provided by the Unlisted DES Companies; and (iii) the calculated value prepared by Jones Lang LaSalle was based on certain judgments and assumptions, which by nature are subjective and uncertain. The calculated value of the Major Unlisted DES Assets should not be considered as the basis for assessing the fair value of these equity interests if we are required to conduct such assessments pursuant to new accounting standards. In addition, such calculated value should not be taken as their actual realizable value or a forecast of their realizable value, and as a result, you should not overly rely on such calculated value.

***Certain risks faced by our real estate business and a number of factors in real estate industry in the PRC may materially and adversely affect the results of operations of our real estate business.***

Before a property development generates any revenues, we incur significant costs, including acquisition costs of land use rights and property construction costs. It generally takes a long cycle for a development project to generate revenues. Due to the fluctuations in the real estate market, we cannot assure you that such development will be completed within a reasonable period of time and generate profit as we expected. In addition, our property construction and development activities may be exposed to various additional risks, including but not limited to the following:

- we may be unable to identify appropriate land or obtain the land use rights for our development projects;
- we may fail to obtain or face material delays in obtaining the requisite certificates, permits and government approvals, including but not limited to various qualification certificates, land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and certificates or confirmations of completion, for our property developments;
- we may not be able to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increases in costs of raw materials, equipment, technical personnel and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government policies, changes in market conditions, delays in obtaining the requisite certificates and permits and approvals from relevant authorities, and other unforeseen problems and circumstances;
- we may lease or sell the properties developed by us at rental rates or sales prices below our expectation, and we may experience delays in the leasing or sale of properties developed by us; and
- occupancy rates, rental rates, rents and sale prices of the properties developed by us may fluctuate depending on a number of factors, including market and economic conditions, and failure to meet consumer demand in the areas of product positioning, design and pricing, which may materially and adversely affect our revenues and cash flows.

The PRC real estate market is affected by many factors, including but not limited to, general economic conditions, interest rates, inflation rate, urbanization rate, household disposable income levels and supply and demand dynamics, many of which are beyond our control. In the past few years, the PRC central and local governments had implemented stringent policies to control the real estate market. Such policies include controlling the land, taxes, real estate development, mortgage and other credit facilities for real estate transaction and development, increasing down payment ratio requirements for property purchases and interest rate level, and limiting investment in and sales of assets in the real estate market. Any further stringent regulatory policies in China or extended implementation of the relevant policies could lead to deterioration in the liquidity of the real estate market in China, which may in turn cause the decline in sales volume and prices of our properties. In addition, the value of our real properties may depreciate. We may not be able to sell our properties at favorable prices or on favorable terms, or the prices or terms offered by prospective purchasers may not be acceptable to us. It is also impossible to predict the length of time needed to find willing purchasers and to complete the property purchases. In addition, properties that we operate for long-term investment purposes may not be as profitable as we expected and the maintenance costs of holding these properties may exceed our budget. Any of the foregoing may materially and adversely impact the results of operations of our real estate development business.

### Risks Relating to Our Financial Services Business

***Our securities business may be subject to, and materially and adversely affected by external uncertainties resulted from policy, market conditions and competition.***

The principal business of Huarong Securities is directly affected by the inherent risks associated with the capital markets in the PRC, such as market volatility, overall investment sentiments, fluctuations in capital raising and trading volumes and the creditworthiness of the securities industry. The principal business of Huarong Securities is also subject to the macroeconomic conditions and liquidity of the PRC, such as monetary policies, fiscal policies, financing cost, interest rate changes and other macroeconomic policies, as well as legislation and regulations affecting the financial and securities industries.

Specifically, unfavorable economic or financial conditions and securities market volatility could reduce investor confidence and discourage securities trading and corporate finance activities, which may materially and adversely affect the commission and fee income from the brokerage business of Huarong Securities, and the underwriting and sponsor fees from its investment banking business. Unfavorable economic or financial conditions may materially and adversely affect the value of proprietary investment positions and asset management portfolio, which may in turn materially and adversely affect the gains and losses from Huarong Securities' proprietary business and reduce the management fees from its asset management business. Large number of clients may redeem their assets in asset management portfolio which may materially and adversely affect the income from asset management business of Huarong Securities. Besides, unfavorable economic or financial conditions in the PRC and market volatility could also increase the risk of default of margin financing and securities lending clients of Huarong Securities, which may also materially and adversely affect our securities business.

***As the PRC securities industry is highly competitive, our securities business may be materially and adversely affected if we are unable to compete effectively.***

As the PRC securities industry is highly competitive, Huarong Securities faces intense competition in most of its business lines. Huarong Securities competes with PRC securities firms, commercial banks, insurance companies and other financial institutions in various specific business lines. Commercial banks, insurance companies and other financial institutions are expanding their services into the traditional businesses of securities firms through continuous product and service innovation and have been competing with securities firms in certain areas.

Meanwhile, the lowering of the entry thresholds of the PRC securities industry and the trend towards mixed business operations in the PRC financial industry may cause new competitors to enter into the securities industry, or allow our current competitors to expand the scope of their business into new business areas and compete with us. The deregulation of the PRC securities industry over foreign ownership in securities companies could also induce more foreign financial institutions to enter into the PRC capital markets.

In addition, as the PRC securities industry is gradually evolving, demand for other innovative products and services may emerge, and we cannot assure you that Huarong Securities will be able to provide such innovative products and services in a timely manner. As a result, if Huarong Securities fails to compete effectively against its competitors, its business, results of operations and financial condition may be materially and adversely affected.

***The proprietary trading business under our securities business is subject to market volatility and our investment decisions. If the market experiences significant adjustment or we make mistakes in investment decisions, the financial condition and results of operations of our securities business may be materially and adversely affected.***

Huarong Securities trades equity and fixed-income securities on its own account. Trading of equity and fixed-income securities are subject to market volatility and, as a result, the results of trading activities of Huarong Securities generally correlate with the performance of the PRC securities market.

The performance of the proprietary trading business of Huarong Securities relies on its investment decisions based on the assessment of existing and future market conditions. Huarong Securities closely monitors the market value of its investment portfolio and actively refines the structure of its portfolio based on market conditions and internal risk management guidelines. Such investment decisions involve judgments and assumptions made by the management of Huarong Securities. If the investment decisions of Huarong Securities fail to effectively reduce losses while capturing gains, or the judgments and assumptions made by the management of Huarong Securities fail to reflect the actual market volatility, its proprietary trading business may not achieve the investment returns it anticipates or may even suffer material losses, any of which could materially and adversely affect the business, financial condition and results of operations of Huarong Securities.

In addition, the values of certain types of assets of Huarong Securities, such as available-for-sale financial assets, are marked to market. If the management evaluates that the decline in value of available-for-sale financial assets is not temporary, such decline in the value can result in the recognition of impairment losses. This evaluation is a matter of judgment by the management, which includes the assessment of various factors. See "Financial Information—Critical Accounting Policies and Estimates". If Huarong Securities recognizes impairment losses, its results of operations may be materially and adversely affected.

***Uncertainties relating to project completion in the investment banking business under our securities business may materially and adversely affect our business.***

In 2012, 2013 and 2014 and for the six months ended June 30, 2015, segment revenue from our investment banking business accounted for 3.8%, 3.9%, 3.9% and 1.2%, respectively, of total revenue of securities business. Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that the underwriting commission and sponsorship fees can be maintained.

Offerings of securities in the PRC, initial public offerings in particular, are subject to approvals by various regulatory authorities. The timing and results of these regulatory approvals are beyond our control. In addition, the listings of securities underwritten and sponsored by us may be significantly delayed or even terminated due to unfavorable market conditions and fluctuations in the capital markets. If such projects fail to complete on time or at all for any reason, we may not receive sponsor fees and underwriting commission as planned or at all. If we adopt the manner of hard underwriting, we may be required to purchase some or all unsubscribed securities for our own account, which could materially and adversely affect our liquidity or even result in underwriting losses. Furthermore, acting as a sponsor in securities offerings and listings, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC due to inadequate due diligence in connection with the offering, fraud or misconduct committed by issuers, their agents, other sponsors or ourselves, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting, which may materially and adversely affect our reputation, business, results of operations and financial condition.

***Inability to effectively maintain asset quality of our financial leasing business may have a material adverse impact on our business, financial condition and results of operations.***

The sustainability and future growth of the business of Huarong Financial Leasing depends largely on its ability to effectively manage credit risk and maintain the asset quality of its finance lease receivables portfolio. As a result, any deterioration in asset quality or decline in collectability of its finance lease receivables could materially and adversely affect its results of operations.

The credit risk and asset quality of the finance lease receivables portfolio of Huarong Financial Leasing may be affected by certain macro factors, including the economic condition and market condition of the PRC and global markets as well as the changes in the relevant PRC policies, laws and regulations. Adverse changes in the above factors may have a negative effect on the customers of Huarong Financial Leasing in terms of their operations, financial condition and liquidity, thereby affecting their ability to make lease payments in a timely manner. If the level of impaired finance lease receivables of Huarong Financial Leasing increases, its business, financial condition and results of operations may be materially and adversely affected.

***The collateral, pledges or other guarantees accepted in our financial leasing business may not have sufficient value or may not be enforced.***

The value of the lessees' collateral and guarantees securing our finance leases and the assets underlying such finance leases, which are disposed upon repossession, may be inadequate to cover the related finance lease receivables. Huarong Financial Leasing usually requests the lessees to provide collateral and/or guarantees to secure the obligations under the finance lease contracts. The lessees and guarantors of our finance leases are generally independent from us, our Shareholders, Directors and any of their respective associates. In the event of any material default on payment terms, we are entitled to enforce our security rights and/or repossess and dispose of the assets underlying our finance leases. The value of collateral and/or assets underlying our finance leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the operating condition of guarantors under our leases could decrease the amounts we may recover under such guarantees, thereby increasing our operating risks. Declines in the value of collateral, guarantees or assets underlying our finance leases or our inability to obtain additional guarantees may result in impairment losses and require us to make additional provisions for impairment losses on our finance lease receivables, which may materially and adversely affect our financial leasing business, results of operations and financial condition.

***The provision of our financial leasing business for impairment losses on financial leasing debt assets may not be sufficient to cover the actual losses which may be incurred by the financial leasing debt.***

Our provision for impairment losses on finance lease receivables may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment to cover such future credit losses. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we made provisions for impairment losses on finance lease receivables of RMB793.8 million, RMB833.2 million, RMB898.8 million and RMB1,144.4 million, respectively, which accounted for 1.6%, 1.5%, 1.4% and 1.5%, respectively, of the balances of finance lease receivables. The amount of such provisions is determined on the basis of relevant external regulatory requirements, our internal provisioning procedures and principles and certain other factors. Our provisions for impairment losses on finance lease receivables may prove to be inadequate if the PRC economy slows down or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables, which could reduce our profits and may affect our financial leasing business, results of operations and financial condition.

***Our banking business is concentrated in Hunan province, China. Any adverse effect on such area may materially and adversely affect our banking business asset quality, results of operation and financial condition.***

We operate our banking business mainly through Huarong Xiangjiang Bank. As of June 30, 2015 and for the six months ended June 30, 2015, the total assets and net profit of Huarong Xiangjiang Bank were RMB182,561.6 million and RMB1,163.3 million, respectively, accounting for 24.9% and 11.8% of our total assets and net profit, respectively. The deposit and loan business and intermediary business of Huarong Xiangjiang Bank are mainly concentrated in Hunan province. As of June 30, 2015, substantially all of the total loans and total deposits of Huarong Xiangjiang Bank were derived from Hunan province. Huarong Xiangjiang Bank plans to expand its operating regions prudently in due course within the scope of and in compliance with relevant regulatory policies. However, as affected by the restriction of the PRC regulatory authorities on the establishment of branches of city commercial banks in other provinces, especially the CBRC's suspension of approving new applications of city commercial banks for their establishment of branches in other provinces since 2011, it is expected that the business and operations of Huarong Xiangjiang Bank will continue to be concentrated in Hunan province for the foreseeable future. If there is a slowdown of economic growth, any material adverse change in the economic environment or monetary environment, or occurrence of any systemic risk events in Hunan province, Huarong Xiangjiang Bank's business, financial condition and results of operations may be materially and adversely affected.

***If our banking business cannot maintain the quality of loan portfolio, our business, results of operation and financial condition may be materially and adversely affected.***

The quality of loan portfolio of Huarong Xiangjiang Bank may decline due to a number of factors. If the actual or foreseeable creditworthiness of borrowers has deteriorated or may deteriorate, such as through a decrease of corporate borrowers' profitability or cash flow or unemployment of individual borrowers, the quality of Huarong Xiangjiang Bank's assets may decline and the necessary allowance for impairment losses on loans may then increase. In case of an increase in Huarong Xiangjiang Bank's NPLs or allowance for impairment losses on loans, Huarong Xiangjiang Bank's financial condition and operational capability may be materially and adversely affected.

***The allowance for impairment losses on loans of our banking business may not be sufficient for covering the actual losses on our loan portfolio which may be incurred in future.***

The allowance for impairment losses of Huarong Xiangjiang Bank is determined according to the assessments and forecasts on various factors which may affect the quality of loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realizable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as China's economic condition, policies for the industry, interest rates, accounting standards, laws and regulatory environment. Many of these factors are beyond Huarong Xiangjiang Bank's control, and the judgments and forecasts on the aforesaid factors by Huarong Xiangjiang Bank may not be consistent with the actual conditions emerging in future. Any change of the aforementioned factors may make Huarong Xiangjiang Bank's allowance for impairment losses on loans insufficient to cover the actual losses, and as a result, may require Huarong Xiangjiang Bank to increase the allowance for such impairment losses. Hence, Huarong Xiangjiang Bank's profits may decrease, and its asset quality, results of operations and financial condition may also be materially and adversely affected.

***The collateral, pledges or guarantees under our banking business may not have a sufficient value or may not be fully realized in time.***

The value of the collateral and pledges securing the loans of Huarong Xiangjiang Bank may significantly fluctuate and decline due to various factors beyond the control of Huarong Xiangjiang Bank, including factors affecting the macro-economy of China. In addition, deterioration of the guarantors' financial conditions may have a material adverse effect on the credit quality of such loans. Huarong Xiangjiang Bank is subject to the risks arising from the courts or other judicial or government authorities declaring certain guarantees invalid or refusing or failing to enforce the same for other reasons. As a result, Huarong Xiangjiang Bank may face the risk of losing all or part of the outstanding amount of such loans, which may in turn materially and adversely affect the business, results of operations and financial condition of Huarong Xiangjiang Bank.

***The loans of our banking business are concentrated in some industries and borrowers. Any significant deterioration in the condition of such industries or borrowers could materially and adversely affect our business, financial condition and results of operations.***

Huarong Xiangjiang Bank is subject to risks in concentrating our loan business in certain industries and to certain borrowers. As of June 30, 2015, loans to (i) manufacturing, (ii) real estate, (iii) leasing and commercial service business and (iv) water conservancy, environment and public utilities management industries represented 17.1%, 14.0%, 10.3% and 10.3%, respectively, of the total corporate loans of Huarong Xiangjiang Bank. As of June 30, 2015, Huarong Xiangjiang Bank's loans extended to the ten largest single borrowers were RMB4.86 billion, representing 6.9% of the entire loan portfolio of Huarong Xiangjiang Bank. A significant or protracted downturn in such industries or deterioration in the financial condition or results of operations of such customers/borrowers may materially and adversely affect the business, financial condition, results of operations and prospects of Huarong Xiangjiang Bank.

***Change in the PRC inter-bank market liquidity and volatility in the interest rate could significantly increase the borrowing cost of inter-bank funds under our banking business, and may materially and adversely affect the liquidity and financial condition of our banking business.***

Given that Huarong Xiangjiang Bank utilizes short-term funding in the inter-bank market to satisfy some of its liquidity needs, the liquidity in the inter-bank market may have a material effect on its ability to obtain funding or on financing costs. As of December 31, 2012, 2013 and 2014 and June 30, 2015, Huarong Xiangjiang Bank's balances of deposits from financial institutions, placements from financial institutions and financial assets sold under repurchase agreements represented 41.7%, 33.7%, 20.8% and 14.9%, respectively, of the total liabilities of Huarong Xiangjiang Bank for the same date. A market rate system based on SHIBOR is gradually being developed for the PRC inter-bank market. However, due to the relatively short history in using such market rate system in the PRC domestic market, there may be significant volatility in market interest rates. We cannot assure you that SHIBOR-based market interest rates will return to the normal range in the short term if there are irregular fluctuations in such rates in the future. Any significant fluctuation in the PRC inter-bank market may have a material and adverse effect on Huarong Xiangjiang Bank's ability to obtain funding at reasonable cost through the inter-bank market and to manage liquidity. Huarong Xiangjiang Bank may be required to seek other sources of funding at a higher cost so as to satisfy its funding needs, which may materially and adversely affect the results of operations and financial condition of Huarong Xiangjiang Bank.

**Any deterioration in the ability of local government financing vehicles to repay debt or any change in national policy relating to local government financing vehicles may have an adverse impact on the asset quality, financial condition or results of operations of our banking business.**

According to the CBRC, local government financing vehicles refer to three types of legal entities (government entities, public institutions and business enterprises) that are funded and established by, and whose repayment obligations are jointly and severally borne by, local governments. These vehicles primarily engage in financing activities wholly or partially supported by direct or indirect repayment commitments or guarantees from local governments, and provide support to finance various infrastructure development and transportation investment projects.

Huarong Xiangjiang Bank has extended loans to local government financing vehicles and invested in fund trust plans and directional asset management plans under which local government financing vehicles are the ultimate borrowers. The majority of the loans Huarong Xiangjiang Bank extended to local government financing vehicles were extended to local government financing vehicles associated with the prefecture level or above government bodies, and most of these loans are secured by collateral. The principal and returns of all investment in the fund trust plans and directional asset management plans under which local government financing vehicles are the ultimate borrowers are also secured by collateral or charges.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the total outstanding balance of Huarong Xiangjiang Bank's loans to local government financing vehicles was RMB5,873.2 million, RMB5,702.0 million, RMB7,350.4 million and RMB7,096.4 million, respectively, accounting for 4.5%, 3.9%, 4.5% and 3.9%, respectively, of its total assets. As of June 30, 2015, all the loans Huarong Xiangjiang Bank extended to local government financing vehicles were classified as "normal", which means that the borrower is able to perform the contract and there is insufficient evidence to doubt the borrower's ability to repay principal and make interest payments in full on a timely basis. As of the same date, the cash flow coverage ratio of Huarong Xiangjiang Bank's loans to local government financing vehicles was classified as "fully covered", which means that the cash flow of the borrower is sufficient to repay 100% or more of the principal amount of the loan and accrued interest. As of December 31, 2012, 2013 and 2014 and June 30, 2015, Huarong Xiangjiang Bank's investment in the fund trust plans and directional asset management plans under which local government financing vehicles were the ultimate borrowers was nil, nil, RMB620.0 million and RMB620.0 million.

Huarong Xiangjiang Bank issued letters of guarantee to guarantee the performance of local government financing vehicles' commitments to third parties. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the contract amount of Huarong Xiangjiang Bank's issued letters of guarantee for the local government financing vehicles was RMB560.0 million, RMB2,960.0 million, RMB2,190.0 million and RMB2,802.5 million. Except for these letters of guarantees, Huarong Xiangjiang Bank did not provide any guarantees or make other off-balance sheet arrangements with local governments or their financing vehicles.

Since 2010, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory measures that guide PRC banks and other financial institutions to strengthen their risk management measures regarding loans to local government financing vehicles. In addition, recent media publications have continued to express concerns about the level of debts of local government financing vehicles. We cannot assure you that any measures taken by us are or will be effective or sufficient to protect us from any default by local government financing vehicles. Any unfavorable economic developments, changes in government policies, deterioration of the financial condition of local governments, significant decline of property prices or other factors may undermine the ability of local government financing vehicles to repay debt, which may in turn have an adverse impact on the asset quality, financial condition or results of operations of our banking business.

**Risks Relating to our Asset Management and investment Business**

***Our asset management business depends largely on our ability to raise funds and manage third-party funds continuously. Decline in the size of the AUM and poor management performance may materially and adversely affect our asset management and investment business.***

Our ability to raise funds for our asset management business depends on a number of factors, many of which are beyond our control. Investors may reduce or withdraw their investments due to market volatility and unfavorable economic conditions as well as when their investment objective is satisfied. Poor performance of our asset management plans, private funds or trust plans could also increase the difficulty for us to raise new funds. Our investors and potential investors continuously assess our asset management performance by taking into account the market benchmarks and performance of our competitors, which may affect our ability to raise funds for existing and future asset management plans, private funds and trust plans. If we fail to raise funds successfully, the financial condition and results of operations of our asset management business could be materially and adversely affected.

We earn management fees, which are calculated as a percentage of AUM, as well as performance fees, which are calculated as a percentage of investment returns. Investment performance affects the scale of our AUM and our ability to retain existing clients and obtain new clients. Limitations on investment options and hedging strategies, as well as market volatility, could limit our ability to provide stable returns for our clients and retain their assets under our management. Market volatility, adverse economic conditions or failure to outperform our competitors or market benchmarks may reduce the scale of our AUM or affect the performance of our asset management plans, private funds or trust plans. In the event of any circumstances above, our clients may withdraw their investments from our asset management plans or private funds or terminate the trust contracts prior to the expiry dates. As a result, both our management fees and performance fees may decline, and our competitiveness, results of operations and financial condition may be materially and adversely affected.

***If the investee companies of our fixed income investment business fail to repay the principal amount of investments and the returns thereof as scheduled due to material deterioration of their operations, our results of operations and financial condition may be materially and adversely affected.***

As of June 30, 2015, the balance of fixed income investments of our financial investments business amounted to RMB18,376.0 million. We provide financing to companies through various fixed income investments. In respect of these fixed income investments, we have established a systematic financial investment risk management system. In particular, business review and law review departments of various levels will conduct independent review for each case, and business review committees of various levels will conduct independent review and discussion for each case. The personnel of the relevant projects shall carry out ongoing evaluations and post-investment management in respect of the investment projects. However, the repayment capabilities of the investee companies in these projects depend on their operating conditions, and such conditions will be affected by various factors such as the macro-economy, legal regulation and operating environment. If the operating conditions of these investee companies experience material deterioration which is out of our anticipation, we may not be able to recover the principal amount of the foregoing fixed income investments and the returns thereof as scheduled, which could have a material adverse effect on our business, financial condition and results of operations.

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

We provide various trust plans for investors through Huarong Trust. In the process of launching trust plans, we need to inform investors about the amount of funds raised, duration, expected returns and risk of the trust plans. The investment projects of the trust plans launched by Huarong Trust mainly focus on industries such as infrastructure, manufacturing, trading and real estate. In case of a downturn or slowdown in such industries, we may not be able to collect the principal and/or expected investment returns of our trust plans. If we fail to pay the principal and expected investment returns to investors in accordance with our expectations when the trust contract expires, the reputation of our trust business will be damaged and the confidence and sentiment of investors towards our existing and future trust plans will be affected, which may materially and adversely affect the results of operations of our trust business.

***If we need to compensate the investors of our trust business with our own funds or provide liquidity support to Huarong Trust, our results of operations and financial condition may be materially and adversely affected.***

In accordance with the Administrative Measures of Trust Companies' Trust Plans of Assembled Funds (《信託公司集合資金信託計劃管理辦法》) (Yin Jian Fa [2009] No. 1) promulgated by the CBRC, in the event that any trust assets incur losses due to any violation or misconduct by Huarong Trust in performing its management obligations or conducting its trust business, Huarong Trust may need to compensate its investors with its own funds. Under such circumstances, the asset quality, financial condition and results of operations of Huarong Trust may be materially and adversely affected.

Moreover, in accordance with the Guiding Opinions of the General Office of the CBRC on Regulations on Risks of Trust Companies (《中國銀監會辦公廳關於信託公司風險監管的指導意見》) (Yin Jian Ban Fa [2014] No. 99) (the "Document No.99") published by the CBRC, shareholders of trust companies shall undertake or agree in the articles of association of the trust companies, that in case the trust companies are exposed to liquidity risk, the shareholders shall provide necessary liquidity support. As of June 30, 2015, Huarong Trust's trust assets were RMB179,103.2 million. In the event that Huarong Trust is exposed to liquidity risk, we may need to provide necessary liquidity support to Huarong Trust according to Document No. 99, which in turn may have a material adverse effect on our financial condition.

***Our private fund management business is affected by factors beyond our control, which could have a material adverse effect on our business, financial condition and results of operations.***

Our private fund management business covers equity investment, equity investment management, fixed income investment and investment advisory services. Making an accurate investment decision requires us to carefully identify and select a target company based on its business, financial condition, operations and condition of industry in which it operates. In general, this process involves a systematic analysis and estimation of the target company's profitability and sustainability. However, we may make unsound investment decisions due to fraudulent and concealed, inaccurate or misleading statements from a target company in the course of our due diligence, which could lead us to mistakenly estimate the value of the target company and affect our ability to make profit from such investments. In addition, our understanding of and judgment on the industry in which the target company operates or its business may deviate and result in inaccurate investment decisions.

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

Our private fund portfolio companies may take longer time than we expect to become suitable for public listing or for us to achieve exit through other means. In addition, our returns on private fund management are affected by the macroeconomic environment. Even in the case of successful public listings, we may be unable to exit our investments at desirable prices or within the time period as we anticipated. Our obligation in accordance with applicable laws to reduce the holding of our state-owned shares in investee companies during their public listings may also reduce returns on our investments. If we cannot exit during the planned investment period, our investment returns will continue to be exposed to market risks, and we may be unable to achieve the expected returns.

**Other Risks Relating to Our Operations**

***Our business operation is subject to credit risk.***

A substantial portion of our asset portfolio consists of distressed debt assets that we acquired from financial or non-financial enterprises. A portion of such distressed debt assets are not secured by sufficient collateral and guarantees. See "—Risks Relating to Our Distressed Debt Asset Management—If we are unable to maintain the quality of our distressed debt asset portfolio, our business, results of operations and financial condition may be materially and adversely affected". As a result, we are susceptible to credit risks associated with the deteriorating credit quality of the relevant debtors. Losses may occur due to defaults of debtors.

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

- Securities and futures business. The credit exposure from our securities and futures business mainly arises from our businesses of financing to customers, futures brokerage and repurchase transactions. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and us, which may subject us to significant expenses or even litigation risks, thereby materially and adversely affecting our financial position, results of operations and cash flows.
- Financial leasing business. Our financial leasing business is exposed to credit risk arising primarily from default by lessees or guarantors, which may result in deterioration in the quality of our lease receivables or a decline in the quality of our future receivables.
- Banking business. Our banking business is exposed to credit risk arising primarily from default by our borrowers or guarantors, and is also subject to risks related to off-balance sheet credit related commitments. If there is any default by customers and guarantors of credit related commitments in respect of off-balance sheet businesses such as bank acceptance, letters of credit and letters of guarantee, we may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have a material adverse effect on our financial condition and results of operations.

We are exposed to credit risk with respect to our asset management and investment business, including financial investments in trust, financial investment and other businesses. These financial assets may also be subject to price fluctuations as a result of the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, we may not have sufficient access to financial instruments to effectively mitigate our trading and investment risk. If our credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types or number of third parties, or if we fail to effectively manage our credit exposure, the volatility of any negative impact of credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

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

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

- Distressed asset management business. We generally adopt fixed-return rates for restructuring agreements in connection with distressed debt assets classified as receivables. While we take into account the prevailing interest rates in the market when we determine the return ratios, we generally may not be able to adjust the return ratios in line with changes in the market after we acquire such assets. Such arrangement would prevent us from increasing the return ratios when the market interest rates increase. We make interest payments on our borrowings from commercial banks and other financial institutions. A majority of our outstanding borrowings carry interest at fixed rates during their terms. If the increases in the return ratios of our projects are lower than those in the interest rates of our borrowings, our profit margin will decrease.

- Securities business. Our securities business earns interest income from deposits with banks and other non-bank financial institutions, margin financing and securities lending as well as financial assets held under resale agreements. We also make interest payments on deposits that we hold on behalf of our customers, our short-term borrowings and repurchase transactions. In addition, we hold bonds with fixed income, the interest expenditure and investment incomes in relation to the bonds with fixed income are connected to prevailing market interest rate. If the market interest rate decreased, the market price and investment returns of the bonds with fixed income will generally increase, while the interest rate risk of the re-investment in the future will also rise generally. During the period when the interest rate increases, financing costs and the interest expenditure will generally increase, while the market price and investment returns of the bonds with fixed income will generally decrease.

- Financial leasing business. Our financial leasing business is affected by interest rates, including both the interest rates charged to our financial leasing customers and the interest rates we pay for our loans and financing obligations. An increase in interest rates, or the perception that such an increase may occur, could adversely affect our ability to obtain bank loans at favorable interest rates, our ability to maximize our interest income, our ability to originate new leases and our ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (e.g. spread risk) could lead to a mismatch between interest income and interest expense, which could, in turn, result in an increase in the fluctuation of net income from interest. In the condition of spreads narrows, there might be an exposure of reduction in net income from interest. The amount of our net interest income also depends on our ability to adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings, so as to maintain our spread income and our net interest margin.

- Banking business. Net interest income of Huarong Xiangjiang Bank is subject to the adjustment of the benchmark interest rates determined by the PBOC. The PBOC publishes and revises the benchmark lending rates and deposit rates from time to time, and may further liberalize the current restrictions on interest rates in the future. If the existing requirements are substantially liberalized or eliminated, the spread between the lending rate and deposit rate in the banking industry of the PRC may narrow further as market competition intensifies, and the narrowing of net spread may reduce the net interest income of Huarong Xiangjiang Bank. Moreover, we cannot assure you that the impact of such interest rate liberalization policies can be effectively offset by adjusting the composition of the asset and liability portfolio of Huarong Xiangjiang Bank and its pricing mechanism. In addition, an increase in lending rate will result in higher financing costs of the customers of Huarong Xiangjiang Bank and may reduce the overall lending demand and increase the default risk of customers, while a decrease in deposit rate may cause the depositors to withdraw their funds from Huarong Xiangjiang Bank. Huarong Xiangjiang Bank also conducts trading and investment activities involving certain financial instruments in the domestic market of the PRC. The income from such activities may fluctuate due to changes in interest rates, which may in turn materially and adversely affect the results of operations and financial condition of Huarong Xiangjing Bank.

- Asset management and investment business. Our trust business and fixed income investment business may be adversely affected by significant interest rate fluctuations. We act as a trustee to manage entrusted property through our trust business and receive commission and fee income. In the event that market interest rates fluctuate significantly, our revenue from trust business may decrease, which will have a material adverse effect on our trust business. We invest in subject enterprises through our fixed income investment business in order to achieve a fixed return. An increase in market interest rates may cause the prices of fixed income investment instruments to decrease, and our fixed income investment business may be materially and adversely affected.

Interest rates are highly sensitive to a number of factors, including: the monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For details of the monetary policy promulgated by the PBOC, please refer to "Financial Information—External Factors Affecting our Results of Operations—Monetary Policy and Interest Rate Environment". The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our business operation is exposed to market risk.***

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

Certain of our assets, such as part of our available-for-sale financial assets, are valued at market prices. If the available-for-sale financial assets devalue significantly and our management considers that the devaluation is not temporary, impairment losses may be recognized. Such estimates are based on judgments which involve the assessment of various factors. See "Financial Information—Critical Accounting Policies and Estimates". The recognition of asset impairment losses may have a material adverse impact on our results of operations.

***Our business operation is exposed to liquidity risk.***

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

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

***Our business operation is exposed to operational risk.***

Our business operations depend, to a large extent, on the proper operation of business, accounting and other data processing systems, and the proper handling of documents relating to our business, finance and operation, by our staff. If our staff make any mistake in operating data processing systems or handling documents, we may suffer from business disruption, financial loss, intervention by regulatory authorities and reputational loss. Although we provide regular training on the management of operational risk to our staff, we cannot assure you that they will not make any operational errors. If any operational errors occur, we may not be able to identify or rectify these operational errors and solve the problems caused thereby in a timely manner, or at all. Such problems may include failure to carry out the operation of key business, wrong execution or delay, impairing our ability to monitor and manage data or non-compliance with regulatory requirements. If we cannot solve these problems in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

In addition, financial institutions typically utilize various financial instruments to manage risks associated with their businesses. The current development state of the financial markets in the PRC and current PRC laws and regulations. However, the restrictions on the types of financial instruments we may use to mitigate different risks affect our risk management capability and effectiveness. As a result, we may be unable to take timely and appropriate measures to manage our risks due to the limited risk management methods available to us.

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

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

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

In addition, the minimum capital of subsidiaries of our Group which are engaged in financial services including banking, securities and futures, financial leasing and trust business shall meet the applicable regulatory requirements set forth by their respective regulatory authorities. As a result, our business activities may be restricted.

- Securities business. According to the requirements of the CSRC, the regulatory standard of ratio of Net Capital to net assets of Huarong Securities shall not fall below 40%, the regulatory standard of ratio of Net Capital to liabilities shall not fall below 8% and the regulatory standard of ratio of net assets to liabilities shall not fall below 20%. The Net Capital for securities companies, a consolidated risk control standard which is established pursuant to the business scope of securities companies and the liquidity features of their assets and liabilities, is determined based on the net assets after making risk-adjustment to the assets and liabilities as well as relevant businesses. If Huarong Securities fails to meet the above capital regulatory requirements, the CSRC may take regulatory measures including limiting the development of capital intensive businesses of Huarong Securities and requiring Huarong Securities to launch capital replenishment plans and adjust its dividend policy during capital replenishment. Such measures may have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Securities.
- Financial leasing business. According to the requirements of the CBRC, the Net Capital of Huarong Financial Leasing shall not fall below 8% of its risk-weighted assets. If Huarong Financial Leasing fails to meet the above capital regulatory requirements, the CBRC may

take regulatory measures including suspension of business and restriction of shareholders' rights. Such measures may have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Financial Leasing.

- Banking business. According to the requirements of the CBRC, from January 1, 2013, Huarong Xiangjiang Bank is required to maintain a minimum core Tier 1 capital adequacy ratio of 5%, a minimum Tier 1 capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8% and must gradually meet a minimum core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by December 31, 2018. If Huarong Xiangjiang Bank fails to meet the capital regulatory requirements, the CBRC may take regulatory measures, including requiring Huarong Xiangjiang Bank to control the growth of risk assets, restricting or prohibiting the expansion of branches, conducting new businesses and limiting distributions of dividends. These measures could have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Xiangjiang Bank.
- Trust business. According to the requirements of the CBRC, the Net Capital of Huarong Trust shall not be less than RMB200 million, and shall not fall below 100% of the sum of various types of risk capital or 40% of net assets. Net Capital for trust companies is defined as net assets minus risk mitigation for all assets minus risk mitigation for contingent liabilities minus other risk mitigation determined by the CBRC. If Huarong Trust fails to meet the above capital regulatory requirements, the CBRC may take regulatory measures including requiring Huarong Trust to take measures to adjust its business and asset structure or replenish capital, and limiting the growth rate of the trust business of Huarong Trust. Such measures may have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Trust.

***We recorded net cash outflow from operating activities. If we continue to record negative net cash flow from operating activities, we may need extra capital in the future.***

For the six months ended June 30, 2015, our net cash outflow used in operating activities was RMB22,149.7 million, and in the future, we may continue to record negative cash flow from operating activities. Our cash expenses for operating activities are mainly used for the acquisition of distressed debt assets classified as receivables and financial assets designated as at fair value through profit or loss, and the expansion of our banking and financial leasing business. We expect that the cash used for acquisition of distressed assets and provision of loan or financial leasing to customers will increase in line with our business expansion. The net cash used in operating activities may affect our ability to acquire distressed debt assets, develop our business and settle capital expenditure requirement, and we may need to obtain sufficient external financing in order to satisfy our financial needs and repay our debts. If we cannot repay our debt in a timely manner, our creditors may request us to repay the relevant debts immediately. We may not be able to have or maintain a positive cash flow from operating activities. Even if we have positive cash flow from operating activities, it may not be sufficient enough to satisfy our expected capital expenditure and other cash needs.

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

A substantial amount of funds is required to support the growth of our asset portfolio and future expansion of our business operations. As of June 30, 2015, we had an amount due to the MOF of

RMB7,627.3 million, which was the consideration payable to the MOF for the acquisition of distressed debt assets by us before 2012, and shall be paid to the MOF by installments of RMB3,940.8 million each within five years from 2013. As of June 30, 2015, we had repaid RMB11,822.5 million.

We have been gradually expanding market-oriented sources of funding, primarily including (i) borrowings from banks and non-bank financial institutions and (ii) proceeds from the issuance of bonds. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our borrowings, which were primarily from market-oriented sources, was RMB89,759.9 million, RMB136,131.1 million, RMB239,885.2 million and RMB294,064.0 million, respectively. In 2012, 2013 and 2014 and for the six months ended June 30, 2015, our interest expenses on such borrowings were RMB4,398.5 million, RMB6,232.0 million, RMB12,419.4 million and RMB8,002.5 million, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our bonds issued was RMB3,487.0 million, RMB17,886.2 million, RMB48,002.1 million and RMB76,362.1 million, respectively. In 2012, 2013 and 2014 and for the six months ended June 30, 2015, our interest expenses on bonds issued were RMB111.3 million, RMB371.1 million, RMB1,105.9 million and RMB1,689.1 million, respectively. We may need additional funding for the further acquisition of distressed debt assets and other investments. If there are changes in international and/or domestic macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements with commercial banks, we may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet our business needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to fund our operations, investments and business expansion, introduce new business or compete effectively.

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

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

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

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

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

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

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

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

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

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

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

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

We cannot assure you that our growth will continue in the future. The expansion of our business activities poses various challenges to us, including but not limited to:

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

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

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

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

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

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

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

***We are subject to extensive regulatory requirements of the PRC and overseas regulatory authorities, any non-compliance with applicable regulatory requirements may result in penalties.***

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

Our distressed asset management business is subject to the supervision of the MOF and the CBRC. Our financial services are subject to supervision of various authorities, including but not limited to the CBRC, the CSRC and the PBOC. These regulatory authorities impose requirements on our businesses in various aspects, including capital adequacy ratios, capital deposits, financial leverage ratios and other types of deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolios, as well as the number and locations of branches and sub-branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict our business activities and require us to incur increased expenses, restate or write down the value of our assets or liabilities, and devote considerable time and resources to such compliance.

We are subject to periodic and non-periodic inspections by the CBRC, the CSRC, the PBOC and other PRC governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of our compliance with PRC laws and regulations. In addition, Huarong International is subject to the laws and regulation in Hong Kong and the supervision of Hong Kong government. See "Regulatory Environment—Hong Kong Regulatory Environment".

We cannot assure you that we can meet all the applicable regulatory requirements, or comply with all the applicable regulations or guidelines at all times, nor can we assure you that the results of the regular and special inspections by the MOF or other regulatory authorities will not have any adverse effect on us. Failure to meet all the applicable regulatory requirements may result in sanctions, fines, penalties or other disciplinary actions, including a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to launch new businesses and harm our reputation, and consequently materially and adversely affect our results of operations and financial condition.

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

We operate our distressed asset management business through the Head Office and the Company Branches. As of June 30, 2015, we had 31 Company Branches in the PRC. The Company Branches are located in various geographical regions and are authorized to conduct their operations and management within our management system. We conduct our asset management and investment business and provide a wide range of financial services, including securities, financial leasing, banking, trust and futures, primarily through our subsidiaries in the PRC and Hong Kong. Certain of our subsidiaries also have other shareholders holding significant portions of shares in such subsidiaries and have a certain degree of management autonomy. For further details regarding our subsidiaries, see "History and Corporate Structure". We cannot assure you that our strategies and policies are implemented effectively and consistently in each subsidiary and branch or that we can maintain the current shareholding proportion or control of subsidiaries.

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

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

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

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law (中國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. See "Regulatory Environment—AMCs and their Distressed Asset Management Business—Other Provisions Regarding Institutional Regulation of AMCs—Anti-money Laundering" and "Regulatory Environment—The Hong Kong Regulatory Environment—Anti-money Laundering and Counter-terrorist Financing Guideline".

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

***We face uncertainties due to economic sanction regulations imposed by the U.S. and other jurisdictions.***

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with some countries or governments, such as Iran, Cuba, Sudan and Syria, and with some persons or businesses that have been specially designated by the U.S. Office of Foreign Assets Control ("OFAC") or other U.S. government agencies. The U.S. has also imposed less comprehensive sanctions on North Korea, Myanmar and Russia, among other countries. Other governments and international or regional organizations, such as the United Kingdom, Australia, the European Union, and the United Nations, also impose similar economic sanctions on some of these countries, governments, persons and businesses.

In addition, non-U.S. persons can potentially be penalized under U.S. secondary sanctions for engaging in some activities relating to Iran, its government or certain designated persons. Penalties are infrequently imposed under these secondary sanctions.

According to information from some publicly available Internet and media reports (the "Subject Information"), some of the Policy DES Companies in which we have minority shareholdings (the "Subject Companies"), among which, some companies have defense related business, may engage in business dealings in or with Iran or other countries or persons to which some OFAC-administered and other sanctions apply, potentially including U.S. secondary sanctions (the "Subject Business").

We have no control over any Subject Company and are not involved in the operation of any Subject Company. We have not been notified that any economic sanctions will be imposed on us. As of the Latest Practicable Date, none of the Subject Companies are specifically identified on the Specially Designated Nationals and Blocked Persons ("SDN") list maintained by the OFAC or other sanctions lists maintained by the European Union, the United Kingdom or the United Nations and therefore would not be deemed as sanctioned targets. Except for the Subject Information, the Company is not aware that any Subject Company has or plans to conduct any Subject Business. Furthermore, the directors nominated by the Company to the board of the Subject Companies have confirmed to the Company that they are not aware that the Subject Companies are engaging in any Subject Business. Moreover, the Company intends to dispose of its equity interests in the Subject Companies as soon as practicably, subject to market conditions, valuation and commercial terms.

The aggregate carrying amount of the equity interests we hold in the Subject Companies constituted less than 0.2% of our total assets as of December 31, 2014. Our total income in 2014 attributable to the Subject Companies amounted to less than 0.1% of our total income in 2014. During the Track Record Period, all the income we derived from the Subject Companies was in the form of dividend income and was settled by wire transfer payment in RMB though PRC domestic banks. We do not expect any material increase in our income from the Subject Companies in the next three years.

We have not exercised, and cannot exercise, control over the Subject Companies based on relevant PRC regulations and regulatory requirements, including but not limited to the Regulations on Financial Asset Management Companies (State Council Order No. 297) promulgated by the State Council and effective from November 10, 2000, the Notice in Relation to the Opinions on Certain Issues Regarding Converting Debt into Equity issued by State Economic and Trade Commission and the PBOC (Guo Jing Mao Chan Ye [1999] No. 727) on July 30, 1999, and the Notice in Relation to Further Regulation on Issues Regarding to Equity Investment of Financial Asset Management Companies during Commercialized Transformation (Cai Jin [2007] No. 143) promulgated by the MOF and effective from December 26, 2007. These and other relevant laws explicitly require us not to participate in the day-to-day operating activities of the Policy DES Companies, and also significantly restrict our access to the financial and other business information of the Subject Companies. As a result, we are not able to confirm the truth or accuracy of the Subject Information.

While we believe that we are not in violation of any applicable U.S., EU or United Nations sanctions and that our operating activities are not currently sanctionable under U.S., EU or United Nations law, it is possible that some of our DES Companies could be exposed to penalties under U.S. secondary sanctions. However, in the event that such penalties are imposed, we do not believe that we would also be subject to such penalties, on the basis of our passive, minority investments in such DES Companies. However, we cannot predict with certainty the interpretation or implementation of any country or international institution's sanctions policies and we cannot assure you that existing sanctions laws will not change. Any alleged violations of economic sanctions could adversely affect our public image and reputation and have an adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

***We may be involved in litigations, arbitrations and other disputes due to the nature of our businesses, which may expose us to potential liabilities.***

We are often involved in litigations, arbitrations and other disputes in the ordinary course of our businesses. In our experience, such litigations, arbitrations and other disputes relate to a variety of reasons, including, (i) we seek to recover outstanding amounts from our debtors or guarantor, or enforce collateral and pledges or other guarantees; (ii) we and our counterparties involved in acquisitions or disposals of distressed debt assets seek court orders or arbitrations to affirm the respective legal rights; (iii) some of the entrustment agreements in connection with our distressed asset management services may contain unclear provisions of our obligations assumed during the entrustment management process, based on which our clients may allege that we have not fulfilled our obligations as trustee if the disposal of the distressed assets does not achieve the anticipated results; (iv) disagreements with the DES Companies and their controlling shareholders in relation to our interests in the DES Companies and certain contractual arrangements; or (v) for our custody, liquidation and restructuring business, the creditor of an entity under custody, liquidation and restructuring or other related parties may consider that we shall be legally liable for such entity under custody, or the entity under custody, liquidation and restructuring or other stakeholders may challenge our qualifications or legal status as custodian, liquidator or restructuring manager. Lawsuits and arbitration claims against us may arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, we will make provisions for the loss based on the relevant accounting policies. We will also make provisions for losses with respect to pending proceedings, arbitrations and other disputes against us. See "Business—Legal and Regulatory Proceedings—Litigation and Arbitration" and Note VI.56 to the Accountants' Report in Appendix I. We cannot assure you that the judgments in any of the litigations or arbitrations in which we are involved would be favorable to us or that the provisions we have made for litigation, arbitrations or other disputes are adequate to cover all the losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions will also be changed. We expect that we will continue to be involved in various litigations, arbitrations and other disputes in the future, which may expose us to additional risks and losses.

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

***Our acquisitions may not be successful.***

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

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

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

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

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

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

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

As of August 31, 2015, we held 353 properties with an aggregate gross floor area of approximately 394,181.4 sq.m. in the PRC. Among these properties, there were 37 properties with an aggregate gross floor area of approximately 134,418.3 sq.m. with respect to which we did not obtain the land use right certificates for the land where the properties are located through land assignment or capital contribution and/or building ownership certificates. We are in the process of communicating closely with the local land and property administrative authorities to obtain the relevant land use right certificates and/or building ownership certificates. However, we may not be able to obtain certificates for all of these properties due to title defects or other reasons, which may adversely affect our land use rights and ownership rights in respect of these properties. If we were forced to relocate any of the operations we conduct on the above affected properties, we may suffer disruptions in such business operations and incur additional costs.

In addition, as of August 31, 2015, we leased from certain Independent Third Parties 459 properties with an aggregate gross floor area of approximately 255,697.6 sq.m. in the PRC, primarily as business premises for our branches and sub-branches and subsidiaries. Among these properties, there were 102 leased properties with a gross floor area of approximately 47,373.5 sq.m. leased from a third party with respect to which the lessors were not able to provide the building ownership certificates of the properties, other evidences or the documents evidencing the consent or authorization of the title owners of the properties for the leases by the lessors. In addition, we may not be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of being challenged or were not renewed upon expiration, we may need to seek alternative premises, which may lead to disruptions in our business operations and cause us to incur additional costs relating to such relocations. Furthermore, as of August 31, 2015, lease agreements for 445 properties with an aggregate gross floor area of approximately 250,534.7 sq.m. that we have leased from third-party lessors had not been registered with the relevant PRC regulatory authorities. These properties accounted for 98.0% of properties we have leased from third-party lessors in terms of the aggregate gross floor area. Although the lack of registration of the lease agreements may not affect the legality of such agreements, we may suffer penalties imposed by relevant PRC regulatory authorities. For details, refer to “Business—Properties”.

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

Following the completion of the Global Offering, the MOF will remain the largest Shareholder of the Company. Immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, the MOF will hold approximately 64.50% of our Shares; assuming that the Over-Allotment Option is fully exercised, the MOF will hold approximately 62.87% of our Shares. As the MOF will remain the largest Shareholder of the Company, it is entitled to exercise significant influence over us, including matters relating to:

- nomination and election of the Directors and Supervisors;
- determination of business strategies and investment plans;
- determination of dividend distribution;
- change of use of proceeds; and
- review of any plans related to major corporate activities, including mergers, acquisitions or investments.

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

***We may have disputes with the other shareholders of our joint ventures.***

We currently operate certain businesses through our joint ventures and we may establish new joint ventures in the future. As we do not own the entire equity interests in such joint ventures, the cooperative relationship with the shareholders of such joint ventures will affect our ability to effectively implement operational strategies in relation to those joint ventures and other markets in which they operate. We cannot assure you that any of the other shareholders of such joint ventures will maintain good relationships with us in the future. The other shareholders of such joint ventures may have disputes with us for certain reasons, including (i) having economic or commercial interests or purposes which conflict with ours; (ii) experiencing a change of control; (iii) encountering financial or other operational difficulties; or (iv) being unable or not willing to assume liabilities in connection with the joint ventures or the joint venture contracts. In the event that any of the above events occurs, the results of operations or financial condition of our joint ventures may be materially and adversely affected.

## RISKS RELATING TO THE FINANCIAL INDUSTRY IN CHINA

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

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

The complex economic and financial environment has had and may continue to have adverse impact on investors' confidence and the financial market. Concerns about economic downturn, deflation, increase of the unemployment rate, insufficient supply of credit, fluctuation in price of funds, low consumer confidence, fluctuation of the capital market, solution to excess capacity and the cyclical fluctuation of some industries may all have adverse impact on our businesses.

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

- the value of our asset portfolio, including distressed debt assets, DES Assets, stocks, bonds and private fund management, is closely correlated with monetary policies and credit supply, performance of capital markets and the market prices of bulk commodities. Adverse economic and market conditions could negatively affect the value and returns on our financial assets and investments, which could reduce the value of our trading and investment positions, affect our profitability, limit our liquidity, reduce our possibility to realize gains and affect opportunities to exit from our investments;
- Due to the influence of the real estate industry cycle, income from distressed asset acquisition-and-restructuring business and investment and financing business involving the real estate industry decreased and default risks increased, and the income from some real estate development projects also decreased;
- The downward trend of macro-economy of China and the adverse market condition may make our customers cut down the trade volume and investment and financing activities, which may have adverse impact on the business cycle and income level of our distressed assets disposal business and equity investment and financing business;
- unfavorable economic and market conditions may increase the risk of default in the investment and financing business, trust business and finance leases we provide to our customers; and
- adverse economic conditions could affect our ability to effectively deploy capital as well as our ability to raise new funds and attract new investments.

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

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

For our distressed asset management business, we primarily compete with China Great Wall, China Orient and China Cinda. Although the distressed asset management industry in China is currently dominated by the top four AMCs, it may become increasingly competitive, including but not limited to the local asset management companies established successively. Some of these asset management companies may have a more established presence in certain areas and more management and technology resources than we do. We may also compete with asset management companies established by the local governments and private or foreign financial institutions engaging in distressed asset operations. Certain local asset management companies may have simpler management structures and procedures in certain regions and business areas. We compete with our competitors engaging in the distressed asset operation business mainly in acquiring distressed assets from financial institutions and non-financial enterprises. Such competition may materially and adversely affect our distressed asset operations business by reducing our market shares, the size of our distressed asset portfolios and our revenue from disposal of distressed assets, and increasing the asset acquisition costs, marketing expenses and competition for middle-level and senior management personnel and qualified professional talents.

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

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

The PRC financial industry is strictly regulated. AMCs like us, including their branches and subsidiaries, are subject to regulations on various aspects, including capital adequacy ratios, business licenses, the scope of operations, the scope of investments, as well as the specific regulatory requirements for each financial sector, such as banking, securities and financial leasing, in which they operate. For details, see "Regulatory Environment". Our business and operations are subject to changes in policies, laws, rules and regulations of the PRC relating to the financial industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies.

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

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

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

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

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

Investments in AMCs are subject to ownership restrictions. Prior approval from the CBRC is required for any individual or corporation to hold 5% or more of the registered capital or total issued shares of an AMC. If a shareholder of an AMC increases its shareholding to 5% or more without obtaining prior approval from the CBRC, such shareholder may be subject to sanctions imposed by the

CBRC, such as the correction of such misconduct, fines and confiscation of any related gains. For a shareholder holding 5% or more of our total issued shares (hereinafter referred to as "Excess Shares") without obtaining prior approval from the CBRC, our Articles of Association contain provisions that restrict such shareholder from exercising certain rights over such Excess Shares prior to obtaining such approval. As a result, current ownership restrictions and future changes in ownership restrictions as imposed by the PRC Government may materially and adversely affect the value of your investment.

## RISKS RELATING TO CHINA

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

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

The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be as effective as expected in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measure reduces the disposable income of the overall population who purchase financial products or services, such measures may have a material adverse effect on our business, financial condition, results of operations and prospects.

Though the PRC has been one of the world's fastest growing economies as measured by GDP growth in recent years, the PRC may not be able to sustain historical growth rates. Since the global financial crisis, the GDP growth in the PRC has slowed down. The growth rate of China's GDP decreased from 10.6% in 2010 to 9.5% in 2011, and further decreased to 7.4% in 2014. An economic slowdown in the PRC could substantially and adversely affect the financial markets in the PRC and Hong Kong, which in turn could affect our financial condition and results of operations.

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

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

Our Articles of Association provide that disputes or claims between holders of H Shares and the Company, the Directors, Supervisors or senior management or holders of Domestic Shares, arising out of any rights or obligations conferred or imposed upon us by our Articles of Association, the PRC

Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with their respective applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Award between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), awards that are made by the PRC arbitral authorities under the Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) can be recognized and enforced by Hong Kong courts. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong (香港仲裁條例) may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, no assurance can be given as to the outcome of any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares.

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

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

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

In addition, we will be subject to the regulations under the Hong Kong Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to act in violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. However, the Hong Kong Listing Rules and the Hong Kong Takeovers Code do not have the force of law.

***You may be subject to PRC taxation.***

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of the Company ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, non-PRC resident individual shareholders of a domestic non-foreign invested enterprise whose shares are listed in Hong Kong may be entitled to preferential tax treatments in accordance with applicable tax treaties between the countries in which they are tax residents and the PRC as well as the tax arrangements between Mainland China and Hong Kong (Macau). Dividend income of individual shareholders who are residents of countries that have not entered into taxation treaties with the PRC is generally subject to income tax at the rate of 20%. However, domestic non-foreign-invested enterprises whose shares are listed in Hong Kong generally may withhold individual income tax at the rate of 10% when distributing dividends with respect to such listed shares without prior application to the PRC tax authorities. If we pay a dividend, we will be required to withhold tax at the applicable rate (which can be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the company). In addition, according to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, non-PRC resident individuals are subject to individual income tax at a rate of 20% on gains realized upon sale of equity interests of a PRC resident enterprise. There are no specific PRC laws or regulations imposing individual income tax on non-PRC resident individuals of gains realized upon sale of shares of a PRC resident enterprise listed on an overseas stock exchange. To our knowledge, in practice the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals for gains realized upon sale of shares of a PRC resident enterprise listed on an overseas stock exchange. If such tax is collected in the future, the investment value of such H Shares held by the individual holders may be materially and adversely affected. Please see "Appendix IV—Taxation and Foreign Exchange—PRC Taxation".

Pursuant to the EIT Law and its implementation rules, income generated from the PRC (including gains derived from the disposal of equity interests in PRC resident enterprise and PRC-sourced dividends) by Non-PRC Resident Enterprises is generally subject to EIT at a rate of 10%, subject to the provisions of any applicable special arrangements or treaties. Pursuant to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (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) promulgated by the SAT on November 6, 2008, dividends paid to Non-PRC Resident Enterprise H Shareholders that are derived from profits generated since January 1, 2008 are subject to the withholding of EIT at a rate of 10%. Accordingly, we intend to withhold income tax from any dividend paid through CCASS or otherwise paid to Non-PRC Resident Enterprises H Shareholders. Non-PRC Resident Enterprises H Shareholders that are entitled to preferential tax treatments pursuant to any tax treaty or arrangement may apply to the relevant tax authorities for refund of the excess amount withheld. See

"Appendix IV—Taxation and Foreign Exchange—PRC Taxation". As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how EIT on gains derived upon transfer or other disposal of H Shares should be collected from Non-PRC Resident Enterprises H Shareholders. If such taxes are collected in the future, the investment value of H Shares held by the enterprise holders may be materially and adversely affected.

***Government control of currency conversion may materially and adversely affect the value of your investments.***

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not freely convertible into foreign currencies. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on dividends declared on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies through current account transactions without prior approval from the SAFE by complying with specific procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under a capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or other capital activities.

Furthermore, the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these net proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

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

We generate most of our revenue in the PRC and our revenue is denominated in RMB. We also offer financial products and services in Hong Kong to overseas customers and the revenue from such business is denominated in HK dollars. In addition, our parts of capital contribution from Strategic Shareholders as well as parts of funds raised from overseas bonds are denominated in U.S. dollars. As a result, fluctuations in exchange rates, particularly Renminbi against HK dollars or U.S. dollars, could affect our profitability and may result in exchange losses of our foreign currency-denominated assets and liabilities.

The volatility in exchange rate of Renminbi against U.S. dollars and other currencies is affected by, among other factors, changes in the PRC's and international political and economic conditions and the fiscal and monetary policies of the PRC Government. In addition, it is difficult to predict how the Renminbi exchange rates may change in the future. Therefore, we cannot assure you that Renminbi will not experience significant fluctuations against U.S. dollars in the future.

The proceeds from the Global Offering will be received in HK dollars. As a result, any appreciation of Renminbi against U.S. dollars, HK dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. As a result, such exchange rate fluctuations could materially and adversely affect our business, financial condition, results of operations and prospects.

***Payment of dividends is subject to restrictions under PRC law.***

Under the laws in the PRC, we may only pay dividends out of our distributable profits. Distributable profits refer to our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory reserves, discretionary reserves and general risk reserves that we are required to make according to relevant rules. As a result, we may not have any or sufficient distributable profits to enable us to make distributions to our Shareholders.

Moreover, our subsidiaries in the PRC may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not obtain distributable profits from dividend payments by our subsidiaries. Failure to receive dividend payments from our subsidiaries could materially and adversely impact our cash flows and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

## RISKS RELATING TO THE GLOBAL OFFERING

***There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.***

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- significant information on competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and

- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the market has from time to time experienced significant price and trading volume fluctuations that might be unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

***Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.***

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

***Future sales or perceived sales of a substantial number of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.***

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time, and at a price that is favorable, to us. In addition, our Shareholders would experience dilution in their shareholdings upon the offer or sale of additional share capital or share capital-linked securities by the Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

A certain number of our Shares (including but not limited to 24,808,010,218 Shares held by the MOF upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised) currently outstanding are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See "Share Capital—Lock-up Periods" and "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering". After the lapse of the abovementioned restrictions or if they are waived or breached, future sales, or perceived sales, of substantial number of those Shares could materially and adversely impact the market price of H Shares and our ability to raise capital in the future.

Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Domestic Shares may convert their Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may materially and adversely affect the trading price of H Shares.

Subject to the approval by the relevant regulatory authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of H Shares in the market and could materially and adversely impact the market price of H Shares.

***As the Offer Price of our H Shares may be higher than our net tangible asset book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.***

As the Offer Price of our H Shares may be higher than the net tangible asset value per share in issue, which was issued to our existing Shareholders immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution of the net tangible assets by HK$0.17 per H Share (assuming an Offer Price of HK$3.21 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their Shares. In addition, holders of our H Shares may experience further dilution of their shareholdings if the Underwriters exercise the Over-allotment Option or if we issue additional Shares in the future.

***The Hong Kong Stock Exchange may revoke the waivers it granted from compliance with certain requirements of the Hong Kong Listing Rules or impose certain conditions on such waivers, exposing us and our Shareholders to additional legal and compliance obligations.***

We have applied for, and the Hong Kong Stock Exchange has granted us, a number of waivers from strict compliance with the Hong Kong Listing Rules. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies Ordinance”. There is no assurance that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

***Dividends declared in the past may not be indicative of our dividend policy in the future and declaration of dividends to Shareholders is subject to restrictions under PRC laws and regulations.***

We declared cash dividends of RMB1,248.1 million, RMB1,754.6 million and RMB1,893.0 million to Shareholders based on profit in 2012, 2013 and 2014, respectively. Under applicable PRC laws, we may only declare dividends out of our distributable profits. Distributable profits means, as determined under the PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriation to the statutory surplus reserve (determined under the PRC GAAP), discretionary surplus reserve and general risk reserves. As a result, we may not have sufficient profit to enable us to make distributions to our Shareholders in the future, even if one of our financial statements prepared in accordance with the PRC GAAP or IFRS indicates that our operations have been profitable.

***We have significant discretion as to the use of net proceeds from the Global Offering, and you may not necessarily agree with our use of such proceeds.***

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering for our working capital or other general corporate purposes, subject to adjustment based on the our business needs and changing market conditions. For details of our use of proceeds, see "Future Plans and Use of Proceeds". However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you shall depend, for the specific use of the net proceeds from the Global Offering.

***You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.***

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained and may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

***We may be subject to certain requirements under FATCA.***

Under certain provisions of the U.S. Internal Revenue Code commonly referred to as "FATCA", we and certain of our subsidiaries may be subject to 30% U.S. withholding on certain payments we receive, unless we enter into an agreement (a "FATCA Agreement") with the U.S. Internal Revenue Service or are in compliance with the terms of an intergovernmental agreement ("IGA") between the United States and the PRC. Under the terms of a FATCA Agreement or an IGA, we will be required to comply with certain due diligence and reporting procedures, and from 2019 may be required to withhold 30% from certain "foreign passthru payments" that we make. Although we do not expect that payments we make will be considered foreign passthru payments subject to FATCA withholding, final guidance has not yet been published. Investors should consult their tax advisers regarding the application of the FATCA rules to an investment in the H Shares.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

## PRC REGULATORY APPROVALS

We have obtained approvals from the CBRC and the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange, on June 25, 2015 and July 29, 2015, respectively. In granting such consent, neither the CBRC nor the CSRC accepts any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the application forms.

## THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it remains correct as of any subsequent time.

## UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related application forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting". The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

## RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person subscribing for the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her subscription of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offering and sales of the Offer Shares described in this prospectus and the related application forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related application forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus and/or the related application forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related application forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related application forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" and the relevant application forms.

## APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in:

(i) the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(ii) the H Shares which will be converted from Domestic Shares and transferred to the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned Shares;

(iii) the H Shares which will be converted from the Domestic Shares held by the MOF; and

(iv) the H Shares to be converted from Shares held by Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG pursuant to their respective Share Subscription Agreements.

Save as disclosed in the prospectus, no part of our Share capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

## PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult your professional advisors. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

## OVER-ALLOTMENT OPTION AND STABILIZATION

For details of stabilization made by the Stabilizing Manager and the Over-allotment Option, see "Underwriting—Stabilization" and "Structure of the Global Offering—The International Offering—Over-allotment Option".

## PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus and in the application forms.

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering (including its conditions) are set out in "Structure of the Global Offering" in this prospectus.

## REGISTER OF MEMBERS AND STAMP DUTY

All of the H shares issued pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our Head Office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See "Appendix IV—Taxation and Foreign Exchange".

## DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless otherwise determined by us, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders listed on our H Share register, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

## REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of the Directors, Supervisors, managers and officers agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of the Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

## H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made by us for the H Shares to be admitted into CCASS.

## CURRENCY CONVERSION

Unless otherwise specified, amounts denominated in RMB and US$ have been converted, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.0000: RMB0.82081 (set by the PBOC for foreign exchange transactions prevailing on September 30, 2015)

HK$7.7501: US$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on October 2, 2015)

No representation is made that any amounts in RMB, US$ or HK$ can or could have been at the relevant dates converted at the above rates or any other rates or at all.

## LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. For certain laws and regulations, government authorities, institutions, natural persons or other entities of the PRC without official English names mentioned in this prospectus, the English translation of their names is not official translation and is for reference only.

## ROUNDING

Any discrepancies in any table of this prospectus between totals and sums of amounts listed therein are due to rounding.

## WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our Executive Directors must be ordinarily resident in Hong Kong. Since most of the business operation of the Company and our subsidiaries are managed and conducted outside of Hong Kong, and substantially all of our Executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

(a) We have appointed Mr. Ke Kasheng and Mr. Hu Jianjun, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with their contact details, and they can be readily contactable by phone, fax and email to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. We will implement such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to the authorized representatives; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives.

(b) We have provided the Hong Kong Stock Exchange with the contact details of each Director to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period as and when required.

(c) We have appointed joint compliance advisors pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Hong Kong Stock Exchange, and their representatives will be readily available to answer enquiries from the Hong Kong Stock Exchange. The joint compliance advisors will have access at all times to the authorized representatives, the Directors and other senior management of the Company to ensure prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of the Company.

(d) We will appoint a Hong Kong legal advisor in addition to the joint compliance advisors to (i) inform the Company on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company, and (ii) advise the Company on continuing compliance of the requirements under the Listing Rules and applicable laws and regulations as required under Rule 19A.06(3).

## APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our appointment of company secretaries must comply with Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint the company secretary as an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the following academic and professional qualifications deemed acceptable by the Hong Kong Stock Exchange:

(a) a Member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange will consider when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Hu Jianjun and Mr. Ngai Wai Fung as the joint company secretaries to jointly discharge the duties and responsibilities of the company secretary of the Company with reference to their work experience and qualifications. Mr. Hu Jianjun is currently the Board secretary of the Company. He joined the Company in December 2001, and had served various positions including general manager of Customer Marketing Department, director of the President Office, director of the Board Office and general manager of Beijing Branch. However, Mr. Hu does not possess the qualifications set out in Rule 3.28 of the Listing Rules. Given the importance of the company secretary's role in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, and due to his past management experience within the Group and his thorough understanding of the internal administration and business operations of the Group, we have made the following arrangements:

- Mr. Hu will make the best efforts in attending relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Hong Kong legal advisor of the Company on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- We have appointed Mr. Ngai Wai Fung who meets the requirement under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and provide assistance to Mr. Hu in discharging his duties and responsibilities as a company secretary

during the first three years commencing from the Listing Date so as to enable Mr. Hu to acquire the relevant experience to discharge the duties and responsibilities as a company secretary (as required under Note 2 to Rule 3.28 of the Listing Rules);

- Upon the expiration of the three-year period, the qualifications and experience of Mr. Hu will be re-evaluated. Mr. Hu is expected to demonstrate to satisfaction of the Hong Kong Stock Exchange that he, having had the benefit of Mr. Ngai's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules; and
- We have appointed joint compliance advisors pursuant to Rule 3A.19 of the Listing Rules, which will act as the Company's additional channel of communication with the Hong Kong Stock Exchange, and provide professional guidance and advice to the Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, an evaluation will be carried out to determine whether the qualifications of Mr. Hu can satisfy the requirements in Note 2 to Rule 3.28 of the Listing Rules. In the event that Mr. Hu has obtained the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules upon the expiration of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

## PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by public (listed on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Hong Kong Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to allow a minimum public float for the H Shares to be the higher of (i) 15% of the total issued Shares; or (ii) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (iii) such percentage of H Shares to be held by the public if the Over-allotment Option is exercised.

In support of such application, the Company has confirmed to the Hong Kong Stock Exchange that it will (i) make appropriate disclosure of the lower percentage of public float required by the Hong Kong Stock Exchange in the prospectus; and (ii) confirm the sufficiency of the public float in its successive annual reports after the Listing.

## CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 5% of the Global Offering. In the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators shall apply for an alternative clawback mechanism to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

i. 288,494,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available under the Global Offering;

ii. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 432,742,000 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

iii. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 576,988,000 H Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and

iv. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 1,153,976,000 H Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate. For details of the clawback mechanism, please see the section headed "Structure of the Global Offering" in this prospectus.

## WAIVER IN RELATION TO THE APPLICATION OF VARIOUS PROVISIONS UNDER THE LISTING RULES AND CERTIFICATE OF EXEMPTION FOR CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE IN RELATION TO SUBSIDIARIES

The Group acquires equity interests in a large number of entities through debt-to-equity swaps, foreclosure of debts and other distressed assets related transactions, which, unless otherwise consolidated as subsidiaries, are classified as available-for-sale equity investments of the Group and are not consolidated in the financial statements of the Group regardless of the Group's shareholding therein due to the absence of control on the part of the Group over such entities (the "**Unconsolidated Investee Entities**").

In some of the Unconsolidated Investee Entities, the Group holds more than 50% of the equity interests therein (the "**Unconsolidated Majority-Held Investee Entities**"). As at June 30, 2015, the Group held equity interests in 27 Unconsolidated Majority-Held Investee Entities. The carrying amount of the Group's investments in the Unconsolidated Majority-Held Investee Entities accounted for 3.6% of the available-for-sale financial assets of the Group and 0.2% of the total assets of the Group as at June 30, 2015. None of the Unconsolidated Majority-Held Investee Entities, individually or in aggregate, are material to the business or financial condition of the Group. The key features of the Unconsolidated Majority-Held Investee Entities are as follows:

- The Unconsolidated Majority-Held Investee Entities are located across a broad geographic region in the east, middle and southern regions of the PRC in various provinces and municipalities. More specifically, the locations include Beijing Municipality, Chongqing Municipality, Anhui Province, Inner-Mongolia Autonomous Region, Liaoning Province, Guangxi Province, Hebei Province, Jiangxi Province, Shaanxi Province, Guangdong Province, Sichuan Province and Henan Province.
- Among the 27 Unconsolidated Majority-Held Investee Entities, thirteen entities are engaged in the information technology industry, seven are engaged in the raw material industry, six are engaged in the industrial industry, one are engaged in the non-daily consumer goods industry, respectively.
- Of the 27 Unconsolidated Majority-Held Investee Entities, five are currently in process of being disposed of by the Company, and are at various stages in the disposal process, from evaluation and internal approval, through to being listed for sale on local property exchanges.

The Unconsolidated Majority-Held Investee Entities shall not and will not be treated as the Company's subsidiaries for the purpose of the Listing Rules, despite the fact that the Unconsolidated Majority-Held Investee Entities are technically "subsidiary undertakings" under Schedule 23 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the following grounds:

a. **Absence of control over the Unconsolidated Investee Entities:** for Unconsolidated Investee Entities, the Company historically, irrespective of its actual shareholding, has not and cannot exercise control over, nor does it materially influence, such entities (including the Unconsolidated Majority-Held Investee Entities), due to the following reasons, among other things:

i. Relevant policy and regulatory requirements of the MOF, the CBRC and the PBOC, including:

- Regulations on Financial Asset Management Companies (《金融資產管理公司條例》) (State Council Order No. 297) promulgated by the State Council and effective from November 10, 2000, which provides that financial asset management companies, in the course of management and disposal of the distressed assets resulting from the non-performing loans acquired from the state-owned banks, are permitted to perform debt-to-equity swap and hold the equities so converted on a transitional basis.

- The Notice in relation to the Opinions on Certain Issues regarding Converting Debt into Equity issued by the State Economic and Trade Commission and the PBOC (Guo Jing Mao Chan Ye [1999] No. 727) on July 30, 1999 provides that financial asset management companies, upon becoming shareholders of entities after debt-to-equity swap are allowed to hold minority or majority shares in the investee companies, nominate representatives on the board of directors and the board of supervisors as well as participate in material decision-making of the entities, but shall not involve in its daily operations.

- Notice of the MOF on further Regulating the Equity Investment of Financial Asset Management Companies during the Transition Period of Commercialization (Cai Jin [2007] No. 143) promulgated by the MOF and effective from December 26, 2007 provides that the equity interests acquired through disposal of distressed assets by financial asset management companies shall be categorized as transitional shareholding.

- Pursuant to the Notice of the MOF on Issues Regarding the Enhancement of Financial and Risk Management of Financial Asset Management Companies (Cai Jin [2013] 2) (《財政部關於加強金融資產管理公司財務和風險管理有關問題的通知》(財金[2013]2號文)), promulgated by the MOF on January 9, 2013, financial asset management companies shall not involve in the ordinary and financial management of policy DES projects in order to protect shareholders' interests and shall formulate an exit plan for more expedited exit from such investments.

ii. The Company has reached consensus with other stakeholders to maintain a passive role as a financial investor in such entities.

b. **Accounting treatment:** equity interests the Group currently holds in the Unconsolidated Investee Entities have been classified as "available-for-sale financial assets" in the Company's financial statements. The financial results of those Unconsolidated Majority-Held Investee Entities have not been consolidated in the Group's consolidated financial statements under the IFRS because, among other things, the Group was unable to exercise control over, nor did it materially influence, these entities for the reasons set out above. The non-consolidation is also due to policy reasons, which include:

- Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (Yin Jian Fa [2011]

No.20) promulgated by the CBRC and effective from March 8, 2011 provides that investee entities which may be excluded from the consolidated statements of financial asset management companies include: investee entities which are held by financial asset management companies as to more than 50% equity interests and are intended to be disposed of within three years, as well as DES companies held on a short-term or a transitional basis; and

- The Accounting Standards for Business Enterprises No.33 — Consolidated Financial Statements (Cai Kuai [2014] No.10) provides that the scope of consolidated financial statements shall be determined on the basis of control. 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.

Deloitte Touche Tohmatsu, Certified Public Accountants, the Company's reporting accountants for the proposed listing of the Company, concurs that the Unconsolidated Majority-Held Investee Entities shall not be consolidated as subsidiaries in the Group's IFRS financial statements on the basis that the Group did not exercise control over, nor did it materially influence, these entities.

c. **Unduly burdensome for the Group:** the Group intends to continue to conduct equity acquisitions after the Track Record Period through its distressed assets-related transactions on an ongoing basis. It is submitted that strict compliance with the definition of "subsidiaries" as set out under Rule 1.01 for Unconsolidated Majority-Held Investee Entities would generate an excessive amount of work and would be unduly burdensome for the Group.

d. **No prejudice against the interest of the investing public:** the Group submits that the exemption will not prejudice the interest of the investing public since the Group believes that it has provided sufficient and meaningful disclosure for them to form an informed investment decision, which are in line with their reasonable expectation.

Based on the above, the Hong Kong Stock Exchange has granted a waiver such that the Unconsolidated Majority-Held Investee Entities shall not and will not be treated as "subsidiaries" for the purpose of the Listing Rules. Accordingly, relevant Listing Rules and requirements of the Hong Kong Stock Exchange concerning subsidiaries shall not apply to the Unconsolidated Majority-Held Investee Entities, including but not limited to:

i. while general description and nature of the Unconsolidated Investee Entities will be disclosed in the prospectus, prospectus disclosure requirements applicable to the Company's subsidiaries shall not apply to the Unconsolidated Majority-Held Investee Entities, including:

- disclosure of the Group's scope of business in the Business section (paragraph 1, Part I, Schedule 3 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance);
- description of subsidiaries in the History section;
- scope of due diligence and disclosure for connected transactions (as the Unconsolidated Majority-Held Investee Entities are not part of the "listed issuer" within the meaning of Chapter 14A of the Listing Rules);

- the intellectual property rights and material contracts of the Group as disclosed in the section of Statutory and General Information; and
- disclosure requirements relating to subsidiaries under Part I and Part II of Schedule 3 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (subject to the exemption from the Securities and Futures Commission of Hong Kong);

ii. paragraph 20 of Form M104 (Additional information to be submitted by the Sponsor) regarding "a summary of the material findings of the Sponsor and the Reporting Accountants in assessing whether the underlying financial information of the Group's PRC companies used for the preparation of the Accountants' Report is consistent with (i) all the relevant regulatory filings or reports filed with the appropriate competent government authorities; and (ii) if applicable, the information on related party transactions as shown in the financial statements of the relevant related parties" shall not extend to the Unconsolidated Majority-Held Investee Entities;

iii. post-listing disclosure of inside information regime as set out in Chapter 13 of the Listing Rules and, to the extent permissible under the SFO and applicable laws, Part XIVA of the SFO shall not apply to inside information of the Unconsolidated Majority-Held Investee Entities;

iv. post-listing compliance with notifiable transactions disclosure and shareholders' approval regime as set out in Chapter 14 of the Listing Rules shall not apply to transactions conducted by the Unconsolidated Majority-Held Investee Entities;

v. post-listing compliance with connected transactions disclosure and shareholders' approval regime as set out in Chapter 14A of the Listing Rules shall not apply to transactions by the Unconsolidated Majority-Held Investee Entities;

vi. the mining activities of the Unconsolidated Majority-Held Investee Entities are not "an activity of an issuer and/or its subsidiaries" within the meaning of Chapter 18 of the Listing Rules; and

vii. Practice Note 15 of the Listing Rules does not apply to the spin-off of the Unconsolidated Majority-Held Investee Entities.

In addition, the Group may, in the ordinary course of its business and after its shares are listed on the Hong Kong Stock Exchange, acquire majority equity interests in investee entities which will not be consolidated into the Company's financial statements due to reasons set out above. The Hong Kong Stock Exchange has confirmed that the definition of subsidiaries under the Listing Rules will also not apply to such investee entities to be acquired post-listing, which will therefore not be subject to various post-listing obligations under the Listing Rules. Such investments in the Unconsolidated Investee Entities, as a whole, will be disclosed as available-for-sale financial assets in the annual reports of the Company.

Further to the reasons stated above, the application for a certificate of exemption from the SFC in relation to certain provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance is made on the following additional grounds:

- **Unduly burdensome:** it would be unduly burdensome for the Group to make disclosures of its Unconsolidated Majority-Held Investee Entities to the standard of a subsidiary as required by paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as, given the non-controlling nature of the Group's interests in the Unconsolidated Majority-Held Investee Entities, it would be impracticable and unduly burdensome for the Group to obtain sufficient information on such entities and disclose such information in the prospectus to the standard of a subsidiary as required by paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

- **No prejudice:** the exemption will not prejudice the interest of the investing public given the insignificance of the Unconsolidated Majority-Held Investee Entities. As at June 30, 2015, the Group held equity interests in 27 Unconsolidated Majority-Held Investee Entities. The carrying amount of the Group's investments in the Unconsolidated Majority-Held Investee Entities accounted for 3.6% of the available-for-sale financial assets of the Group and 0.2% of the total assets of the Group as at June 30, 2015.

The SFC has granted a certificate of exemption such that paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance concerning subsidiaries of a company do not apply to Unconsolidated Majority-Held Investee Entities. As a non-Hong Kong company registered under Part 16 of the Companies Ordinance (Cap.622), the Company is able to comply with all applicable provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding "subsidiaries" other than the disclosure requirements mentioned above.

## WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2), 4.04(4), 4.05A AND 4.28 OF THE LISTING RULES

In September 2012, as part of its joint-stock reform, the Company purchased the ownership of a portfolio of distressed assets from the MOF at a total consideration of RMB19.704 billion (the "**Acquisition from the MOF**"). The Acquisition from the MOF included acquisitions of equity interests in 281 entities accounted for as available-for-sale financial assets.

The Acquisition from the MOF is merely part of the financial reorganization of a restructuring process which converted Huarong Corporation, the predecessor of the Company, into the Company in September 2012 (the "**Restructuring**"). Therefore, there was no acquisition of legal titles to assets involved and the Company submits that relevant rules under Chapter 4 of the Listing Rules are not intended to apply to such reorganization.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Listing Rule 4.05A in respect of the Acquisition from the MOF on the following grounds:

a. **Not an acquisition of a material subsidiary or business as defined under Listing Rule 4.05A:** the Acquisition from the MOF is a one-off transaction arising from the Company's distressed asset management business. The substance of the target is a portfolio of distressed assets (including equity interests and debt interests) rather than any material subsidiary or business as provided under Listing Rule 4.05A. The entities acquired through the Acquisition from the MOF are not consolidated as subsidiaries of the Company.

b. **Absence of control:** the Company is not able to exercise control over, nor does it materially influence, the entities acquired through the Acquisition from the MOF and is not able to obtain all the requisite financial information in compliance with Listing Rule 4.05A.

c. **The waiver would only apply to transactions which occurred within a very short period of time:** the Acquisition from the MOF was completed in September 2012. The waiver applied for would only apply to the transaction during the period from January 1, 2012 to the completion of the acquisition.

d. **Unduly burdensome to compile pre-acquisition financials:** for the Group's interests in the Unconsolidated Investee Entities (including the equity interests acquired through the Acquisition from the MOF), the Group is unable to exercise control, nor does it materially influence the entities, and it has insufficient access to obtain information which would enable it to disclose the pre-acquisition financials of such entities even if the acquisitions, individually or in aggregate, were to be classified as a major transaction of the Group.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Listing Rules 4.04(2), 4.04(4) and 4.28 in respect of the Company's equity acquisitions which are accounted for as available-for-sale financial assets made after the Track Record Period in the ordinary course of business (such acquisitions are made through its distressed asset management business or proprietary investments (direct investments and private equity investments)) on the following grounds:

a. **Absence of control:** based on the nature of the equity acquisitions by the Company, the Company is not able to exercise control over, nor does it materially influence, the entities to be acquired and is not able to obtain all the requisite financial information in compliance with Listing Rules 4.04(2), 4.04(4) and 4.28.

b. **Ordinary and usual course of business:** distressed asset management is the core business of the Group, which involves acquisition of equity interests in distressed corporate debtors in the Group's ordinary and usual course of business as a common means to realize the value of the distressed assets. In addition, as an asset management company with an investment arm, proprietary investments are also made in the ordinary and usual course of business of the Group. Strict compliance with Listing Rules 4.04(2), 4.04(4) and 4.28 would fetter the Group's ability to conduct its business in the ordinary course and make further acquisitions during the period when it is preparing for the proposed listing of the Company.

c. **Unduly burdensome for the Group:** the Group intends to continue to conduct equity acquisitions after the Track Record Period through its distressed asset management business or proprietary investments on an ongoing basis. Strict compliance with Listing Rules 4.04(2), 4.04(4) and 4.28 would generate an excessive amount of work and would be unduly burdensome for the Group considering the timetable of the proposed listing of the Company.

d. **Disclosure in the prospectus:** equity acquisitions made through the Group's distressed asset management business or proprietary investments (direct investments and private equity investments) are conducted in the ordinary and usual course of business of the Group. For such equity acquisitions after the Track Record Period but prior to the latest practicable date as set out in the prospectus, subject to the waiver to be granted by the Hong Kong Stock Exchange and consideration of commercial confidentiality, the Company will use its reasonable efforts to disclose, in the prospectus, information on equity acquisitions relating to an individual entity that would have been classified as a discloseable transaction under the Listing Rules (despite the fact that the Company considers such transactions within its ordinary and usual course of business). The proposed disclosure includes:

(i) a general description of the background of the counterparty;

(ii) the date of the transaction;

(iii) counterparty's confirmation as to whether that counterparty is an independent third party to the Company; and

(iv) the reasons for entering into the transaction and the benefits which are expected to accrue to the Company as a result of the transaction.

## WAIVER FROM STRICT COMPLIANCE WITH LISTING RULES 4.04(2) AND 4.04(4) IN RELATION TO THE PROPOSED ACQUISITION OF SIMSEN INTERNATIONAL

In January, March and May 2015, the Group and Simsen International entered into an agreement for the Group to subscribe for new shares of Simsen International and two supplemental agreements, respectively, acquiring 51.93% of the entire issued share capital of Simsen International after completion (the "**Proposed Acquisition of Simsen International**"). According to the public information, Simsen International is primarily engaged in providing brokerage services on securities, foreign exchange, gold bullion, and futures, as well as mutual funds.

Upon the completion of the Proposed Acquisition of Simsen International, Simsen International will become a subsidiary of the Company. The applicable percentage ratios of Simsen International as defined under Listing Rule 14.04 are all less than 5%. The Proposed Acquisition of Simsen International was approved by its independent shareholders in July 2015.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Listing Rules 4.04(2) and 4.04(4) in relation to the Proposed Acquisition of Simsen International on the following grounds:

a. **Non-material subsidiary:** the applicable percentage ratios of Simsen International as defined under Listing Rule 14.04 are all less than 5%.

b. **Public financial information:** as Simsen International is a listed company on the Hong Kong Stock Exchange, the historical financial information of Simsen International during the Track Record Period is public information, which is meaningful and sufficient for investors to arrive at a reasonable decision for their investment in the Company.

c. **Unduly burdensome for the Group:** it is submitted that strict compliance with Rule 4.04(2) and 4.04(4) would generate an excessive amount of work and would be unduly burdensome for the Group considering the timetable of the proposed listing and that the historical financial information of Simsen International during the Track Record Period is public information.

d. **Disclosure of the Proposed Acquisition of Simsen International in the prospectus:** the Company will disclose the relevant information required for a discloseable transaction under Chapter 14 of the Listing Rules.

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| **Reporting accountant and independent auditor** | Deloitte Touche Tohmatsu<br>35/F, One Pacific Place<br>88 Queensway<br>Hong Kong |
| **Valuation Specialist** | Jones Lang LaSalle Corporate Appraisal & Advisory Limited<br>6th Floor, Three Pacific Place<br>1 Queen's Road East<br>Hong Kong |

| | |
|---|---|
| **Receiving banks** | Bank of China (Hong Kong) Limited<br>1 Garden Road<br>Hong Kong |
| | Bank of Communications Co., Ltd. Hong Kong Branch<br>20 Pedder Street<br>Central<br>Hong Kong |
| | Industrial and Commercial Bank of China (Asia) Limited<br>33/F., ICBC Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | Standard Chartered Bank (Hong Kong) Limited<br>15th Floor, Standard Chartered Tower<br>388 Kwun Tong Road<br>Kwun Tong<br>Kowloon<br>Hong Kong |
| | Wing Lung Bank Limited<br>45 Des Voeux Road Central<br>Central<br>Hong Kong |

| | |
|---|---|
| **Registered office** | No. 8, Financial Street, Xicheng District, Beijing, PRC |
| **Head office in the PRC** | No. 8, Financial Street, Xicheng District, Beijing, PRC |
| **Principal place of business in Hong Kong** | 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong |
| **Company's website** | www.chamc.com.cn<br>*(This website and the information contained on this website do not form part of this prospectus)* |
| **Joint company secretaries** | Mr. Hu Jianjun<br>Mr. Ngai Wai Fung (FCIS, FCS(PE), CPA, FCCA) |
| **Authorized representatives** | Mr. Ke Kasheng<br>A33 Chengfang Street,<br>Xicheng District, Beijing, PRC<br>Mr. Hu Jianjun<br>No. 10 Baiyun Road,<br>Xicheng District, Beijing, PRC |
| **Strategy and Development Committee** | Mr. Lai Xiaomin (Chairman)<br>Mr. Ke Kasheng<br>Mr. Wang Keyue<br>Mr. Tian Yuming<br>Ms. Wang Cong<br>Ms. Dai Lijia<br>Mr. Wang Sidong<br>Mr. Li Hui<br>Mr. Song Fengming<br>Mr. Wu Xiaoqiu<br>Mr. Tse Hau Yin<br>Mr. Liu Junmin |
| **Risk Management Committee** | Ms. Dai Lijia (Chairman)<br>Mr. Wang Keyue<br>Mr. Tian Yuming<br>Ms. Wang Cong<br>Mr. Wang Sidong<br>Mr. Wu Xiaoqiu |
| **Related Party Transaction Committee** | Mr. Tian Yuming (Chairman)<br>Mr. Ke Kasheng<br>Ms. Wang Cong<br>Ms. Dai Lijia<br>Mr. Li Hui<br>Mr. Song Fengming |

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|---|---|
| **Audit Committee** | Mr. Tse Hau Yin (Chairman)<br>Mr. Tian Yuming<br>Ms. Dai Lijia<br>Mr. Song Fengming<br>Mr. Wu Xiaoqiu<br>Mr. Liu Junmin |
| **Nomination and Remuneration Committee** | Mr. Song Fengming (Chairman)<br>Mr. Tian Yuming<br>Ms. Wang Cong<br>Mr. Wu Xiaoqiu<br>Mr. Tse Hau Yin<br>Mr. Liu Junmin |
| **Joint Compliance Advisors** | Goldman Sachs (Asia) L.L.C.<br>China International Capital Corporation Hong Kong Securities Limited |
| **H Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Principal Banks** | Industrial and Commercial Bank of China Co., Ltd.<br>No. 55 Fuxingmennei Street<br>Xicheng District<br>Beijing, PRC<br><br>Agricultural Bank of China Co., Ltd.<br>No. 69 Jianguomennei Street<br>Dongcheng District<br>Beijing, PRC<br><br>Bank of China Ltd.<br>No. 1 Fuxingmennei Street<br>Xicheng District<br>Beijing, PRC<br><br>China Construction Bank Corporation<br>No. 25 Financial Street<br>Xicheng District<br>Beijing, PRC |

Bank of Communications Co., Ltd.
No. 188 Yinchengzhong Road
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Postal Savings Bank of China Co., Ltd.
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Shanghai Pudong Development Bank Co., Ltd.
No. 12 Zhongshan Dong Yi Road
Huangpu District
Shanghai, PRC

China Minsheng Banking Corp., Ltd.
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Beijing, PRC

China Merchants Bank Co., Ltd.
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Futian District
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Bank of Beijing Co., Ltd.
No. C-17 Finance Street
Xicheng District
Beijing, PRC

China Guangfa Bank Co., Ltd.
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Yuexiu District
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China Everbright Bank Co., Ltd.
No. 25 Taipingqiao Street
Xicheng District
Beijing, PRC

***The information presented in this section is derived from various official or publicly available sources, unless indicated otherwise. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Underwriters, our or their affiliates or advisers or any other party involved in the Global Offering, and no representation is given as to its accuracy. In addition, certain financial data contained in this section, including data relating to us, may be compiled in accordance with standards different from our IFRS financial data presented elsewhere in this prospectus.***

***In addition to information from official or publicly available sources, certain data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Four AMCs, come from the CBRC. Such data and information may be compiled following standards different from the requirements of IFRS and therefore may not be comparable to numbers in the IFRS report in Appendix I of this prospectus.***

## DISTRESSED ASSET MANAGEMENT INDUSTRY

### The Emergence and Development of China's Distressed Asset Management Industry

In response to the Asian financial crisis, the PRC government established the Four AMCs in 1999, including China Huarong, China Great Wall, China Orient and China Cinda, to receive, manage and dispose non-performing loans carved out from ICBC, ABC, BOC, CCB and China Development Bank. This marked the emergence of China's distressed asset management industry. Since that time, the development of China's distressed asset management industry could be broadly divided into three phases: the "Policy Phase", the "Transition Phase" and the "Commercialization Phase".

#### *Policy Phase*

In the Policy Phase, the Four AMCs raised funds through issuing financial bonds and obtaining refinancing loans from the PBOC to acquire distressed assets carved out from the relevant banks for management, operation and disposal. At the same time, by way of debt-to-equity swaps, the Four AMCs acquired equity stakes in certain large and medium SOEs which had good development prospect but were facing temporary financial or operational difficulties. Swapping debt for equity helped to improve the capital structure of these SOEs and reduce their debt burdens. The Four AMCs played an important role in mitigating risks in the financial system, facilitating the reform and development of SOEs and preserving state-owned assets.

In 2004, the MOF began evaluating the performance of the Four AMCs in disposing of Policy Distressed Assets using Cash Recovery Ratio and Expense Ratio as evaluation indicators, and formulating the commercialization and development direction for the Four AMCs after completing their original tasks.

Since then, the Four AMCs acquired non-performing loans in a second round of carve-outs conducted by ICBC, BOC and CCB during their share restructuring from 2004 to 2005 through bidding process, and were also entrusted by the MOF to dispose of aforesaid distressed assets from banks. Instead of policy-directed transfers, the second round of carve-outs was conducted through open tender, bidding, and other more market-oriented approaches.

In the meantime, in order to mitigate risks in the financial system, the Four AMCs were also entrusted to manage and wind down distressed large corporate groups and financial institutions. For example, in 2004, China Huarong was entrusted by the State Council to play a leading role in the resolution of Delong Group, a large private enterprise group, in an orderly, market-oriented, legal and professional manner, which played an important role in maintaining economic and social stability.

As the Four AMCs successively reached the target set by the MOF for the recovery of policy distressed debts in 2006, the Four AMCs have substantially completed the disposal of those Policy Distressed Assets from the first round of carve-outs and the Policy Phase came to an end.

***Transition Phase***

From 2005 to 2006, the MOF, CBRC and other relevant governmental authorities discussed and promulgated the *Opinion on the Reform and Development of AMCs* (關於金融資產管理公司改革發展的意見), which provided the basic principles, conditions and directions for the AMCs' transition into modern financial service enterprises. The Four AMCs then embarked on the path of commercialized transformation and development that are compatible with their respective situations.

After 2005, Chinese banks and the Four AMCs began to sell and acquire distressed assets on a commercial basis. The supply of distressed assets mainly came from joint stock commercial banks and city commercial banks. Since 2007, the Four AMCs gradually expanded their scope of acquisition to include distressed assets sold by financial institutions including rural commercial banks, city credit cooperatives, rural credit cooperatives, trust companies and financial leasing companies. Since the end of 2006, as required by the MOF, the Four AMCs started to record their policy business and commercial business under separate accounts. The Four AMCs were entitled to gains and responsible for losses resulting from commercialized acquisition and disposal of distressed assets themselves and were evaluated based on their return on capital.

During this stage, the Four AMCs made an effort to diversify their distressed asset business and build differentiated, integrated business platforms. The natural extension of the Four AMCs into diversified financial businesses laid a foundation for their future full commercialization. China Huarong gradually built up a diversified business platform comprising financial leasing, securities, trust and banking through restructuring distressed financial institutions. The other three AMCs also successively set up their own financial services platforms. As the AMCs began share restructuring, the distressed asset management industry in China entered into the Commercialization Phase.

***Commercialization Phase***

China Cinda and China Huarong completed their share restructuring and were converted into joint-stock financial institutions in June 2010 and September 2012, respectively. After the introduction of strategic investors, China Cinda was listed on the Hong Kong Stock Exchange in December 2013. China Huarong introduced eight Strategic Investments including China Life Group, Warburg Pincus, CSI, Khazanah, CICC, COFCO, Fosun International and Goldman Sachs in August 2014. The Four AMCs became more experienced in operating their market-oriented and comprehensive business model, each with its own distinguishing characteristics. During this period, taking advantage of its professional distressed asset management capabilities, extensive operation experience, quality project resources, broad customer base and nationwide network of the parent company, China Huarong helped its financial subsidiaries to form their unique core competitiveness. These financial subsidiaries, in turn, provided concrete support to the diversified business of the Group through their fast development.

In 2012, the MOF and the CBRC published *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》) to further confirm the important role of the AMCs in managing the distressed assets of financial institutions, enhancing risk prevention capability and providing financial support to economic development.

The Four AMCs are currently at an important stage of commercialization. Their original business of distressed asset management is becoming more diversified while each of them is being transformed from a single financial institution into a comprehensive financial holding group. With the structural adjustment and upgrade of China's economy, the Four AMCs will play an important role in mitigating risks in the financial system and optimizing the allocation of financial resources.

**Characteristics of China's Distressed Asset Management Industry**

***The size of the distressed asset management industry is correlated with the macro-economy and counter-cyclical:*** The counter-cyclicality of distressed asset management industry means that when the macro-economy is developing stably and enterprises have higher profitability and better debt service capability, distressed assets as a percentage of the total assets in the overall market would typically decrease, resulting in limited supply of distressed assets; and when the macro-economy is in an adjustment phase and enterprises have lower profitability and poor debt service capability, distressed assets start to emerge and their percentage of the total assets in the overall market would typically increase, resulting in a more abundant supply of distressed assets. In addition, banks have greater needs to deleverage and carve out distressed assets when the business model of the banking sector is subject to adjustments and changes.

***High market-entry barriers and market concentration:*** There is a relatively high market-entry barrier in China's distressed asset management industry due to regulatory policies. The participants in China's distressed AMCs comprise the Four AMCs, local asset management companies established in recent years and other participants. As the first group of AMCs in China, the Four AMCs possess significant first-mover advantages in terms of favorable policy treatment, industry experience, professional talents, distribution and service network and capital strength. As a result, the Four AMCs are and will remain the major participants in China's distressed asset management industry in the foreseeable future.

***Industry regulatory environment has been improving:*** Throughout the development history of the distressed asset management industry in China, the market and regulatory environments of the industry have continued to improve. *The Regulations on Financial Asset Management Companies (State Council Order No. 297)* (《金融資產管理公司條例》（國務院令[2000]第297號）) ("2000 Regulations") promulgated by the State Council in 2000 regulates the registered capital, scope of business, source of funding, corporate governance and financial and taxation policies of the Four AMCs. *Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (Yin Jian Fa [2011] No. 20)* (《金融資產管理公司併表監管指引（試行）》（銀監發[2011]20號）) promulgated by the CBRC in 2011 and *the Measures for the Regulation of Financial Asset Management Companies* (Yin Jian Fa[2014] No. 41) (《金融資產管理公司監管辦法》（銀監發[2014]41號）) published by regulatory authorities including CBRC and the MOF in 2014 have further improved and modified the 2000 Regulations and introduced further regulatory requirements and guidance on the scope of business, business activities and corporate governance of the AMCs, facilitating the overall development of the industry. 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》) in 2015, which further clarified the operation requirements for the non-financial enterprise distressed assets business of the Four AMCs, supporting the flourish of non-financial enterprise distressed assets business of AMCs. We believe that the commercialization of the industry will increase along with the continuous improvement of the regulatory environment.

**Competitive Landscape of China's Distressed Asset Management Industry**

***The Four AMCs are the Dominant Players in China's Distressed Asset Management Industry***

The Four AMCs are the major participants in China's distressed asset management industry. Leveraging on their obvious advantages in favorable policy treatment, industry experience, professional talents, distribution and service network and capital strength, they have become the leading players in the distressed asset management industry since their establishment. As of December 31, 2014, the Four AMCs had acquired distressed assets of RMB4,276.8 billion and China Huarong had acquired distressed assets with an aggregate original value of RMB991.1 billion, representing a market share of 23.2% among the Four AMCs.

As of December 31, 2014, the details of distressed asset acquisitions by the Four AMCs were as follows:

| | Total original value of the distressed assets acquired by the Four AMCs | Total original value of the distressed assets acquired by China Huarong | Percentage |
|---|---|---|---|
| | (in RMB million, except for percentages) | | |
| Policy Distressed Assets | 1,432,257 | 412,808[1] | 28.8% |
| Commercial Distressed Assets | 2,844,579 | 578,306 | 20.3% |
| **Total** | 4,276,837 | 991,114 | 23.2% |

(1) Upon our conversion into a joint-stock company in 2012, we no longer have Policy Distressed Assets on our balance sheet. This amount only reflects the accumulated amount of Policy Distressed Assets acquired from our establishment in 1999 to the date immediately prior to the completion of share restructuring in 2012. We had not acquired any Policy Distressed Assets during the Track Record Period.

With the commercialized transformation of the distressed asset management industry, the profitability and core competitiveness of the Four AMCs continued to improve. As at December 31, 2012, 2013 and 2014, the consolidated total assets of the Four AMCs were RMB861.5 billion, RMB1,184.2 billion and RMB1,730.4 billion respectively. As at the year ended December 31, 2012, 2013 and 2014, the total operating revenue of the Four AMCs were RMB72.6 billion, RMB129.2 billion and RMB168.8 billion respectively and the total net profit were RMB23.1 billion, RMB30.4 billion and RMB38.8 billion.

***Other Participants in the Distressed Asset Management Industry***

Since 2012, the CBRC had granted approvals for the establishment of local asset management companies in eleven provinces and municipalities including Jiangsu, Zhejiang, Anhui, Guangdong, Shanghai, Beijing, Tianjin, Chongqing, Fujian, Liaoning and Shandong, to participate in the management of local distressed assets according to the *Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises* (金融企業不良資產批量轉讓管理辦法). In addition, there are other participants in the distressed asset management industry, such as China Securities Investor Protection Fund Co., Ltd., China Insurance Protection Fund Co., Ltd., China Trust Industry Protection

Fund Co., Ltd. and other non-state owned institutions and foreign institutions. However, the Four AMCs possess clear advantages in respect of policy preferences, industry experience, disposal methods, professional skills, specialized talents, distribution and service network and capital strength. As a result, we believe that the Four AMCs will maintain their leading positions in the distressed asset management industry in China in the foreseeable future. In the long run, as more participants including non-state owned institutions and foreign institutions enter the industry, competition in the distressed asset management industry will become more intense, which will impose higher requirement on pricing and management capabilities of the Four AMCs.

**Driving Forces for the Development of China's Distressed Asset Management Industry**

We believe the main driving forces for the development of China's distressed asset management business are:

***Growing Supply of Distressed Assets***

Distressed assets can be categorized into two types by sources: (i) distressed assets from financial institutions; and (ii) distressed assets from non-financial enterprises. As China's economic growth decelerates and the government continues to promote structural adjustment and upgrade, those industries with over-capacity will face more pressure to adjust its structure, which creates significant opportunities for the distressed asset market.

*(i) Distressed assets from financial institutions*

According to statistics from the CBRC, the amount of NPLs from banking institutions increased from RMB1.05 trillion at the end of 2011 to RMB1.43 trillion at the end of 2014. NPLs held by commercial banks have increased for 16 successive quarters since the end of the third quarter of 2011, reaching RMB1,091.9 billion at the end of the second quarter of 2015. This marks an increase of 167.8% as compared with that in the end of the third quarter of 2011. The NPL ratio of commercial banks increased from 0.9% as of the end of the third quarter of 2011 to 1.5% as of the end of the second quarter of 2015. We believe that the supply of NPLs from the banking sector will continue to increase as a result of the "normalization" of commercial banks' demand to carve-out distressed assets from their balance sheets and to de-leverage, and the financial restructuring of city commercial banks, rural commercial banks and credit cooperatives.

In addition to traditional NPLs from banks, the sources of distressed assets for the AMCs have become increasingly diverse as non-banking financial institutions are playing a greater role in providing financing activities to the society. According to statistics from China Trustee Association and Asset Management Association of China, as of December 31, 2014, AUM of trust companies, AUM of securities companies through asset management business, AUM of mutual funds through separate managed account business and AUM of mutual fund subsidiaries through separate managed account business amounted to RMB14.0 trillion, RMB8.0 trillion, RMB1.2 trillion and RMB3.7 trillion, respectively, totalling over RMB27 trillion. With the rapid growth in the scale of "quasi-loans" business, non-banking financial institutions may have greater demand for liquidity which will create huge opportunities for distressed assets acquisition from non-banking financial institutions.

*(ii) Distressed assets from non-financial enterprises*

Distressed assets from non-financial enterprises are becoming an important source of business for the AMCs in addition to those from financial institutions. Due to adjustments of China's economic structure and the accompanying elimination consolidation, transformation and upgrading of certain industries, the amount of corporate accounts receivable has increased continuously and their recovery period has also lengthened. As a result, the demand of non-financial enterprises for the restructuring of assets and debts has risen considerably. As of December 31, 2014, the liability to total assets ratio of 5000 Industrial Enterprises was 62.1%. The total accounts receivable of Domestic Above-scale Enterprises increased from RMB8.2 trillion as of December 31, 2012 to RMB10.8 trillion as of June 30, 2015, and the average recovery period of the above accounts receivable in 2012, 2013 and 2014 continued to increase, being 30, 31 and 33 days respectively. We estimate that delinquent accounts receivables will become a key source of supply of distressed assets from non-financial enterprises for the industry's future development.

China's economy has been developing under the new normal of "reasonable and steady growth + economic restructuring", characterized by deceleration of economic growth, adjustment of economic structure and deleveraging in the corporate sector. The leverage of enterprises remained high, while the asset allocation efficiency of the economy was generally low. Demand for deleveraging and increasing the efficiency of assets allocation continued to increase. Therefore, we believe that, as China transitions to a new normal of economic growth model, supply of financial or non-financial distressed assets will remain abundant, bringing more business opportunities for the distressed asset management industry.

***Growing Demand for Business Related to Distressed Entities***

During the past 16 years, the Four AMCs have demonstrated their strength in resolving major issues related to Distressed Entities and managing debt repayments and liquidity crisis and have played an important role in maintaining the stability and continuous development of the financial system. China Huarong, for example, was entrusted by the government to wind down high-risk institutions in Delong Group and China Venturetech Investment Corporation (中國新技術創業投資公司), and take over and restructure Zhejiang Financial Leasing Co., Ltd. (浙江金融租賃股份有限公司), Deheng Securities (德恒證券) and Hengxin Securities (恒信證券). Meanwhile, the extensive experience of the Four AMCs accumulated in the relevant industries through custody, liquidation and restructuring of Distressed Entities provide a solid foundation for them to carry out business and M&A related activities in the relevant industries.

The State Council promulgated the *Opinion on further Optimizing the Market Environment for Enterprise Merger and Restructuring* (關於進一步優化企業兼併重組市場環境的意見) on March 7, 2014, which provides guidance for mergers, acquisitions and restructuring in industries with obsolete production capacity, aiming to promote more efficient economic growth and lead the Chinese economy to a "new normal". With China undergoing transformation and adjustment in economic structure, we believe that business opportunities for the acquisition, custody, liquidation, merger and reorganizations of Distressed Entities will increase significantly which in turn will drive the growth of Distressed Entities related businesses of the Four AMCs.

***Business Innovation as a Sustainable Driving Force for Industry Development***

During the past sixteen years, the Four AMCs have made innovations in terms of the scope of distressed asset management, business mix, and funding channels. They have expanded the scope of distressed asset management to acquisition and restructuring, and expanded the source of distressed asset acquisition from financial institutions to non-financial enterprises, in order to broaden and deepen their financial product offerings. The Four AMCs have also carried out asset management business through issuing bonds and sourcing third party funds, so as to diversify their financing channels. Business innovation has been and will continue to be the driving force for the development of the distressed asset management industry.

In addition, with distressed asset management as their starting point and core business, the Four AMCs expanded their business scope to financial services. Through establishing differentiated and comprehensive platforms, the Four AMCs have provided their clients with comprehensive and innovative financial products and services. We believe that the Four AMCs will continue to satisfy the individualized, diverse and comprehensive needs of clients, expand revenue sources, improve profitability and facilitate industry expansion through innovation of business and products.

#### *Improved Business Environment Enhances the Operational Efficiency of the Industry*

Improvement of the regulatory environment: A series of regulations have been promulgated by the MOF, CBRC and other regulatory authorities to provide clear regulatory guidelines for the consolidation of financial statements, transfer of distressed assets on a wholesale basis and business innovations by AMCs. We believe that the continuous improvement of the regulatory environment will provide a solid regulatory foundation for the industry.

Gradual establishment of a credit system: The PBOC is leading the establishment of a nation-wide credit database for enterprises and individuals. This database is in early stage of implementation but has already made an impact in the economy and society. We believe that, with its gradual development, the new credit system will benefit the risk assessment and control as well as the external regulation of the distressed asset management industry.

Gradual maturation of the capital market: The Chinese capital market is currently narrowing the gap between itself and mature markets in terms of market boundaries and operational mechanism. A multi-leveled capital market with more flexibility and security in operation has emerged. We believe that the maturation of capital market will accelerate the upgrading of business structure and profit model of AMCs, and will help diversify the management and disposal methods of distressed assets and enhance their efficiency.

### Development Trends of China's Distressed Asset Management Industry

#### *Diversified Business Model*

The AMCs are a key pilot for China's reform aiming at the comprehensive operation model in financial services industry. The CBRC promulgated the *Measures for the Regulation of Financial Asset Management Companies* (金融資產管理公司監管辦法) on August 14, 2014, which provides further standards and guidance on the operation of AMCs as financial holdings groups. We believe that, in respect of distressed asset management business, the AMCs will emphasize the enormous business opportunities in non-financial distressed assets while continuing to acquire and dispose of NPLs from the banking sector. In particular, the MOF and the CBRC issued *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》) on July 2, 2015, which laid a regulatory basis for the operation compliance and stable development for the non-financial enterprise distressed assets business of the Four AMCs. Apart from carrying out the distressed asset management business, the AMCs will utilize their respective diversified business platforms to offer clients more personalized and diversified financial services and solutions. With the source of distressed asset acquisitions expanding from financial institutions to non-financial enterprises, and AMCs' business mix developing from distressed asset management into other areas such as banking, securities, trust, financial leasing, private equity, insurance, the AMCs will carry out comprehensive operations as diversified financial holdings groups.

***Differentiated Competitive Strengths***

The MOF has proposed the guideline of "one policy for one company" for the AMCs, under which the Four AMCs have established their respective diversified business platforms with focuses based on their actual strengths and features. Therefore, competition between the Four AMCs also share this differentiated feature. China Huarong, for example, with distressed asset management as its foundation and comprehensive financial services as its support, has successfully established a unique "through-the-cycle" business model to provide its clients with multi-level, comprehensive financial services.

We believe that, in addition to the operation and management of distressed asset, the Four AMCs, building on their existing diversified business platforms, will continue to expand their business scope in accordance with their respective strategies. And consequently, the differentiated feature of the competition will continue to thrive.

***Diversified Funding Sources***

In recent years, the Four AMCs have endeavored to expand their funding sources. They seek for stable and efficient funding to support their business development through inter-bank loans, inter-bank borrowings, insurance financing, domestic and overseas bond offerings, placement to strategic investors and public listings. Financing at lower cost through different channels with longer duration has become the core strength of the AMCs to develop their business rapidly.

In addition, drawing on the experience and market practices of leading international asset management companies, the Four AMCs have also begun to explore business opportunities with funds entrusted by other asset management institutions, develop third-party asset management businesses, and explore asset securitization to achieve transformation from a "capital-intensive" to a "capital-light" model in order to optimize their businesses and profits.

***Expansion of Overseas Business***

Aiming to enhance competitiveness in international market and achieve their strategic goal of internationalization, the Four AMCs have been proactively utilizing resources in the international markets and expanding its international businesses, including the placement to international strategic investors, the issuance of bonds in overseas capital markets and the establishment of platform companies in Hong Kong, the Shanghai Free Trade Zone, and the Qianhai Special Zone. We believe that, with China accelerating its internationalization process, the Four AMCs, as important members in China's financial system, will also further implement internationalization strategies to expand their overseas business and enhance their competitiveness in international market.

## OTHER FINANCIAL SERVICE INDUSTRIES RELATED TO OUR BUSINESS

Since 2014, China's economic growth rate has slowed down from high to moderately high. To maintain the stable development of 'China's economy, it is critical to adjust the market structure and redeploy the existing supply of money and credit. Benefiting from the on-going financial reform and more liberalized interest rate, the financial market in China is becoming more vibrant with continuous innovation in financial products and financing instruments. The volume of social financing has steadily increased while its structure has kept evolving. Please refer to the table below for the volume and structure of China's social financing from 2007 to 2014. Although bank loans remain the principle financing instrument in the real economy, other financing instruments are becoming more important. According to data on total social financing volume published by the PBOC, the proportion of non-traditional credit financing (including entrusted loans and trust loans) from financial institutions increased from 8.5% in 2007 to 18.4% in 2014, and the proportion of direct financing through domestic bonds and stocks (including net financing from corporate bonds issuance and domestic stock issuance by non-financial enterprises) increased from 11.1% in 2007 to 17.4% in 2014, which clearly demonstrates that the overall financing structure of the society is becoming more diversified.

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| | (in trillion of RMB/%) | | | | | | | |
| Financing volume | | | | | | | | |
| RMB loans | 3.63 | 4.90 | 9.59 | 7.95 | 7.47 | 8.20 | 8.89 | 9.78 |
| | *60.9%* | *70.3%* | *69.0%* | *56.7%* | *58.2%* | *52.1%* | *51.4%* | 59.4% |
| RMB equivalent of foreign currency loans | 0.39 | 0.19 | 0.93 | 0.49 | 0.57 | 0.92 | 0.58 | 0.36 |
| | *6.5%* | *2.8%* | *6.7%* | *3.5%* | *4.5%* | *5.8%* | *3.4%* | 2.2% |
| Entrusted loans | 0.34 | 0.43 | 0.68 | 0.87 | 1.30 | 1.28 | 2.55 | 2.51 |
| | *5.6%* | *6.1%* | *4.9%* | *6.2%* | *10.1%* | *8.1%* | *14.7%* | 15.2% |
| Trust loans | 0.17 | 0.31 | 0.44 | 0.39 | 0.20 | 1.29 | 1.84 | 0.52 |
| | *2.9%* | *4.5%* | *3.1%* | *2.8%* | *1.6%* | *8.2%* | *10.6%* | 3.1% |
| Undiscounted bank acceptance bills | 0.67 | 0.11 | 0.46 | 2.33 | 1.03 | 1.05 | 0.78 | (0.13) |
| | *11.2%* | *1.5%* | *3.3%* | *16.7%* | *8.0%* | *6.7%* | *4.5%* | (0.8)% |
| Net financing from corporate bonds | 0.23 | 0.55 | 1.24 | 1.11 | 1.37 | 2.25 | 1.80 | 2.43 |
| | *3.8%* | *7.9%* | *8.9%* | *7.9%* | *10.6%* | *14.3%* | *10.4%* | 14.8% |
| Domestic stock financing of non-financial enterprises | 0.43 | 0.33 | 0.34 | 0.58 | 0.44 | 0.25 | 0.22 | 0.44 |
| | *7.3%* | *4.8%* | *2.4%* | *4.1%* | *3.4%* | *1.6%* | *1.3%* | 2.6% |
| Others | 0.11 | 0.15 | 0.24 | 0.31 | 0.46 | 0.52 | 0.63 | 0.56 |
| | *1.8%* | *2.1%* | *1.7%* | *2.2%* | *3.6%* | *3.3%* | *3.6%* | 3.4% |
| Volume of social financing | 5.97 | 6.98 | 13.91 | 14.02 | 12.83 | 15.76 | 17.29 | 16.46 |
| | *100.0%* | *100.0%* | *100.0%* | *100.0%* | *100.0%* | *100.0%* | *100.0%* | 100.0% |

### Current situation and outlook of China's securities industry

Benefiting from China's economic growth and improvement of regulatory environment, China's capital market has grown rapidly and its market mechanism has steadily improved in the past two decades. According to statistics from the CSRC, the number of listed companies in China increased from 2,063 as at December 31, 2010 to 2,836 as at June 30, 2015. According to statistics from the SSE and SZSE, the total market capitalization of listed companies in China increased from RMB26.5 trillion as at December 31, 2010 to RMB58.5 trillion as at June 30, 2015, representing a CAGR of 8.8% from 2010 to 2014.

Due to the rapid development of China's capital market, China's securities industry has also maintained steady growth. According to statistics from the SAC, the total assets, net assets, net capital, operating income, net profit and number of securities companies of China's securities industry from December 31, 2010 to December 31, 2014 were as follows:

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| | (in millions of RMB, except for number of securities companies) | | | | |
| Total assets | 1,968,613 | 1,570,000 | 1,720,000 | 2,080,000 | 4,090,000 |
| Net assets | 566,359 | 630,255 | 694,346 | 753,855 | 920,519 |
| Net Capital | 431,928 | 463,402 | 497,099 | 520,458 | 679,160 |
| Operating income | 192,652 | 135,950 | 129,471 | 159,241 | 260,284 |
| Net profit | 78,405 | 39,377 | 32,930 | 44,021 | 96,554 |
| Number of securities companies | 106 | 109 | 114 | 115 | 120 |

Despite of rapid development over 20 years, the size of China's securities industry remains small as compared with that of China's overall economy and that of the securities industries in more developed markets overseas and therefore has significant growth potential.

Since 2010, CSRC and other regulatory authorities have reduced regulatory restrictions and introduced a series of far-reaching new industry policies to further deregulate China's securities industry and carry forward capital market reforms. On May 8, 2014, the State Council promulgated *Opinions on Further Promoting the Sound Development of the Capital Market* (Guo Fa [2014] No.17) (關於進一步促進資本市場健康發展的若干意見) (國發[2014]17號)), which explained how to further develop China's securities industry from nine aspects, including developing the multi-level stock market, regulating and developing the bond market, fostering the private equity market and promoting the futures market, improving the competitiveness of the securities and futures service industry, further opening up the capital market, pushing forward the reform of IPO registration system, preventing and eliminating risks in financial system, and creating a favorable development environment for the capital market.

We believe that amid the steady growth of the real economy and the deepening of financial reforms, China's securities industry will be further boosted by the following favourable policies.

Establishing the multi-level capital market and accelerating the opening up of China's capital market: CSRC has issued various administrative regulations to establish and support the GEM Board, NEEQ (National Equities Exchange and Quotations) (New Third Board) and the private equity market so that China's capital market could be transformed from a single market to a multi-level market. Meanwhile, the pilot program of interconnection between Shanghai's and Hong Kong's stock markets (Shanghai-Hong Kong Stock Connect) initiated by the Shanghai Stock Exchange and the Hong Kong Stock Exchange has been successfully launched, which will strengthen the connection between the capital markets in mainland China and Hong Kong.

Innovative development of new products: CSRC issued its *Opinions on Further Promoting Innovative Development by Securities Firms* (關於進一步推進證券經營機構創新發展的意見) in May 2014 to encourage securities companies to develop and provide more innovative financial products such as market-making, stock options, structured products, asset securitization products and interest rate swaps to increase their leverage ratio and promote innovation in the industry.

Rapid development of the capital-based intermediary business: CSRC has reduced the regulatory restrictions on capital ratio and lowered market entry requirements for securities companies, and encouraged securities companies to start more non-standardized businesses. As a result, securities companies will provide more capital-based intermediary services to the market such as margin finance and securities lending, stock-pledged repurchase transactions and securities trading with repurchase agreement.

**Current status and outlook of China's financial leasing industry**

There are three types of financial leasing companies in China based on different regulatory authorities and shareholding structures, namely, the Financial Leasing Companies regulated by the CBRC, and the domestic-invested and foreign-invested financial leasing companies regulated by MOFCOM. In 2013, the national and local governments introduced a series of favorable policies to boost the development of the financial leasing industry. As a result, the China's financial leasing industry has developed rapidly with expanded industry scale, enhanced operational management and risk control capability and increased profitability. According to the statistics from the China Leasing Union (中國租賃聯盟), the total number of the different types of the financial leasing companies reached 2,202 and the total balance of leasing contracts amounted to over RMB3.2 trillion at the end of 2014, representing an increase of 52.4% as compared with the end of 2013. The balance of financial leasing contracts of the Financial Leasing Companies regulated by the CBRC was RMB1.3 trillion, representing an increase of 51.2% as compared with the end of 2013 and accounting for 40.6% of the total business volume of the whole financial leasing industry.

The Administrative Measures of Financial Leasing Companies (金融租賃公司管理辦法) (as amended) came into effect in March 2007, which allows qualified financial institutions to hold equity interests in or establish Financial Leasing Companies. Subsequently, certain large state-owned commercial banks and joint stock commercial banks have established their own Financial Leasing Companies. In March 2014, the CBRC amended the Administrative Measures of Financial Leasing Companies to better facilitate the pilot scheme of establishing of Financial Leasing Companies by commercial banks. After eight years of regulated development, the number of Financial Leasing Companies regulated by the CBRC had increased from 11 at the end of 2007 to 26 at the end of 2014, and the total assets of these Financial Leasing Companies had rapidly increased from RMB18,100.0 million as of December 31, 2007 to RMB1,280,000.0 million as of December 31, 2014, representing a CAGR of 84.0% and accounting for 40.6% of total business volume of the financing leasing industry.

According to statistics from the *World Leasing Yearbook 2015*, as at the end of 2013, the market penetration rate of China's leasing industry was only 3.1%, much lower than that of the U.S. (22.0%), Britain (31.0%) and other major economies, which indicates that it is still at the preliminary stage of development. In addition, the urbanization in China will continue to generate huge demand for investment in fixed assets and more diversified social financing structures will benefit the rapid development of the financing business of non-banking financial institutions. Therefore, we believe that China's financial leasing industry has a very promising prospect. Financial Leasing Companies regulated by the CBRC will continue to play a leading role in China's financial leasing industry, taking advantage of the background of their financial institution shareholders in terms of capital strength, marketing networks, client resources and risk management.

**Current status and outlook of China's banking industry**

Following the rapid growth of China's economy, the scale of China's banking industry has expanded rapidly. According to the PBOC, from December 31, 2010 to December 31, 2014, CAGRs of the total RMB and foreign currency loans and the deposits of financial institutions were 14.3% and 12.5%, respectively. The total amount of RMB and foreign currency loans of financial institutions increased by 14.3%, 15.6%, 13.9%, 13.3% and 13.9%, respectively, as of December, 31, 2011, 2012, 2013 and 2014 and June 30, 2015 on a year-on-year basis. The steady growth of China's real economy has created strong demand for financing. The table below sets out the total amounts of RMB and foreign currency loans and deposits of financial institutions from December 31, 2010 to June 30, 2015 as published by the PBOC:

| | As of December 31, | | | | | As of June 30, |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | (in billions of RMB) | | | | | |
| Total amount of RMB and foreign currency loans | 50,923 | 58,189 | 67,287 | 76,633 | 86,787 | 94,426 |
| Total amount of RMB and foreign currency deposits | 73,338 | 82,670 | 94,310 | 107,059 | 117,373 | 135,996 |

We believe that, with further transformation of the real economy and deepening reform in the financial system, China's banking industry is showing the following trends:

The increasingly intensified competition and diversified strategies of industry players: with financial reforms such as liberalizing interest rates and reducing the market entry barriers, China's commercial banks will face fierce competition from various players. The state-owned banks and a number of joint stock banks are proactively implementing comprehensive financial strategies by continuously extending their business scope, leveraging on the existing credit business of their commercial banks. While other joint stock commercial banks and city commercial banks are, responding to the regulatory policies by transforming their operational models and trying to develop a differentiated competition strategy based on their own resources, distribution network and composition of customers, establishing their own competitive advantages in retail banking, interbank business, SME service business, consumer financial business and trade finance business.

Financial disintermediation has facilitated the development of intermediary businesses: In recent years, investors have increasingly made investment directly rather than through commercial banks or other financial intermediaries (generally referred to as "financial disintermediation"). More and more enterprises raised funds through issuing notes, bonds or stocks. In response to the accelerating trend of financial disintermediation, commercial banks in China have devoted more resources to developing and providing diversified financial products and services, especially fee- and commission-based products and services, so as to enhance their competitive advantage and broaden their revenue sources.

City commercial banks are becoming increasingly important in China's banking industry. City commercial banks are banks evolved from urban credit cooperatives and established with the approval of CBRC. Their main task is to provide commercial banking products and services to the regional governments, enterprises, institutions, families and individuals. Due to their in-depth understanding of the local markets and close relationship with local customers, city commercial banks are well-positioned to capture local opportunities and market trend, help maintain regional financial stability and develop regional financial services. From 2010 to 2014, according to the CBRC, the total assets of city commercial banks increased from RMB7,852.6 billion to RMB18,084.2 billion, representing a CAGR of 23.2%, and as a percentage of the total assets of the financial institutions of the banking industry in China, increased from 8.3% to 10.8%. As of the end of the second quarter of 2015, the total assets of commercial banks amounted to RMB20,245.7 billion, representing an increase of 12.0% as compared with the beginning of the year, and as a percentage of the total assets of the financial institutions of the banking industry in China further increased to 10.7%.

**Current status and outlook of China's trust industry**

China's trust industry has grown rapidly since the trust companies were re-registered in 2007 due to their institutional flexibility. According to China Trustee Association, the trust assets of China's trust industry increased from RMB0.95 trillion as at December 31, 2007 to RMB13.98 trillion as at December 31, 2014, representing a CAGR of 46.8%. As of June 30, 2015, the trust assets amounted to RMB15.87 trillion. China's trust industry has become the second largest financial sub-sector in terms of total assets, second only to the banking industry. The total assets, ownership interests, operating income, total profit and trust AUM of China's trust industry from December 31, 2010 to June 30, 2015 were as follows:

| | As of December 31, | | | | | As of June 30, |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | | | |
| **Total Assets** | 148,344 | 182,508 | 228,208 | 287,141 | 358,602 | 416,176 |
| **Ownership Interests** | 132,020 | 163,278 | 203,200 | 255,518 | 319,622 | 354,752 |
| **Operating income** | 28,395 | 43,929 | 63,842 | 83,260 | 95,495 | 54,406 |
| **Total profit** | 15,876 | 29,857 | 44,140 | 56,861 | 64,230 | 39,186 |
| **Trust AUM** | 3,040,455 | 4,811,438 | 7,470,555 | 10,907,111 | 13,979,910 | 15,865,837 |

With the rapid growth of the trust industry, the regulatory authorities placed more emphasis on its orderly development by tightening the regulation of trust products and bank-trust cooperation businesses, and also encouraged the innovative transformation of the industry. Meanwhile, with the continuous financial reforms and the loosened regulatory policies regarding other financial sub-sectors, "quasi-trust" businesses such as the asset management plans managed by securities companies, the products of fund's subsidiaries and the asset management plans of insurance companies also came to the market and competed directly with the trust-related businesses. On October 18, 2013, the first batch of 11 banks started two pilot programs, namely, direct debt financing instruments and bank asset management plans, suggesting that those trust companies with channelized business model will face more intense competition. However, we believe that the trust industry will remain promising due to financial disintermediation, interest rate liberalization, healthy development of the urbanized economy and rising demand for social wealth management. China's trust industry will further draw on the institutional strengths of trust arrangement, which is "managing third party's money as their fiduciaries", develop the asset management business and wealth management business, and accelerate the transition of development mode from sheer volume expansion to quality improvement so as to achieve a healthy and sustainable growth.

**Current status and outlook of China's asset management industry**

As China's economy is growing rapidly, the average disposable income of Chinese residents has increased significantly and the total volume of social wealth has also risen substantially. According to the statistical data of PBOC, CBRC, China Trustee Association, CIRC and CSRC, total amount of financial assets including deposits with financial institutions, wealth management products of commercial banks, trust assets, insurance capital and principals of securities under entrusted management increased from RMB84 trillion at the end of 2010 to RMB164 trillion at the end of 2014, representing a CAGR of 18.2%. According to the estimate in "China Wealth Management Report (2014)" released by Renmin University of China, the size of China's private wealth management reached RMB130 trillion at the end of 2013, and by 2020 the size of China's private wealth market will further increase to somewhere between RMB220 trillion and RMB235 trillion.

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| | (in trillions of RMB) | | | | |
| **Balance** | | | | | |
| Deposits with financial institutions | 73 | 83 | 94 | 107 | 117 |
| Wealth management products of commercial banks | 3 | 5 | 7 | 10 | 15 |
| Trust assets | 3 | 5 | 7 | 11 | 14 |
| Insurance capital | 5 | 6 | 7 | 9 | 9 |
| Principals of securities under entrusted management | 0 | 0 | 2 | 5 | 8 |
| Total | 84 | 98 | 118 | 142 | 164 |

The further increased social wealth, combined with the fact that the regulatory authorities have relaxed restrictions on financial institutions to operate asset management businesses since 2012, pushed the asset management industry in China into a "pan-asset management" era. The different financial institutions including banks, trust companies, securities companies, insurance companies, public funds and its subsidiaries, private equity investment funds and third party asset management institutions are all able to achieve significant growth in asset management business. With businesses being expanded and interrelated, the market participants also compete and cooperate with each other in various sectors and industries.

We believe China's asset management industry has the following trends:

The deepening reform in the financial system and the rapid accumulation of social wealth will promote the continuous and rapid growth of market size: China's continuous economic development and the effective accumulation of social wealth will support the fast development of China's asset management industry. In the meantime, the reform in the financial system allows financial institutions to offer more diversified financial products, which stimulates the investment demand to maintain and increase social wealth and promotes the rapid growth of market size.

The continuous innovation in China's asset management industry will create more new products and services. Although China's asset management industry has grown rapidly in the past few years, the quasi-loan channel business which accounted for a high proportion of the revenue of the asset management institutions is facing intense competitions. Such channel business is pressed to transform since more asset management license will be granted and the banks will also launch more direct net-worth wealth management plans. Meanwhile, along with the continuous reform in the financial market and innovation of the financial instruments, we expect that the asset management institutions will develop differentiated competitive strategies based on their own core resources and will bring newly-developed asset management products and services to the market.

The AMCs will leverage the distressed asset management business to build up their core competitiveness: After over a decade of operation, the AMCs have accumulated extensive project management experiences and high-quality project resources in distressed asset management as their principal business. They have also focused on and sought to grasp the special investment opportunities in, for example, various creditor's assets and distressed enterprises, and thereby have achieved leading competitive advantages in terms of risk management. These competitive advantages will become the core competitiveness of AMCs in the development of asset management through business platforms of various subsidiaries.

## THE PRC REGULATORY ENVIRONMENT

### AMCs and their Distressed Asset Management Business

### Summary

The development of the distressed asset management industry in China could be broadly divided into three phases: the "Policy Phase", the "Transition Phase" and the "Commercialization Phase". Please refer to the section headed "Industry Overview" for details. Accordingly, the regulatory environment of the distressed asset management industry has also been changing and evolving.

In general, distressed asset management business in China is subject to strict regulation mainly by the CBRC and the MOF. Relevant regulatory requirements mainly cover industry access, corporate governance, business operation and many other aspects.

### Major Regulatory Authorities

### CBRC

The CBRC is the regulatory authority of the banking sector directly under the State Council. Pursuant to the Provisions on the Main Functions, Interior Institutions and Staffing of the China Banking Regulatory Commission (Guo Ban Fa [2003] No.30) (《中國銀行業監督管理委員會主要職責內設機構和人員編制規定》(國辦發[2003]30號)) issued by the General Office of the State Council and effective from April 25, 2003 and the Resolution on the Assumption of the Regulatory Functions of the People's Bank of China by the China Banking Regulatory Commission (《關於中國銀行業監督管理委員會履行原由中國人民銀行履行的監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from April 26, 2003, the CBRC is authorized to centrally supervise and regulate banks, AMCs, trust investment companies and other depository financial institutions ("banking institutions") and ensure the lawful and healthy operation of the banking institutions and undertake aforesaid responsibilities previously performed by the PBOC.

Pursuant to the Banking Supervision Law of the People's Republic of China (President Order No.58) (《中華人民共和國銀行業監督管理法》(主席令第58號)), effective from February 1, 2004, amended by the Standing Committee of the National People's Congress and promulgated on October 31, 2006, the major responsibilities of the CBRC include the following:

- to formulate and issue rules and regulations on the supervision of banking institutions and their business activities;
- to review and approve the establishment, change, termination and business scope of banking institutions;
- to review and regulate the eligibility of directors and senior management of banking institutions;
- to formulate the requirements and rules of prudent operation on risk management, internal control, capital margin ratio, asset quality, loss reserves, risk concentration, connected transaction and asset liquidity of banking institutions;
- to conduct on-site inspection and off-site regulation over the operation and risk exposure of banking institutions; and
- to compile and publish statistics and reports on the PRC banking institutions.

**MOF**

MOF is a department of the State Council and is authorized by the State Council to exercise the functions in relation to finance, taxation of the State and management of state-owned assets. Pursuant to the Restructuring of the Government Agencies under the State Council (《國務院機構改革方案》) adopted by the First Session of the Eleventh National People's Congress, the Notice of the State Council on the Setup of Institutions (Guo Fa [2013] No.14) (《國務院關於機構設置的通知》(國發[2013]14號)) adopted by the First Session of the Twelfth National People's Congress and the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Structure and Staffing of the Ministry of Finance (Guo Ban Fa [2008] No.65) (《國務院辦公廳關於印發財政部主要職責內設機構和人員編制規定的通知》(國辦發[2008]65號)), MOF's main responsibilities in relation to the regulation of AMCs include:

- general management of state-owned assets in financial institutions, arrangement of audit and verification of capital ownership, registration, statistics, analysis and valuation of state-owned assets in financial institutions;
- regulation of transfer, assignment and disposal of state-owned assets in financial institutions and collection of incomes from state-owned assets;
- establishment of the asset and financial management system for financial institutions and supervision of the implementation thereof; and
- supervision of the implementation of fiscal and tax laws and policies.

**Other Regulatory Authorities**

Apart from the above authorities, AMCs are also subject to the supervision and regulation of the PBOC, CSRC, CIRC, SAFE, NAO, SAT and other regulatory authorities.

**Industry Access**

**Establishment**

Pursuant to the Regulations on Financial Asset Management Companies (State Council Order No.297) (《金融資產管理公司條例》(國務院令第297號)) promulgated by the State Council and effective from November 10, 2000, AMCs are wholly state-owned non-bank financial institutions established by the State Council to acquire non-performing loans of state-owned banks, and manage and dispose of the assets from the acquisition of the non-performing loans of state-owned banks. The regulation stipulates that the initial registered capital of an AMC shall be RMB10 billion and shall be contributed by the MOF. AMCs shall be granted a License of Corporate Financial Institutions by the PBOC and shall register with relevant administration for Industry and Commerce. Such regulatory duties of the PBOC were subsequently assumed by the CBRC.

Pursuant to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (Cai Jin [2012] No.6) (《金融企業不良資產批量轉讓管理辦法》(財金[2012]6號)) jointly issued by the MOF and the CBRC on January 18, 2012 and Notice on Relevant Issues concerning Conditions for Qualification Licensing of Local Asset Management Companies to Carry out the Batch Purchase and Disposal of Non-performing Assets of Financial Enterprises (Yin Jian Fa [2013] No.45) (《關於地方資產管理公司開展金融企業不良資產批量收購處置業務資質認可條件等有關問題的通知》(銀監發[2013]45號)) issued by the CBRC on November 28, 2013, in addition to the Four AMCs, provincial governments may, in principle, establish or authorize one asset management or operation company to carry out the batch purchase and disposal of non-performing assets of financial enterprises. Copies of approval or authorized documents shall be filed with the MOF and the CBRC. These asset management or operation companies are only allowed to participate in the batch transfer of distressed assets in their respective provinces, regions or municipalities. The distressed assets acquired by these companies shall be disposed of by way of debt restructuring and shall not be transferred to other companies.

**Major Changes**

Pursuant to the Measures for the Implementation of Administrative Licensing Matters Concerning Non-bank Institutions of China Banking Regulatory Commission (CBRC Order [2015] No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》(中國銀監會令2015年第6號)) (the "Measure for the Implementation Concerning Non-bank Institutions"), amended and promulgated by the CBRC on June 5, 2015, any of the following material changes of AMCs shall be subject to the processing, review and approval of the CBRC or its agencies:

- establishment of sub-branches;
- establishment by investment, contribution to and acquisition of domestic and foreign corporate financial institutions;
- change of company's name, registered capital, domicile;
- modification of the articles of association;
- alternation of equity interest or adjustment on shareholding structure;
- division and merger;
- change of form of organization;
- change of name, registered capital, equity of foreign wholly-owned subsidiaries or affiliated financial institutions or the division or merger or material investment of such entities;
- dissolution or proposed bankruptcy; and
- dissolution or proposed bankruptcy of foreign wholly-owned subsidiaries or affiliated financial institutions.

**Restriction on Shareholding by Foreign Investors**

The Measure for the Implementation Concerning Non-bank Institutions shall be applicable to the shareholding of foreign investors of AMCs. Pursuant to the measures, the shareholding of a single foreign financial institution and its related parties controlled or jointly controlled by such institution (as a strategic investor) in an AMC shall not exceed 20%, while the shareholding of multiple foreign financial institutions and their related parties controlled or jointly controlled by such institutions (as strategic investors) in an AMC shall not exceed 25%.

**Business Qualification**

Pursuant to the Measures for the Administration of Financial Licenses (CBRC Order [2007] No.8) (《金融許可證管理辦法》(中國銀監會令2007年第8號)) as effective from July 1, 2003 and promulgated on July 3, 2007 after modification by the CBRC, a financial license is a legal document issued by the CBRC according to law to permit financial institutions to engage in financial business, and shall apply to financial institutions that are subject to the regulation by the CBRC and have been approved to engage in financial business. The CBRC and banking regulation bureau are responsible for the license issuance and supervision of the AMCs and their branches respectively.

**Business Scope**

Pursuant to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), upon their establishment, AMCs may engage in the following business activities in the course of managing and disposing of the distressed assets resulting from the non-performing loans acquired from state-owned banks, including (1) recovering debts; (2) leasing the assets resulting from the acquisition of non-performing loans or transferring and restructuring the assets in other manners; (3) debt-to-equity swap business, and shareholding in enterprises on a transitional basis; (4) listing recommendation and underwriting bonds and shares for companies under management; (5) issuance of financial bonds, borrowing from financial institutions; (6) financial and legal consultation, asset and project appraisal; and (7) other business activities approved by the PBOC and the CSRC.

Pursuant to the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies' (Cai Jin [2004] No.40) (《關於印發〈金融資產管理公司有關業務風險管理辦法〉的通知》(財金[2004]40號)) issued by the MOF and effective from April 28, 2004, and its corresponding Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》), Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), and Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies (《金融資產管理公司商業化收購業務風險管理辦法》) attached thereto, AMCs are permitted to conduct additional investment in assets in satisfaction of debt, authorized agency business and acquisition of Commercial Distressed Assets.

Pursuant to the Reply regarding the Restructuring of China Huarong Asset Management Corporation for the establishment of China Huarong Asset Management Co., Ltd. (Yin Jian Fu [2012] No.577) (《關於中國華融資產管理公司改制設立中國華融資產管理股份有限公司的批覆》(銀監覆[2012]577號)) issued by CBRC on September 27, 2012, China Huarong was permitted to engage in the following businesses: (1) acquisition, entrusted operation of distressed assets of financial institutions, and management of, investment in and disposal of distressed assets; (2) debt-to-equity swap business and management of investment in and disposal of equity assets; (3) bankruptcy administration; (4) investment; (5) trading of securities; (6) issuance of financial bonds, interbank lending and commercial financing from other financial institutions; (7) approved asset securitization, trusteeship, closing and liquidation of financial institutions; (8) financial, investment, legal and risk management consultation and advisory businesses; (9) assets and project appraisal; and (10) other businesses approved by the banking regulatory bodies of the State Council.

In addition, pursuant to the Notice on the Issue of the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (《關於印發〈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〉的通知》) and its corresponding 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 and effective from July 2, 2015, AMCs may engage in non-financial institution distressed assets business in accordance with laws through acquisition, investment, entrusted management or as otherwise permitted by regulatory authorities.

**Corporate Governance**

Pursuant to the Measure for the Implementation Concerning Non-bank Institutions, directors, general managers, deputy general managers, the heads of financial department and internal audit department, and general manager, deputy general manager of sub-branches, and assistant to general manager and secretary to the board of directors and other senior management members of the company shall obtain relevant qualifications. The AMC shall submit application for approval to the CBRC, and the CBRC shall process the application, review and determine whether to approve the qualification of directors and senior management of such AMC and its foreign wholly-owned subsidiaries or affiliated financial institutions.

Pursuant to the PRC Company Law effective from January 1, 2006 and promulgated on December 28, 2013 after being amended by the Standing Committee of the NPC, the Consolidation Supervision Guidelines promulgated by the CBRC and effective from March 8, 2011, the Measures for the Regulation of Financial Asset Management Companies (Yin Jian Fa [2014] No. 41) (《金融資產管理公司監管辦法》(銀監發[2014]41號)) issued by the CBRC, the MOF, the PBOC, the CSRC and the CIRC on August 14, 2014 and effective on January 1, 2015 and other relevant regulations, a group of companies consisting of an AMC and its subsidiary corporations shall establish comprehensive corporate governance framework, AMCs that have been restructured to joint-stock companies shall further enhance commercialized operation-centralized corporate governance, strengthen the effectively balanced mechanism of shareholders' meeting, board of directors, board of supervisors and senior management, improve authorization plan, consolidate and further enhance the reforms; the parent company of the group shall require and provide guidance to its subsidiary corporations to establish and enhance their corporate governance systems according to their business nature and scale, and shall ensure that the corporate governance systems of its subsidiary corporations adhere to the overall governance standards of the group in accordance with the PRC Company Law and other relevant laws and regulations as well as the articles of association of that subsidiary corporation. The board of directors of the parent company of the group shall bear the ultimate responsibility for the management of the group. The professional committees under the board of directors shall provide professional advice to the board of directors or make decisions according to the authorization of the board of directors on issues such as the overall development strategy, the internal control and compliance, the overall risk management, the related party transactions and the incentive and restraint mechanisms and policies of the group. In addition, the board of supervisors and the senior management of the group shall perform the duties of supervision on the management of the group and implement the management decisions of the board of directors, respectively.

Pursuant to the Guidelines on the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No.34) (《商業銀行公司治理指引》(銀監發[2013]34號)) promulgated by the CBRC on July 19, 2013, AMCs shall abide by the guidelines by analogy, observe the principle that shareholders' meeting, board of directors, board of supervisors, senior management, shareholders and such shall operate independently, balance effectively, cooperate with each other and work smoothly. Also, financial asset management companies shall establish reasonable incentive and restriction mechanism to perform effective decision-making, execution and supervision. Based on the principles above, the guidelines provide further regulations in relation to rights and responsibilities of shareholders, shareholders' meeting, board of directors, board of supervisors, senior management as well as selection procedure and obligations of directors, supervisors and senior management and corporate strategies, value standard, social responsibilities, risk management and internal control, incentive and restriction mechanism, information disclosure and supervision.

Pursuant to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (CBRC Order [2010] No.7) (《商業銀行董事履職評價辦法(試行)》(中國銀監會令2010年第7號)) promulgated by the CBRC and effective from December 10, 2010, financial asset management companies shall establish a system for evaluating the performance of directors, and the board of supervisors shall assume the ultimate liability for the evaluation of performance of directors with reference to the measures. The CBRC shall supervise the evaluation of the performance of directors.

**Internal Control and Risk Management**

Pursuant to the Measures for the Regulation of Financial Asset Management Companies, an AMC group shall consolidate its risk management resources, establish an independent, comprehensive and effective consolidated risk management system. At the group-level, the supervision is risk-based. It addresses specific risks in relations to the operation of the group such as multiple leveraging, risk contagion, risk concentration, conflict of interests, internal transaction and risk exposure. The parent company and its subsidiary financial corporations shall satisfy their respective individual capital requirements imposed by the regulatory authorities. In particular, the capital adequacy ratio of the parent company shall not be less than 12.5%. The parent company, its subsidiary banking institutions and its subsidiary non-financial corporations shall satisfy the respective capital requirement imposed by the CBRC. Subsidiary securities and insurance financial institutions shall satisfy the capital and solvency regulatory requirements imposed on their respective industry. An AMC group shall also satisfy the supplemental capital requirement on a group level.

Pursuant to the Measures on the Internal Control of Financial Asset Management Companies (Cai Jin [2005] No.136) (《金融資產管理公司內部控制辦法》(財金[2005]136號)) promulgated by the MOF and the CBRC on December 31, 2005, the internal control of financial asset management companies consists of the following factors: (1) internal control environment, including a strong supervision and control culture, good corporate governance mechanism, well-structured organizational framework, reasonable and efficient incentive and restriction mechanism so as to provide necessary prerequisites for the effectiveness of internal control; (2) risk identification, evaluation and control, including designated risk management institutions, all-round risk management system, systematic risk management rules, timely risk prevention of new business and continuous risk reporting; (3) internal control measures, including clear-cut responsibilities, proper authorization system, strict keeping of records, vouchers and stamps management, independent legal review, effective crisis disposal; (4) information communication and feedback, including managing information system, information communication and feedback mechanism, complete information data, proper information disclosure; and (5) supervision, evaluation and correction, including business inspection, evaluating, reporting and correcting mechanism for internal control.

Pursuant to the Basic Internal Control Norms for Enterprises (Cai Kuai [2008] No.7) (《企業內部控制基本規範》(財會[2008]7號)) promulgated by the MOF, the CSRC, the NAO, the CBRC and the CIRC on May 22, 2008, large and medium-sized enterprises established in China shall establish internal control system and organize its implementation and use information technology to strengthen an internal control, set up information system adapted to the operation and management, promote the combination of an internal control process with the information system, realize the automatic control over business and matters, minimize or eliminate artificially-manipulated factors. Pursuant to the Notice on Matters Concerning the Acceleration of Construction of Internal Control System of Central Enterprises (Guo Zi Fa Ping Jia [2012] No.68) (《關於加快構建中央企業內部控制體系有關事項的通知》(國資發評價[2012]68號)) promulgated by the SASAC and the MOF on May 7, 2012, each central enterprise shall strive to establish a standardized and sound internal control system within two years, as required by the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines.

Pursuant to the Guidelines on Internal Audit for Banking Institutions (Yin Jian Fa [2006] No.51) (《銀行業金融機構內部審計指引》（銀監發[2006]51號）) promulgated by the CBRC on June 27, 2006 and effective as of July 1, 2006, financial asset management companies may refer to and adopt such guidelines. Pursuant to the guidelines, an audit committee shall be established under the board of directors and the audit committee shall contain no less than three members with a majority of the members being non-executive directors. The chairman of the audit committee shall be an independent director. An internal audit department shall be established to audit the business operation and management acts of the whole system and the internal auditors shall generally be staffed at 1% of the total number of employees, and an internal job rotation system shall be established. An independent and vertical internal audit management system shall be established, with the board of directors or its special committee being responsible for the audit budget, the remunerations of members and the appointment and dismissal of major persons in charge.

Pursuant to the Consolidation Supervision Guidelines, the CBRC shall conduct consolidated supervision of financial asset management companies and their affiliated legal-person institutions. Consolidated supervision refers to the all-round and continuous supervision over the capital and risks of the group based on single legal-person supervision, in order to identify, measure, monitor and evaluate the general risk conditions within the group. Subject to such guidelines, consolidated supervision is adopted in both qualitative and quantitative means. The qualitative supervision mostly aimed to review and evaluate factors such as corporate governance, internal control and risk management of the group. The quantitative supervision mostly aimed to identify, measure, monitor and analyze the management of capital adequacy and leverage of the group, as well as conditions such as large-sum risk, liquidity risk and major internal transaction, thereby having a quantitative evaluation of the risk conditions of the group based on the consolidation.

AMCs shall establish an internal control system supporting all-round risk management and sound internal control system and full-process risk control measures. An internal control system and full-process risk control measures shall at least include: (1) an effective internal authorization system; (2) an approval system for business and risk management; (3) a reporting system for risk monitoring and risk management; (4) a major risk alarming and emergency response system; (5) a risk management accountability system; (6) an internal audit and supervision system; (7) a risk management assessment and evaluation system; (8) a power balancing system for key posts; and (9) a firewall and risk isolation system. AMCs shall report risk management conditions of the group every half a year to the CBRC, and submit relevant materials as required. In regards to major accidental risk events, AMCs shall establish corresponding major event reporting system and file at the CBRC.

Pursuant to the Notice on the Issuance of Off-site Supervision Information System for Financial Asset Management Companies (Provisional) (Yin Jian Ban Fa [2012] No.153) (《關於印發金融資產管理公司非現場監管報表指標體系（試行）的通知》（銀監辦發[2012]153號）) promulgated by the General Office of the CBRC on May 18, 2012, there are five monitoring indicators among supervision indicators, respectively being qualified capital, minimum capital, consolidated financial leverage ratio within the group, leverage ratio and liquidity ratio of AMCs. Among them: (1) the minimum capital within the group refers to the sum of minimum capital requirement for an AMC and each of its subsidiaries, calculated as per its shareholding proportion, deducts the amount payable according to law, rules and supervisory regulations. The minimum capital for an AMC is 12.5% of the risk weighted assets (including off-balance-sheet assets) and the weighting is determined mainly by factors including the risk level and degree of association. The minimum capital for industries of securities, insurance, trust and leasing shall be calculated as per the supervision requirements by relevant supervisory authorities; (2) the consolidated financial leverage ratio within the group and leverage ratio of the financial asset management company shall not be lower than 6%; (3) the liquidity ratio of the financial asset management company shall not be lower than 15%.

**Information Disclosure**

Pursuant to the Measures for the Regulation of Financial Asset Management Companies and the Consolidation Supervision Guidelines, AMCs shall establish and improve the information disclosure system. They shall also standardize disclosure procedures, define the internal management responsibilities and make public disclosure in accordance with relevant laws, regulations and regulatory requirements. AMCs shall follow the principles of authenticity, timeliness, completeness and consistency when disclosing information to the public. They shall be legally responsible for false and misleading statements as well as material omissions. Information disclosed by the AMCs mainly includes corporate governance information, financial condition, risk management and major events. AMCs may also disclose other relevant information at their own discretion according to their actual situation.

**Other Provisions Regarding Institutional Regulation of AMCs**

**Anti-money Laundering**

In the capacity of financial institutions, AMCs shall comply with the requirements of laws and regulations in respect of anti-money laundering.

Pursuant to the Anti-money Laundering Law of the People's Republic of China (President Order No.56) (《中華人民共和國反洗錢法》(主席令第56號)) promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective from January 1, 2007, the relevant financial regulator under the State Council requires the financial institutions under its supervision and administration to establish and improve an internal control system of anti-money laundering.

Pursuant to the Provisions on Financial Institutions Anti-money Laundering (PBOC Order [2006] No.1) (《金融機構反洗錢規定》(中國人民銀行令[2006]第1號)) promulgated by the PBOC on November 14, 2006 and effective from January 1, 2007, financial institutions and their branch offices shall establish and improve an internal control system for anti-money laundering pursuant to the law, and set up an anti-money laundering department or designate an internal department in their branches to be responsible for anti-money laundering activities.

Pursuant to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (Order of the PBOC, the CBRC, the CSRC, the CIRC [2007] No.2) (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》(中國人民銀行、中國銀監會、中國證監會、中國保監會令[2007]第2號)) promulgated by the PBOC, CBRC, CSRC and CIRC on June 21, 2007 and effective from August 1, 2007, financial institutions shall establish and implement effective client identification system and implement client identity information and a transaction archiving system.

Pursuant to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (PBOC Order [2006] No.2) (《金融機構大額交易和可疑交易報告管理辦法》(中國人民銀行令[2006]第2號)) promulgated by the PBOC on November 14, 2006 and effective from March 1, 2007, financial institutions shall set up a special position for anti-money laundering duty, assign a designated person to report large and doubtful transactions, formulate an internal management system and operating procedures for large and doubtful transactions according to such measures, and file with the PBOC.

Pursuant to the Administrative Measures for Anti-money Laundering Supervision over Financial Institutions (for Trial Implementation) (Yin Fa [2014] No.344) (《金融機構反洗錢監督管理辦法（試行）》（銀發[2014]344號）) issued by the PBOC and effective from November 15, 2014, the PBOC and its branches shall conduct off-site anti-money laundering supervision over the implementation of anti-money laundering regulations by financial institutions through a series of supervision measures such as the adoption of periodic anti-money laundering reporting systems and the establishment of supervision files. Financial institutions shall designate specific staff to file anti-money laundering reports and other information that present its anti-money laundering work fairly to the PBOC or the competent branch in accordance with the requirements of the PBOC. The institution reporting on anti-money laundering is responsible for the truthfulness, completeness and timeliness of the relevant information.

**Special Fiscal and Tax Policies**

The MOF and the SAT have issued a series of special fiscal and tax policies designated for AMCs, mainly including:

The Notice on Matters Concerning Tax Policies of China Cinda and other Three Financial Asset Management Companies (Cai Shui [2001] No.10) (《關於中國信達等4家金融資產管理公司稅收政策問題的通知》(財稅[2001]10號)) promulgated jointly by the MOF and the SAT and effective from February 22, 2001 has laid out provisions on the tax preferential policies entitled to AMCs in the acquisition, undertaking and disposal of distressed assets of state-owned banks.

Pursuant to the Notice on Matters Concerning China Cinda and the other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No.94) (《關於中國信達等4家金融資產管理公司受讓或出讓上市公司股權免徵證券（股票）交易印花稅有關問題的通知》（國稅發[2002]94號）) promulgated by the SAT and effective from July 23, 2002, the receiving and transfer of a listed company's securities by AMCs within the scope of state-owned banks distressed assets acquired, managed and disposed of by them may be exempted from securities (stock) stamp duty upon request and approval.

Pursuant to the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No.21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策的通知》（財稅[2003]21號）) promulgated jointly by the MOF and the SAT and effective from February 21, 2003, an AMC, subject to the total capital amount verified by the MOF, during its take-over of assets of state-owned commercial banks will be exempted from deed tax and stamp duty during the transfer process.

Pursuant to the Notice on Matters Concerning Related Tax Policies of China Cinda Asset Management Co., Ltd. and Other Three Financial Asset Management Companies (Cai Shui [2013] No.56) (《關於中國信達資產管理股份有限公司等4家金融資產管理公司有關稅收政策問題的通知》（財稅[2013]56號）) promulgated by the MOF and the SAT and effective from August 28, 2013, after the restructuring of an AMC being approved by the State Council, the entity and its branches undertaking the rights and duties of an AMC shall enjoy, by analogy, the preferential tax policies stated in the Notice on Matters Concerning Tax Policies of China Cinda and Other Three Financial Asset Management Companies (《關於中國信達等4家金融資產管理公司稅收政策問題的通知》), the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策的通知》) and the Notice on Matters Concerning China Cinda and the Other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (《關於中國信達等4家金融資產管理公司受讓或出讓上市公司股權免徵證券(股票)交易印花稅有關問題的通知》), when acquiring, undertaking and disposing Policy Distressed Assets and distressed assets carved out by restructured banks. The Policy Distressed Assets refer to the distressed assets of related state-owned banks acquired by financial asset management company at Original Value within the scope and limit determined by the State Council. The distressed assets carved out by restructured banks refer to the distressed assets acquired by financial asset management company from ICBC, CCB, BOC and BoCOM within the scope and limit of distressed assets set by the State Council.

**Financing Management**

Apart from obtaining capital contribution from shareholders and inter-bank loans from commercial banks, AMCs, as financial enterprises, are allowed to conduct financing activities including interbank lending, insurance financing, issuance of financial bonds and asset securitization.

The engagement of AMCs in the aforesaid financing activities shall conform with the provisions generally applicable to such financing activities conducted by financial institutions within the territory of the PRC. For example, Administrative Measures for the Interbank Lending (PBOC Order [2007] No.3) (《同業拆借管理辦法》(中國人民銀行令[2007]第3號)) promulgated by the PBOC on July 3, 2007 and effective from August 6, 2007, Notice on Regulating Transaction between Financial Institutions (Yin Fa [2014] No.127) (《關於規範金融機構同業業務的通知》(銀發[2014]第127號)) promulgated by the PBOC, the CBRC, the CSRC, the CIRC and the SAFE and effective on April 24, 2014, Administrative Measures for the Issuance of Financial Bonds in the National Interbank Bond Market (PBOC Order [2005] No.1) (《全國銀行間債券市場金融債券發行管理辦法》(中國人民銀行令[2005]第1號)) promulgated by the PBOC on April 27, 2005 and effective from June 1, 2005, Administrative Measures for the Pilot Securitization of Credit Assets (Circular of the PBOC and CBRC [2005] No.7) (《信貸資產證券化試點管理辦法》(中國人民銀行、中國銀監會公告[2005]第7號)) promulgated jointly by the PBOC, the CBRC and effective from April 20, 2005, Measures for Supervising and Administrating the Pilot Securitization of Credit Assets by Financial Institutions (Order of the CBRC [2005] No.3) (《金融機構信貸資產證券化試點監督管理辦法》(中國銀監會令[2005]第3號)) promulgated by the CBRC on November 7, 2005 and effective from December 1, 2005, Notice on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets (Yin Fa [2012] No.127) (《關於進一步擴大信貸資產證券化試點有關事項的通知》(銀發[2012]127號)) promulgated by the PBOC, CBRC and MOF and effective from May 17, 2012, and Notice on the Procedures of Filing and Registering Credit Assets Securitization (Yin Jian Ban Bian Han [2014] No. 1092) (《關於信貸資產證券化備案登記工作流程的通知》(銀監辦便函[2014]1092號)) promulgated by the CBRC and effective from November 20, 2014, etc.

## Supervision over the Management of Distressed Assets of AMCs

### Acquisition of Distressed Asset by Financial Institutions

*Acquisition of Policy Non-Performing Loans*

Subsequent to the promulgation and implementation of the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》) in 2000, AMCs acquired non-performing loans of state-owned banks subject to the scope and limit determined by the State Council in accordance with the Regulations on Financial Asset Management Companies. If the determined acquisition scope or limit is exceeded, it must be approved by the State Council as a special item; within the limit determined by the State Council, AMCs acquired relevant loan principal and corresponding receivable interests recorded in profit and losses at Original Value, and implemented free transfer as for the receivable interested not recorded in profit and losses; the purchase of non-performing loans by AMCs means the procurement of rights by original creditor over the debtor and the debtor, guarantor and relevant parties concerned for the original loan contract shall continue to perform obligations as contracted.

Apart from their capital, according to the Regulations on Financial Asset Management Companies, sources from which AMCs fund acquisitions of non-performing loans includes: (1) a portion of the refinancing transferred from PBOC to wholly state-owned commercial banks; and (2) issuance of financial bonds.

*Acquisition of Commercialized Distressed Assets*

Pursuant to the Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies which was attached to the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies' (Cai Jin [2004] No.40) (《金融資產管理公司商業化收購業務風險管理辦法》(財金[2004]40號)) promulgated by the MOF and effective from April 28, 2004, AMCs are allowed to acquire distressed assets of financial institutions established within the territory of the PRC based on the market principles, and manage and dispose of the acquired assets to achieve cash recovery.

From 2004 to 2005, in order to support the shareholding reform on commercial banks and standardize the process of disposal of distressed assets, AMCs had acquired non-performing loans from commercial banks through a commercial tender process in line with the national standardized arrangement and in accordance with the Measures on Disposal of Doubtful Loans in the Process of Restructuring of the Bank of China and China Construction Bank (《中國銀行和中國建設銀行改制過程中可疑類貸款處置管理辦法》) promulgated by the MOF and effective from June 4, 2004.

Pursuant to the Guidelines on Due Diligence in Disposal of Distressed Financial Asset (Yin Jian Fa [2005] No.72) (《不良金融資產處置盡職指引》(銀監發[2005]72號)), promulgated by the CBRC and MOF and effective from November 18, 2005, AMCs, prior to the acquisition of distressed financial asset, shall conduct in-depth diligence in respect of the status, ownership, market prospects of the distressed financial asset to be acquired and the feasibility of such acquisition. Acquisition procedures shall be established with specific division of acquisition work. Approval procedures shall be carried out in strict compliance with limits of authority and the approval department shall be independent from other departments and directly responsible to senior management. In addition, AMCs shall also verify the legality, authenticity, completeness and validity of the data, contracts, agreements and ownership certificates of the assets in satisfaction of debt and mortgages (pledges) in relation to the assets to be acquired, legal documents in relation to the litigation as well as other relevant materials within a reasonable period of time. Handover procedures shall also be completed in a timely manner to facilitate the receipt, management and maintenance of transferred assets.

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》), financial institutions can combine distressed assets (ten items or above) of certain size together, and transfer to AMCs. These measures have given specific provisions for the scope of batch transfer of distressed assets as well as its procedures. It also requires the financial enterprises to write-off the difference between transaction price and carrying amount of the transferred assets in accordance with the relevant regulations in China.

**Acquisition and Entrusted Management of Distressed Assets of Non-financial Enterprises**

To better facilitate commercialization and sustainable development of AMCs, regulate the operational behaviors of AMCs on acquisition and disposal of distressed assets from non-financial enterprises, and promote compliant and healthy operation in AMCs, the MOF and the CBRC promulgated the Notice on the Issue of the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (《關於印發〈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〉的通知》) and its corresponding 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》) which became effective from July 2, 2015. According to the aforesaid document, AMCs may engage in non-financial enterprise distressed assets business through acquisition, investment, entrusted management or as otherwise permitted by the regulatory authorities on the basic condition that they comply with laws and regulations and operate on a commercialized basis when serving the real economy with their risks within an acceptable level. Distressed assets from non-financial enterprises shall be true, valid and clean. Distressed assets from non-financial enterprises that are prohibited from acquisition shall be separated by AMCs from those that shall be acquired with careful consideration. When engaging in non-financial enterprise distressed assets business, AMCs shall enhance their due diligence investigation, procedures of acquisition and disposal and risk control.

**Distressed Asset Management and Disposal**

The Guidelines on Due Diligence in Disposal of Distressed Financial Asset (《不良金融資產處置盡職指引》) specifies the due diligence requirements on performance of the AMCs in respect of management, preliminary investigation, method selection and application as well as pricing of the distressed assets disposal.

In addition to the aforesaid notice which sets out due diligence requirements on the performance of AMCs in respect of the disposal of distressed assets, AMCs shall also comply with another major regulation in respect of disposal of distressed assets, namely, the Administrative Measures of Assets Disposal by AMCs (revised) (Cai Jin [2008] No.85) (《金融資產管理公司資產處置管理辦法(修訂)》(財金[2008]85號)) revised by the MOF and effective from July 9, 2008. Such measures and relevant provisions for management and disposal of distressed assets are given in detail as below:

***Auditing Institutions and Approval***

AMCs and their branches shall set up special auditing unit for disposal of assets, and review the asset disposal program. Except for programs that are in effect under the decisions, judgments and rules made by the People's Court or arbitral body, AMCs shall not dispose of these assets unless the program is approved by this special audit unit for asset disposal.

***Implementation of the Disposal***

Financial asset management companies may dispose of assets in forms such as debt recovery, lease, transfer, restructuring, asset exchange, entrusted disposal, debt-to-equity swap, and asset securitization; and according to the law, through means of announcement, litigation, etc., to protect the rights of creditors and recover debts from the debtor and the guarantor.

The transfer of assets by financial asset management companies, in principle, should be through public auction, including but not limited to, bidding, auction, offer or invitation to public bidding, public inquiry, etc. Without public auction for the disposal procedure, financial asset management companies shall not transfer assets by way of agreement to non-state-owned assignees.

Financial asset management companies, during the entrusted disposal of assets, must ensure that recovery value being greater than disposal cost, namely the recovery value should be sufficient to pay the disposal fees and legal costs, notary fees, asset preservation charge, auction commission and other direct expenses incurred during the commissioned disposal, and there shall be balance.

Financial asset management companies shall establish asset preservation and recovery systems, and continue to retain the right of recourse for undisposed and partially disposed assets, and continue to collect the receivable entitlements over the remaining assets (including accrued interest, off-balance sheet interest receivable). After receiving assets in satisfaction, financial asset management companies must safeguard the assets in satisfaction, complete the transfer procedures in a timely manner, and choose a proper time to collect cash in accordance with system of disposal of assets and the principle of maximizing recovery, and shall not deliberately delay or illegally use the assets for themselves. Financial asset management companies should strengthen the maintenance of assets in satisfaction and set up a regular clearance system to avoid depreciation of assets resulting from improper management.

***Management of the Disposal***

Financial asset management companies should establish and improve asset disposal project accounting, implement budget management for each asset disposal project, enhance planning management over the recovery of assets, disposal costs and profit and losses of disposal, and continuously track and monitor project progress; follow relevant provisions for management of national archives and strictly enforce archiving of asset disposal records. Financial asset management companies and any individual shall keep the asset disposal program and its results confidential.

***Division of Disposal Authorizations***

Financial asset management companies should take reasonable and prudent methodologies to determine the break-even point of disposal. For asset disposal projects with expected recovery value reaching or exceeding the break-even point, financial asset management companies may, as the case may be, determine the authorization amount for branch offices based on the acquisition cost of the assets. For those not reaching the break-even point, financial asset management companies may, as the case may be, determine the authorization amount for branch offices based on the estimated loss.

***Appraisal of Distressed Assets during Disposal***

During asset disposal, financial asset management companies shall adhere to the principles of fairness and reasonableness, cost benefit and efficiency and, subject to the situation of each asset disposal project, determine the necessity of appraisal and specific appraisal methods.

During the disposal of credit assets, financial asset management companies may engage an external independent company to conduct solvency analysis or take due diligence or internal appraisal methods to determine the asset value, without the need to file the asset appraisal procedure with the MOF.

When financial asset management companies dispose of assets by means of debt-to-equity swap or sale of equity assets (including those under the item of debt-to-equity swap approved by the State Council) or sale of real estate, except listed companies' tradable equity assets, an external independent evaluation entity must be assigned to assess the assets. Equity assets under the item of debt-to-equity swap approved by the State Council shall be filed according to relevant provisions for the appraisal of national state-owned assets; other equity assets and real estate disposal projects do not need to be filed with the MOF, but should be internally filed by financial asset management companies.

Financial asset management companies shall determine the discounted price or bottom price of assets to be disposed of with reference to external or internal valuation.

***Methods of Sale of Equity Assets***

When financial asset management companies dispose of equity assets by means of sale, financial asset management companies may transfer by direct agreement to the former state-owned investors or enterprises designated by the state-owned assets supervision and administration department where the transfer of unlisted company's equity assets (including those under the projects of debt-to-equity swap approved by the State Council) meets the following conditions: (1) special requirements on assignees due to national laws and administrative regulations; (2) equity assets of core and key pro-military enterprises engaging in strategic weapons production, concerning national strategic security and involving in national core secrets; (3) resource-based, monopoly-based equity assets related to national economic security and national welfare and the people's livelihood; (4) other equity assets identified by relevant government departments as unsuitable for public transfer.

In addition to above circumstances for transfer by agreement, the transfer of equity assets under the debt-to-equity swap item approved by the State Council and other unlisted company's equity assets with valuation exceeding RMB10 million shall be in accordance with procedures by relevant national provisions, made public in the lawfully established provincial or above trading market. The initial listing price shall not be lower than the asset appraisal result. When the transaction price is lower than 90% of the appraisal results, the transaction shall be suspended and internal disposal approval procedure for financial asset management companies shall be re-performed.

***Announcement for Disposal of Distressed Assets***

Pursuant to the Administrative Measures of the Asset Disposal Announcement of Financial Asset Management Companies (revised) (Cai Jin [2008] No.87) (《金融資產管理公司資產處置公告管理辦法（修訂）》(財金[2008]87號)) as amended by the MOF and CBRC and effective from July 11, 2008, the asset scope applicable for the asset disposal announcement of financial asset management companies includes the various purchased (including additional free transferred) distressed assets and other assets lawfully entitled to disposal rights, including but not limited to:

- Credit assets: non-performing loans acquired by financial asset management companies and interests thereupon;
- Equity assets: equities of debt-to-equity swap companies held by financial asset management companies and various equities of enterprises received from other forms such as asset replacement and assets in satisfaction of debt;
- Real assets: various real assets which financial asset management companies are legally entitled to the ownership of and disposition, including foreclosed goods and those recovered by disposal of mortgage (pledge) loans; and
- Other equity assets: intangible assets, etc.

After the disposal program is formulated for assets within the scope of announcement, the asset disposal announcement shall be both made on the website and in newspaper.

***Supervision and Inspection***

Financial asset management companies shall establish a due diligence and post-disposal inspection system for asset disposal, and audit the asset disposal of branch offices on a regular or irregular basis.

In addition to the special regulations of the Administrative Measures of Asset Disposal by Financial Asset Management Companies (revised) mentioned above, financial asset management companies shall, in the process of asset disposal, comply with the regulations regarding the management of state-owned financial assets such as the Administrative Measures of Transfer of State-owned Assets in Financial Enterprises (MOF Order No.54) (《金融企業國有資產轉讓管理辦法》(財政部令第54號)) promulgated by the MOF on March 17, 2009 and effective from May 1, 2009, the Interim Administrative Measures of Appraisal Supervision of State-owned Assets in Financial Enterprises (MOF Order No.47) (《金融企業國有資產評估監督管理暫行辦法》(財政部令第47號)) promulgated by the MOF on October 12, 2007 and effective from January 1, 2008, the Notice of the Ministry of Finance on Issues Concerning the Supervision and Administration of Appraisal of State-owned Assets of Financial Enterprises (Cai Jin [2011] No.59) (《財政部關於金融企業國有資產評估監督管理有關問題的通知》(財金[2011]59號)) promulgated by the MOF and effective from June 16, 2011, and the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (Cai Jin [2015] No. 56) (《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》(財金[2015]56號)) promulgated by the MOF and the CBRC and effective from July 2, 2015.

***Other Relevant Regulations Regarding the Methods of Asset Disposal***

Pursuant to the Administrative Measures of Investment Business Risks in Financial Asset Management Companies and Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies attached with the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies', financial asset management companies may adopt either additional investment of assets in satisfaction of debt or commissioned agency to manage and dispose of distressed assets.

*Additional Investment of Assets in Satisfaction of Debt*

Pursuant to Administrative Measures of Investment Business Risks in Financial Asset Management Companies, financial asset management companies can, with the purpose of improving the recovery value of asset disposal, utilize cash capital funds to add necessary investment to the assets in satisfaction of debt resulting from policy and commercialized acquisition of non-performing loans and ultimately realize cash recovery.

*Commissioned Agency*

Pursuant to the Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies, financial asset management companies can accept the custody of distressed assets from an entrusting party, as agreed by both parties, to represent the entrusting party in the management and disposal of their assets. Regarding the management and disposal of distressed assets, the scope of the commissioned agency business, includes the management and disposal business of distressed assets entrusted by the MOF, PBOC, state-owned banks, and other financial institutions and enterprises.

*Disposal of Assets by Using Foreign Funds*

Pursuant to the Interim Provisions on Drawing Foreign Capital into the Asset Restructuring and Disposal by Financial Asset Management Companies (Order of the Ministry of Foreign Trade and Economic Cooperation, MOF and PBOC [2001] No.6) (《金融資產管理公司吸收外資參與資產重組與處置的暫行規定》(對外貿易經濟合作部、財政部、中國人民銀行令2001年第6號)) promulgated by the former Ministry of Foreign Trade and Economic Cooperation, MOF and PBOC and effective from October 26, 2001, and the Notice on Strengthening Approval Management of Foreign Investment Disposal of Distressed Assets (Shang Zi Zi [2005] No.37) (《關於加強外商投資處置不良資產審批管理的通知》(商資字[2005]37號)) promulgated by the Ministry of Commerce and effective from April 29, 2005, drawing foreign capital into the asset restructuring and disposal by financial asset management companies shall conform with the industrial policies for foreign investment guided by the state. Foreign investment enterprises for the purpose of drawing foreign capital for asset disposal should report to the Ministry of Commerce for approval, and each local commerce department and state-level economic and technological development zone should not arbitrarily approve the establishment of such enterprises.

*Foreign Debt Administration During Disposal of Assets*

Pursuant to the Notice on Regulating the Archival Filing Administration of Transferring Bad Claims to Foreign Parties by Domestic Financial Institutions (Fa Gai Wai Zi [2007] No.254) (《關於規範境內金融機構對外轉讓不良債權備案管理的通知》(發改外資[2007]254號)) promulgated by the NDRC and the SAFE on February 1, 2007 and effective from April 1, 2007, where a domestic enterprise bears foreign debts resulting from financial asset management companies transferring of bad claims to an overseas investor, the domestic enterprise shall be subject to the administration of foreign debts. The financial asset management company shall, within 20 working days after the signing of an agreement for transferring bad claims to foreign parties, report the situation to the NDRC for filing, and copy to the MOF and CBRC. The NDRC shall, within 20 working days after the receipt of complete filing materials, issue a filing confirmation to the financial asset management company. The financial asset management companies shall, within 15 working days after the receipt of the filing confirmation issued by the NDRC, report to the SAFE and deliver the relevant documents. After getting the approval and consent from the SAFE, the financial asset management company shall complete receipt and settlement procedures in the designated branch of the SAFE, and the foreign investor subject to the transfer of distressed debts or its agent shall complete transfer filing registration procedures in the designated branch of the SAFE.

Pursuant to the Administrative Measures for Registration of Foreign Debts (Hui Fa [2013] No.19) (《外債登記管理辦法》(匯發[2013]19號)) and its attached Guidelines on the Administration of Registration of Foreign Debts (《外債登記管理操作指引》) promulgated by the SAFE on April 28, 2013 and effective from May 13, 2013, financial asset management companies transferring domestic distressed assets to foreign parties shall, within 15 working days after the receipt of the filing or approval by the NDRC, apply for the approval by the SAFE regarding the balance of foreign exchange and the exchange management arrangement during the process of transfer of the distressed assets to foreign entities. All overseas income of financial asset management companies obtained from the transfer of distressed assets to foreign entities shall be transferred back to China in full amount immediately. When handling the filing and registration of distressed asset foreign transfer, foreign investors shall state clearly the security of the distressed asset foreign transfer made by the guarantor for foreign investors and the detailed list of the security items. Such security shall be excluded from foreign security management, no examination and approval and no registration procedure as required by the foreign security management regulation are required.

**Lawsuits related to Acquisition, Management and Disposal of Distressed Assets**

Pursuant to the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of Non-Performing Loans of State-owned Banks by Financial Asset Management Companies (Fa Shi [2001] No.12) (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》(法釋[2001]12號) promulgated by the Supreme People's Court on April 11, 2001 and effective from April 23, 2001:

- After the accepting of state-owned bank's debt by a financial asset management company, the People's Court, for cases already brought by the original creditor bank but pending prior to the transfer, the application made by the original creditor bank or financial asset management company may be based as to change the subject of litigation claims into the financial asset management company accepting the claims;
- The lawsuit brought by a financial asset management company against the debtor should be governed by the People's Court at the domicile of the defendant. Where an original creditor bank has an agreement with the debtor regarding the jurisdiction, if not inconsistent with the law, this agreement remains in force;
- Where an original creditor bank publicizes credit transfer announcement or notification on national or provincial newspapers after accepting state-owned bank credits by a financial asset management company, the People's Court can determine that the creditor has performed the notification obligation stipulated in Clause 80.1 in the Contract Law of the People's Republic of China;
- Where a debtor counterpleas that the original creditor bank does not perform notification obligation for the transfer during the case hearing, the People's Court may summon the original creditor bank to the court for investigation the transfer fact and order the bank to notify the debtor about the transfer fact;
- Where a debtor stamps on the credit transfer agreement or notification or signs to acknowledge the receipt of debt collection notice, limitation interruption will occur.

Where an original creditor bank includes debt collection information in the credit transfer announcement or notification published on national or provincial newspaper, such announcement or notification can be served as the evidence of limitation interruption.

Pursuant to the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (Fa Han [2002] No.3) (《對〈關於貫徹執行最高人民法院「十二條」司法解釋有關問題的函〉的答覆》(法函[2002]3號)) promulgated by the Supreme People's Court and effective from January 7, 2002, where the limitation interruption results from the publishing of credit transfer announcement or notification with collection information on the national or provincial newspaper by a financial asset management company, it can be traced back to the date of the financial asset management company accepting the transfer of credits of the original creditor bank; for credits undertaken, the financial asset management company can obtain the evidence for limitation interruption by publishing collection announcement in the aforesaid newspaper.

Pursuant to the Notice on the Issues Regarding the Protection of Financial Credits Pursuant to Law and Preventing Any Loss of State-owned Assets in Civil Trial and the Enforcement Thereof (Fa [2005] No.32) (《關於在民事審判和執行工作中依法保護金融債權防止國有資產流失問題的通知》(法[2005]32號)) promulgated by the Supreme People's Court and effective from March 16, 2005 as well as Certain Opinions on Providing Judicial Safeguard and Legal Services to Maintain the All-round and Sustainable Development of National Financial Security and Economy (Fa Fa [2008] No.38) (《關於為維護國家金融安全和經濟全面協調可持續發展提供司法保障和法律服務的若干意見》(法發[2008]38號)) effective from December 3, 2008, it is required that the People's Court of each level to the largest extent protect financial credits and prevent any loss of state-owned assets in trial of bad financial credit dispute cases.

Pursuant to the Supplementary Notice on the Acquisition and Disposal of Distressed Assets by Financial Asset Management Companies (Fa [2005] No.62) (《關於金融資產管理公司收購、處置銀行不良資產有關問題的補充通知》(法[2005]62號)) promulgated by the Supreme People's Court and effective from May 30, 2005, where the distressed assets are disposed of by way of debt transfer after a state-owned commercial bank (including state-owned holding bank) transfers non-performing loans to a financial asset management company or the financial asset management company accepts the transfer of non-performing loans, judicial interpretations issued by the Supreme People's Court can be applied, such as the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of non-performing loans of State-owned Banks by Financial Asset Management Companies and the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles". Where a state-owned commercial bank (including state-owned holding bank) transfers non-performing loans to an financial asset management company or the financial asset management company acquires and disposes of the non-performing loans, the corresponding security shall also be transferred without requiring the consent from the guarantor, and that the guarantor shall continue to undertake its guarantee responsibility to the transferee within the scope of original security.

Pursuant to the Notice on Issues Concerning the Trial of Claim Dispute Cases Involving the Separation of Self-established Companies from State-owned Commercial Banks (Fa [2008] No.130) (《關於審理國有商業銀行剝離其自辦公司的債權糾紛案件有關問題的通知》(法[2008]130號)) promulgated by the Supreme People's Court and effective from April 14, 2008, as for such cases already under procedure, the People's Court shall give guidance to the parties concerned for negotiation and adopt possible mediatory methods to solve disputes. If the disputes cannot be settled by mediation, and the transferee directly accepts the distressed debts from the financial asset management company, the People's Court shall give a judgment to cancel the debt transfer contract between the financial asset management company and the transferee. Where the transferee obtains the debts by reassignment, the People's Court shall give a judgment to cancel a series of debt transfer contracts between the financial asset management company and the transferor as well as between the transferor and the transferee. After the debt transfer contract is ordered to be canceled, the transferee can claim loss compensation against the transferor in the limit of actual loss.

Pursuant to the Summary of the Symposium on the Trial of Cases Involving the Distressed Debt Transfer (Fa Fa [2009] No.19) (《關於審理涉及金融不良債權轉讓案件工作座談會紀要》(法發[2009]19號)) promulgated by the Supreme People's Court and effective from March 30, 2009, in a lawsuit where a transferee claims creditor's rights against a state-owned enterprise debtor, the state-owned enterprise debtor proposes a plea of nullity for distressed debt transfer contract on the ground that the distressed debt transfer induced damages on the state-owned assets, the People's Court shall advise the debtor to pursue the nullity of distressed debt transfer contract in the same People's Court separately. If no separate procedure is petitioned by the state-owned enterprise debtor, the People's Court will not support its plea. If a separate procedure for the nullity of distressed debt transfer contract is petitioned by the state-owned enterprise debtor, the People's Court shall terminate the hearing of transferor's claim for creditor's rights against the state-owned enterprise debtor. After the nullity suit of distressed debt transfer contract is heard, two cases will be proceeded together.

Pursuant to the Notice of the Supreme People's Court on the Issue of the Validity of External Guarantee Contracts involved in the Trial of Cases of Utilization of Foreign Capitals by Financial Asset Management Companies in Disposing of Distressed Debts (Fa Fa [2010] No.25) (《關於審理金融資產管理公司利用外資處置不良債權案件涉及對外擔保合同效力問題的通知》(法發[2010]25號)) promulgated by the Supreme People's Court and effective from July 1, 2010, as for cases of disputes arising from using foreign capitals to dispose of distressed debts by financial asset management companies before January 1, 2005, if a party concerned can provide evidence to prove that the relevant formalities for approval or registration have been handled in accordance with the prevailing provisions, the People's Court shall not determine the security contract invalid on the ground that it is not approved by or registered with the competent authorities. As for such cases of disputes arising from financial asset management companies which handled distressed debts by using foreign funds after January 1, 2005, if a party concerned can provide evidence to prove that a financial asset management company has informed the original guarantor of the principal contract, a foreign investor or his agent has clearly stated the specific security in the materials submitted for handling the filing and registration of distressed assets transfer, and that the transfer of distressed assets is filed and registered upon the approval of a local foreign exchange authority, the People's Court shall not deem the security contract as invalid on the ground that the transfer is made without the consent of the guarantor or without the approval of or registration with the competent authorities.

**Debt-to-Equity Swap**

***Examination and Approval of Debt-to-Equity Swap***

Since 1999, financial asset management companies have been converting distressed debt obtained by acquisition of non-performing debts of state-owned large- and-medium-sized enterprises from banks into equities according to the procedures required under the relevant national policies and requirements. Pursuant to the Regulations on Financial Asset Management Companies, financial asset management companies may convert the credit rights obtained by acquisition of non-performing loans of state-owned banks into the equity of the borrowing enterprises; the debt-to-equity swap companies shall be recommended by State Economic and Trade Commission ("SETC") to the financial asset management companies. Financial asset management companies shall independently evaluate the recommended enterprises, formulate the debt-to-equity swap proposals and sign debt-to-equity swap agreements with relevant enterprises. The proposals and agreements for debt-to-equity swap shall be reviewed by the SETC, the MOF and the PBOC, and submitted to the State Council for approval before enforcement.

***Management and Disposal of Debt-to-Equity Swap***

Pursuant to the Regulations on Financial Asset Management Companies and the Circular of the General Office of State Council on Forwarding 'Opinions on Further Improvement of Debt-to-Equity Swap Work of State-owned Enterprises' of State Economic and Trade Commission, the Ministry of Finance and the People's Bank of China (Guo Ban Fa [2003] No.8) (《國務院辦公廳[關於]轉發國家經貿委、財政部、人民銀行〈關於進一步做好國有企業債權轉股權工作意見〉的通知》(國辦發[2003]8號), promulgated and implemented on February 23, 2003, the enterprises implementing debt-to-equity swap shall transform the operation mechanism, establish standardized corporate governance structure and strengthen enterprise management in accordance with the requirements of modern enterprise system; financial asset management companies, after debt-to-equity swap, as the shareholders of the enterprises, may dispatch their personnel to participate in the board of directors and board of supervisors of the enterprises to legally exert their shareholder's rights. In the agreements and proposals for debt-to-equity swap entered into by financial asset management companies and existing enterprises, the terms under which the existing enterprise shall acquire the debt-to-equity swap companies' equities obtained by the financial asset management company in full shall be abolished.

Pursuant to the Notice of the General Office of the State Council on Transmitting the Opinions of the Ministry of Finance and Other Departments on Promoting and Regulating State-owned Enterprises' Debt-to-equity Swap (Guo Ban Fa [2004] No.94) (《國務院辦公廳轉發財政部等部門關於推進和規範國有企業債權轉股權工作意見的通知》(國辦發[2004]94號)), promulgated and implemented on December 30, 2004, existing state-owned investors of debt-to-equity swap companies and financial asset management companies shall establish new companies according to the proposals for debt-to-equity swap approved by the State Council and in compliance with relevant laws and regulations such as the PRC Company Law. Shareholders of the new companies shall standardize and improve corporate governance, and further specify and adjust the duties and authority of shareholders' meeting, board of directors, board of supervisors and senior management in accordance with the requirements of modern enterprise system. Shareholders of the new companies shall enjoy and exercise their rights according their shareholding.

Pursuant to the Consolidation Supervision Guidelines, debt-to-equity swap companies held by financial asset management companies in short term or on a transitional basis may be excluded from the scope of consolidated supervision of financial asset management companies. Financial asset management companies shall formulate withdrawal plans for debt-to-equity swap companies held on a transitional basis and submit the same to the CBRC for filing.

Pursuant to the Notice of the MOF on Issues Regarding the Enhancement of Financial and Risk Management of Financial Asset Management Companies (Cai Jin [2013] No.2) (《財政部關於加強金融資產管理公司財務和風險管理有關問題的通知》(財金[2013]2號)), promulgated by the MOF on January 9, 2013, financial asset management companies shall not involve in the ordinary and financial management of policy DES projects in order to protect shareholders' interests and shall formulate an exit plan for more expedited exit from such investments.

Pursuant to regulatory requirements by the MOF, debt-to-equity swap equities and equities in satisfaction of debt converted from credit assets held by financial asset management companies shall not be reduced during the listing of enterprises and shall proportionally reduce social insurance contribution payable by such equities. In addition to the above two types of equities, reduced holding of state-owned shares of enterprises invested by financial asset management companies when listed at the domestic and/or overseas stock exchanges shall be subject to regulations stated in Interim Administrative Measures Concerning Reduced Holding of State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No. 22) (《關於減持國有股籌集社會保障資金管理暫行辦法》(國發[2001]22號)) promulgated by the State Council and effective from June 6, 2001, Implementation Measures on Transfer of Part of State-owned Shares Listed at the Domestic Stock Exchanges to National Social Security Fund (Cai Qi [2009] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) promulgated by the MOF, the SASAC, the CSRC and the NCSSF and effective from June 19, 2009, and Notice on Further Clarifying Issues Regarding the Transfer of State-owned Shares by Financial Enterprises (Cai Jin [2013] No.78) (《關於進一步明確金融企業國有股轉持有關問題的通知》(財金[2013]78號)), promulgated by the MOF, the SASAC, the CSRC and the NCSSF and effective from August 14, 2013.

For further detailed provisions on the disposal of debt-to-equity swap assets, please refer to relevant parts of Regulatory Environment—Distressed Asset Management and Disposal.

***Commercialized Debt-to-Equity Swap***

Apart from converting the credit rights into equities as an investment according to the national policies and procedures as mentioned above, financial asset management companies may also convert the credit rights held by them into equities in accordance with the negotiation with the debtors and relevant shareholders. Pursuant to the Administrative Provisions on the Registration of Enterprise Registered Capital (SAIC Order No. 64) (《公司註冊資本登記管理規定》(國家工商行政管理總局令第64號)) promulgated by SAIC on February 20, 2014 and effective from March 1, 2014, a creditor may convert its legally-owned debts in a company established in the PRC that meet any one of the following criteria into the company's equity: (1) the creditor has fulfilled all of its contractual obligations in relation to the debts and has not committed any prohibited acts under any laws, administrative regulations, decisions of the State Council or the company's articles of association; (2) the creditor has obtained a confirmation by an effective judgment from a People's Courts or an arbitration organization; (3) the swap is stipulated in the company's scheme of arrangement or agreement for settlement that has been approved or confirmed by a People's Court during liquidation and restructuring, or the settlement of the Company. In respect of any debt-to-equity swap debt owned by two creditors, such creditors shall have severed the relevant debt.

**Custody and Liquidation of Distressed Entities**

Pursuant to Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies, besides the distressed asset management and disposal businesses entrusted by the MOF, the PBOC and state-owned banks and other financial institutions and enterprises, the major scope of commissioned agency businesses of financial asset management companies also includes winding up and liquidation of financial institutions approved by financial regulation authorities and other custody businesses approved by competent authorities.

Pursuant to Regulations on Financial Management Issues Relevant with Custody Businesses of Financial Asset Management Companies (Cai Jin [2004] No.108) (《金融資產管理公司託管業務有關

財務管理問題的規定》(財金[2004]108號)) promulgated by the MOF and effective from October 30, 2004, the custody businesses of financial asset management companies belong to the scope of commissioned agency business; for custody businesses of financial asset management companies entrusted after January 1, 2004, custody businesses and other businesses shall be distinguished strictly for the receiving of registration work of entrusted assets; entrusted assets shall be incorporated into off-balance sheet for computation after liquidation and recognition, to strengthen the internal control of custody businesses and effectively insulate financial risks. After signing the custody agreements, financial asset management companies shall declare them with the MOF for filing.

Financial asset management companies may also participate in liquidation management of enterprise bankruptcy as custodians. Pursuant to the Regulations on Designation of Custodians for Hearing of Enterprise Bankruptcy Cases (Fa Shi [2007] No.8) (《關於審理企業破產案件指定管理人的規定》(法釋[2007]8號)) promulgated on April 12, 2007 by the Supreme People's Court of China and effective from June 1, 2007, if the liquidation team is designated as the custodian, the People's Court may designate relevant government departments, social agencies included into custodian register and financial asset management companies as the members of liquidation team.

**Real Estate Business**

**Establishment and Qualification**

Pursuant to the Administrative Regulations on Urban Real Estate Development and Operation (Order of the State Council No.248) (《城市房地產開發經營管理條例》(國務院令第248號)), as amended, promulgated by State Council on January 8, 2011, the establishment of real estate development enterprises shall not only comply with the incorporation conditions specified by relevant laws and administrative rules, but also shall have registered capital no less than RMB1 million and the minimum number of full-time technicians and full-time accountants engaging in real estate and architectural engineering sectors according to laws.

Pursuant to the Administrative Regulations on Qualifications of Real Estate Development Enterprises (Order of the Ministry of Construction No.77) (《房地產開發企業資質管理規定》(建設部令第77號)) promulgated by the former Ministry of Construction and effective from March 29, 2000, real estate enterprises shall be divided into four levels according to the qualifications of enterprises. The enterprises passing qualification examination will be issued with qualification certificates of corresponding levels by qualification examination departments. The real estate enterprises failing to obtain real estate development qualification certificates may not engage in real estate development and operation.

**Business Operation**

Pursuant to the relevant regulations, when engaging in the real estate development project within China, the enterprises shall obtain approvals or permissions from the competent authorities, such as land use right certificates, land planning licenses, construction project planning licenses and the construction licenses, and fulfill the conditions for sale or presale of commodity housing.

**Regulations on Real Estates**

To stabilize housing prices, the State Council and relevant ministries and commissions have issued a series of policies and measures to strengthen the real estate market regulation, mainly including: (1) Circular on Promoting Land Saving and Intensive Use (Guo Fa [2008] No.3) (《關於促進節約集約用地

的通知》(國發[2008]3號)) promulgated by the State Council and implemented on January 3, 2008; (2) Circular on Resolutely Suppressing the Soaring of Housing Prices in Some Cities (Guo Fa [2010] No.10) (《關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) promulgated by the State Council and effective from April 17, 2010; (3) Circular on Issues of Further Improvement of Real Estate Regulation (Guo Ban Fa [2011] No.1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)) promulgated by the General Office of the State Council and effective from January 26, 2011; (4) Circular on Issues Relating to Further Regulation of Real Estate Market (Guo Ban Fa [2013] No.17) (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)) promulgated by the General Office of the State Council and effective from February 26, 2013; (5) Notice on Further Improvement of the Housing-related Financial Services (《關於進一步做好住房金融服務的通知》) jointly promulgated by the PBOC and the CRSC on September 29, 2014; and (6) Notice on Optimizing the Housing and Land Supply Structure in 2015 to Promote the Stable and Healthy Development of the Real Estate Market (Guo Tu Zi Fa [2015]No.37) (《關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知》(國土資發[2015]37號)) promulgated by the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development and became effective on March 25, 2015, etc.

**Financial Service Businesses**

**Securities Business**

Presently, the CSRC is the industry regulatory authority of securities companies and the businesses engaged by them. Securities companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Law (《證券法》), Regulations on Supervision and Administration of Securities companies (《證券公司監督管理條例》), Trial Provisions on Establishment of Subsidiaries by Securities Companies (《證券公司設立子公司試行規定》), Provisions on Regulation of Subsidiaries of Securities Companies (《證券公司分支機構監管規定》), Administrative Measures for Qualifications of Securities Practitioners (《證券業從業人員資格管理辦法》), Measures for the Supervision and Administration of Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》), Rules for Governance of Securities Companies (《證券公司治理準則》), Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》), Provisions on the Classified Regulation of Securities Companies (《證券公司分類監管規定》), Regulations on Risk Disposal of Securities Companies (《證券公司風險處置條例》), Administrative Measures of Risk Control Indices of Securities Companies (《證券公司風險控制指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Securities Companies (《證券公司風險資本準備計算標準的規定》), and Circular on Matters Regarding Information Publication by Securities Companies (《證券公司信息公示有關事項的通知》), etc.

**Industry Access**

Pursuant to the Securities Law (President Order No.14) (《證券法》(主席令第14號)) amended by National People's Congress of PRC and promulgated on August 31, 2014, the incorporation of a securities company shall be examined and approved by the CSRC and the establishment of a securities company shall comply with the following requirements: (1) having an articles of association that meets relevant laws and administrative rules; (2) the major shareholders have sustainable profitability, enjoy good credit standing, without major law or rule breaking record in the last three years and with net assets of no less than RMB200 million; (3) where a securities company engages in the operation of securities brokerage, securities investment consultation, financial advisory business relating to the activities of securities trading or securities investment, its minimum registered capital shall be RMB50 million. Where a securities company engages in one of the business of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB100 million. Where a securities company engages in two or more businesses of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB500 million. The registered capital of a securities company shall be paid-in capital; and (4) the directors, supervisors and senior management thereof have the qualification for their appointment and its practitioners have the qualification to engage in the securities business.

**Restriction on Shareholding by Foreign Investor**

Pursuant to the Rules in Relation to the Establishment of Foreign-invested Securities Company (CSRC Order No.86) (《外資參股證券公司設立規則》(中國證監會令第86號)) amended and promulgated by the CSRC on October 11, 2012 and the Working Guidelines for the Examination and Approval Concerning the Administrative Licensing of Securities Companies No.10—Share Increase and Changes in Equity Interests of Securities Companies (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》) promulgated by the CSRC on June 17, 2011 and amended on August 27, 2015, the shareholding or interests in a foreign-invested securities company directly or indirectly held by foreign shareholders shall not exceed 49% in aggregate and the shareholding in securities companies held indirectly by foreign investors shall not exceed 5%. A foreign investor may be exempted from such restriction when meeting all of the following requirements: (1) the foreign investor indirectly holds equity interest in a securities company through investing a listed company; (2) the largest shareholder, controlling shareholder or de facto controller of the listed company is a Chinese investor; (3) if there is a change in the shareholding structure of the listed company in the future and the foreign investor indirectly controls the equity interest of the securities company by holding the controlling interests in the listed company, thereby violating the PRC opening-up policy, the matter shall be rectified within a specified period, and the relevant equity interest shall carry no voting right if the matter is not rectified after the period; and (4) the foreign investor shall not establish any joint venture securities company with a domestic securities company or make strategic investment in a listed securities company when indirectly owning not less than 5% of the equity interest in one or more domestic securities companies.

**Business Scope**

Pursuant to the provisions of Securities Law and with the approval of the CSRC, a security company may engage in some or all of the following activities: (1) securities brokerage; (2) securities investment consultation; (3) financial advisory relating to securities trading or securities investment; (4) securities underwriting and sponsorship; (5) proprietary trading of securities; (6) securities asset management; and (7) other securities businesses.

In addition, a securities company shall obtain a special business qualification permit before engaging in margin financing and securities lending business, sales of securities investment funds business, public offering securities investment fund management business and direct investment business.

**Regulation and Administration**

Pursuant to the Provisions on the Classified Regulation of Securities Companies (CSRC Notice [2010] No.17) (《證券公司分類監管規定》(中國證監會公告[2010]17號)) promulgated by the CSRC on May 26, 2009 and revised on May 14, 2010, securities companies are divided into five categories, including 11 levels—A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of securities companies. Based on the classified regulation principle, the CSRC requires each category of securities companies to comply with corresponding risk control index standards and calculation ratio for risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

Pursuant to the Administrative Measures of Risk Control Indices of Securities Companies (CSRC Order No.55) (《證券公司風險控制指標管理辦法》(中國證監會令第55號)) implemented by the CSRC on November 1, 2006 and revised on June 24, 2008, if a securities company engages in the securities brokerage business, its net capital shall be not less than RMB20 million. If a securities company engages in any of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall be not less than RMB50 million. If a securities company engages in the brokerage business and concurrently in any one of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities businesses, its net capital shall not be less than RMB100 million. If a securities company engages in two or more of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall not be less than RMB200 million.

A securities company shall consistently conform to the risk control index standards as follows: (1) The proportion of the net capital to the sum of all risk capital reserves shall not be less than 100%; (2) The proportion of the net capital to the net assets shall not be less than 40%; (3) The proportion of the net capital to the liabilities shall not be less than 8%; and (4) The proportion of the net assets to the liabilities shall not be less than 20%.

**Futures Business**

At present, the CSRC is the regulatory authority of futures companies and relevant businesses engaged by them. Futures companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Regulations on Administration of Futures Trading (《期貨交易管理條例》), Administrative Measures for Supervision over Futures Companies (《期貨公司監督管理辦法》), Administrative Measures of Futures Practitioners (《期貨從業人員管理辦法》), Provisions on Regulating Issues Concerning Holding Controlling Shares or Holding Shares in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》), Provisions on Classified Regulation of Futures Companies (《期貨公司分類監管規定》), Administrative Measures for Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》), Administrative Measures of Risk Regulation Indexes of Futures Companies (《期貨公司風險監管指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Futures Companies (《關於期貨公司風險資本準備計算標準的規定》) and Administrative Provisions on Information Publication of Futures Companies (《期貨公司信息公示管理規定》), etc.

**Industry Access**

Pursuant to the Regulations on Administration of Futures Trading (the State Council Order No.627) (《期貨交易管理條例》(國務院令第627號)) promulgated by the State Council on March 6, 2007 and revised on July 18, 2013, and the Administrative Measures for Supervision over Futures Companies (CSRC Order No.110) (《期貨公司監督管理辦法》(中國證監會令第110號)) promulgated by the CSRC and effective from October 29, 2014, the establishment of a futures company shall be subject to the examination and approval by the CSRC and shall comply with the following conditions: (1) its minimum registered capital shall be RMB30 million; (2) its directors, supervisors and senior management have obtained the qualifications for assuming their posts and there are at least three senior management with the qualifications for assuming their posts; (3) its employees have obtained the futures practicing qualifications and there are at least 15 employees with the futures practicing qualifications; (4) it has its articles of association conforming to the laws and administrative regulations; (5) its major shareholders and actual controllers have a sustainable profit-making capacity and a good reputation, and none of them has any record of serious law and rule violation in the last three years; (6) it has eligible business premises and facilities; and (7) it has sound risk management and internal control system.

A legal person or other types of organization holding more than 5% of the shareholding in a futures company shall comply with the following conditions: (1) its paid-up capital and net assets shall not be less than RMB30 million; (2) its net assets shall not be less than 50% of its paid-up capital, its contingent liabilities shall be less than 50% of its net asset, and there shall not be any other risks that may cause material uncertainty over its financial conditions; (3) it does not have material outstanding due debt; (4) it has not been subject to any administrative punishment or criminal penalty for any material illegal activities or irregularities within the last three years; (5) none of the competent authorities has instigated any investigation or taken any compulsory action against it for any suspected material illegal activities or irregularities; (6) none of the shareholders or effective owners of the company (including financial institution) has committed any dishonest acts such as abusing their shareholder's rights or evading their shareholder's obligations within the last three years ; and (7) the CSRC, based on prudent supervising principles, does not have any other reason to object its suitability as a shareholder in a futures company. An individual shareholder holding more than 5% of the shareholding in a futures company shall comply with the conditions (3) to (7) above and the amount of his personal financial assets shall not be less than RMB30 million.

**Restriction on Shareholding by Foreign Investor**

In addition to the conditions set out in "Industry Access" above, a foreign investor holding more than 5% of the shareholding in a futures company shall also comply with the following conditions: (1) it is a financial institution established and legally continued in accordance with the laws of its domicile country or region; (2) all of its financial and regulatory indicators for the last three years comply with the requirements of the laws and regulators of its domicile country or region; (3) its domicile country or region has sound laws and regulatory system for futures and the futures regulators therein have entered into memorandum of understanding on regulatory cooperation and are maintaining effective regulatory cooperation with the CSRC; (4) the shareholding or interests in a futures company directly or indirectly held by foreign shareholders in aggregate shall not exceed the level committed by the PRC under the opening of its futures industry to investor overseas, in the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan respectively. Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (《外商投資產業投資指導目錄（2015年修訂）》), futures companies shall continue to be controlled by Chinese investors.

**Shareholding by Related Shareholders**

For related shareholders holding in aggregate 5% or more of the shareholding in a futures company, the one with the largest shareholding shall comply with the conditions set out in "Industry Access" and "Restriction on Shareholding by Foreign Investor" above.

**Business Scope**

Pursuant to the Regulations on Administration of Futures Trading (《期貨交易管理條例》) and the Administrative Measures for Supervision over Futures Companies (《期貨公司監督管理辦法》), a futures company shall be subject to the licensing system. The CSRC will grant licenses in accordance with the business types of commodity futures and financial futures. A futures company established under the above-mentioned conditions may, in accordance with the law, engage in commodity futures brokerage business, shall obtain corresponding business qualification to engage in financial futures brokerage, overseas futures brokerage and futures investment consultation businesses. A future company shall register and file in accordance with the laws to engage in asset management business. A futures company may also engage in other businesses stipulated by the CSRC with proper approval. The criteria for a futures company to engage in overseas futures brokerage, futures investment consultation and other approved businesses shall be stipulated by the CSRC separately.

**Regulation and Administration**

Pursuant to the Provisions on Classified Regulation of Futures Companies ( CSRC Notice [2011] No.9) (《期貨公司分類監管規定》(中國證監會公告[2011]9號)) promulgated by the CSRC and effective from April 12, 2011, futures companies are divided into five categories, including 11 levels—A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of futures companies. Based on the classified regulation principle, the CSRC requires each category of futures companies to comply with corresponding risk control index standards and calculation ratio of risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

Pursuant to the Administrative Measures of Risk Regulation Indexes of Futures Companies (CSRC Notice [2013] No.12) (《期貨公司風險監管指標管理辦法》(中國證監會公告[2013]12號)) promulgated by the CSRC on February 21, 2013 and effective from July 1, 2013, a futures company shall always comply with the following risk regulation indexes: (1) its net capital shall not be less than RMB15 million; (2) the proportion of its net capital to its risk capital reserves shall not be less than 100%; (3) the proportion of its net capital to net assets shall not be less than 40%; (4) the proportion of its current assets to current liabilities shall not be less than 100%; (5) the proportion of its liabilities to net assets shall not be more than 150%; (6) it complies with the specified requirement of minimum settlement reserves.

**Financial Leasing Business**

At present, the CBRC is the regulatory authority of financial leasing companies and their businesses. Financial leasing companies are regulated by the CBRC mainly in accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》) and relevant laws, regulations and normative documents.

**Industry Access**

Pursuant to the Administrative Measures of Financial Leasing Companies (CBRC Order [2014] No. 3) (《金融租賃公司管理辦法》(中國銀監會令2014年第3號)) promulgated by the CBRC and effective from March 13, 2014 and the Measure for the Implementation Concerning Non-bank Institutions, the establishment of a financial leasing company shall comply with the following conditions: (1) the promoters shall satisfy the stipulated conditions; (2) the capital contribution shall be one-off paid-up capital in money and the minimum registered capital shall be RMB100 million or its equivalent in a freely convertible currency; (3) the articles of association shall satisfy the provisions of the PRC Company Law and the requirements of the CBRC; (4) the directors and senior management shall satisfy the required qualifications and at least 50% of all the practitioners shall have over three years of experience in the financial or financial leasing industry; (5) there shall be effective corporate governance, internal control and risk management systems; (6) there shall be information technology systems suitable for its business operation and regulatory obligations, necessary, safe and lawful information systems that can support its business operation, and the technique and measures to secure the sustainability of its business; (7) there shall be business premises, security measures and other facilities suitable for business operation; and (8) any other conditions stipulated by the CBRC after due consideration.

**Restriction on Shareholding by Foreign Investor**

Pursuant to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (CBRC Order [2003] No. 6) (《境外金融機構投資入股中資金融機構管理辦法》(中國銀監會令2003年第6號)) ( the "Administrative Measures for the Investment and Shareholding by Foreign Financial Institutions" ), promulgated by the CBRC on December 8, 2003 and effective from December 31, 2003, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. However, no specific restriction on the aggregate shareholding and indirect shareholding of financial leasing companies by foreign investors is set out under such measures and the Administrative Measures of Financial Leasing Companies.

**Business Scope**

Pursuant to the Administrative Measures of Financial Leasing Companies, a financial leasing company may engage in part or all of the following businesses in RMB or foreign currencies with the approval by the CBRC: (1) financial leasing business; (2) transferring and acquiring assets subject to financial leases; (3) investing in fixed-income securities; (4) accepting lease deposits from lessees; (5) accepting fixed deposits of three months or more from shareholders; (6) interbank lending; (7) taking loans from a financial institution; (8) overseas borrowings in foreign currencies; (9) realization and disposal of residual values of leased properties; and (10) economic consulting. Subject to the approval of the CRSC, the financial leasing companies with proven track record which fulfill the required conditions are also allowed to the following businesses in RMB or foreign currencies: (1) bond issuance; (2) establishment of project companies in the domestic bonded area to engage in financial leasing business; (3) assets securitization; (4) providing guarantee for the external financing of holding subsidiaries and project companies; and (5) other businesses as approved by the CBRC.

**Regulation and Administration**

Pursuant to the Administrative Measures of Financial Leasing Companies, financial leasing companies shall implement a five-level classification system for risk assets, formulate a bad debt reserve system pursuant to the relevant provisions and promptly make adequate reserve for bad debts. No profits shall be distributed before reserve for bad debt is fully made. In addition, financial leasing companies shall comply with the following major regulatory indices: (1) the net capital to risk-weighted assets ratio shall not be less than the level stipulated by the CBRC; (2) the balance of all financial leases granted to a single lessee shall not exceed 30% of the net capital; (3) the balance of all financial leases granted to a single group of lessees shall not exceed 50% of the net capital; (4) the balance of all financial leases granted to an affiliate shall not exceed 30% of the net capital; (5) the balance of all financial leases granted to all affiliates shall not exceed 50% of the net capital; (6) the balance of financing to a single shareholder and all of its affiliates shall not exceed the capital of the financial leasing company contributed by such shareholder and shall also comply with the requirements hereunder in relation to the concentration on any single client; and (7) the balance resulting from interbank borrowing shall not exceed 100% of the net capital.

**Banking Business**

Presently, the principal regulatory authorities in the PRC banking industry include the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions operating in China, and the PBOC, as the central bank, is responsible for formulating and implementing monetary policies. The principal laws and regulations relating to the PRC banking industry include the PRC Commercial Banking Law (《中國商業銀行法》), the PRC Law on the People's Bank of China (《中國人民銀行法》), the Banking Supervision Law, and the rules and regulations promulgated under these laws.

**Industry Access**

The establishment of a city commercial bank requires the CBRC's approval and issuance of an operating license. In general, the CBRC will not approve an application to establish a city commercial bank unless certain conditions are satisfied, including, among others: (1) articles of association complying with relevant requirements of the PRC Commercial Banking Law and the PRC Company Law; (2) registered capital meeting the statutory requirements, including RMB100 million registered capital and paid-up capital; (3) non-performing loan ratio of not exceeding 10%; (4) directors and senior management possessing the requisite qualifications and practitioners familiarizing with the banking business; (5) a sound and effective corporate governance and internal control system; and (6) business premises, security measures and other facilities suitable for business operation.

**Restriction on Shareholding by Foreign Investor**

Pursuant to the Administrative Measures for the Investment and Shareholding by Foreign Financial Institutions (《境外金融機構入股管理辦法》), the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. An unlisted domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall be regarded as a foreign-funded financial institution for the purpose of supervision and regulation, while a listed domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall retain its status as a domestic funded financial institution for the purpose of supervision and regulation.

Pursuant to the Measures for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (CBRC Order [2015] No.2) (《中資商業銀行行政許可事項實施辦法》(中國銀監會令2015年第2號)) amended by the CBRC on June 6, 2015 and took effect on the same date, the shareholding of a single foreign financial institution and its controlled or jointly controlled related parties, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 20%, while the shareholding of multiple foreign financial institutions and related parties controlled by or jointly controlled by them, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 25% in aggregate. The term "shareholding" above refers to the percentage of shares held by foreign financial institutions in the total shares of domestic funded commercial bank. The shareholding of the related parties of foreign financial institutions shall be consolidated with that of the foreign financial institutions.

**Business Scope**

Under the PRC Commercial Banking Law, commercial banks in China are permitted to engage in any or all of the following activities: (1) taking deposits from the public; (2) making short-term, medium-term and long-term loans; (3) handling domestic and overseas payment settlements; (4) accepting and discounting bills; (5) issuing financial bonds; (6) acting as agents to issue, honor and underwrite government bonds; (7) trading government bonds and financial bonds; (8) engaging in inter-bank lending; (9) engaging in foreign exchange trading as principals or as agents; (10) engaging in bank card business; (11) providing letters of credit and guarantee services; (12) collecting and making payment as agents and acting as insurance agents; (13) providing safe deposit box services; and (14) other businesses approved by the banking regulatory authorities of the State Council.

Commercial banks in the PRC are required to stipulate their scope of business in their articles of association and submit their articles of association to the CBRC for approval. Subject to approval by the PBOC and the SAFE, commercial banks can engage in settlement and sales of foreign exchange.

**Regulation and Administration**

Pursuant to the Administrative Measures for Capital Management of Commercial Banks (Provisional) (CBRC Order [2012] No.1) (《商業銀行資本管理辦法（試行）》（中國銀監會令2012年第1號）) promulgated by the CBRC on June 7, 2012 and effective from January 1, 2013, commercial banks are required to maintain a minimum core tier-one capital adequacy ratio of 5%, a minimum tier-one capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8%. The CBRC conducts supervision and inspection of the commercial banks' capital adequacy ratio through off-site supervision and on-site inspection.

Pursuant to the Banking Supervision Law (President Order No.58) (《銀行業監督管理法》（主席令第58號）) promulgated by the CBRC on December 27, 2003 and amended on October 31, 2006, the types of businesses within the business scope of a banking financial institution shall be examined, approved or documented by the banking supervision and administration authority under the State Council according to the relevant regulations; for those businesses that requires examination and approval, the banking supervision and administration authority under the State Council shall make and announce provisions according to the relevant laws and administrative regulations; the banking supervision and administration authority under the State Council shall also implement qualification management over the directors and senior management of banking institutions.

**Asset Management and Investment Business**

**Trust Business**

CBRC is the regulatory authority governing the trust companies and their businesses mainly in accordance with the Guidelines for Governance of Trust Companies (《信託公司治理指引》), Guidelines on Supervisory Rating and Classified Regulation of Trust Companies (《信託公司監管評級與分類監管指引》),

Administrative Measures of Net Capital of Trust Companies (《信託公司淨資本管理辦法》), Notice on the Publication of Matters of Standard Calculation of Net Capital of Trust Companies (《關於印發信託公司淨資本計算標準有關事項的通知》), Guidelines on Business Cooperation between Banks and Trust Companies (《銀行與信託公司業務合作指引》), Administrative Measures of Trust Companies' Trust Plans of Assembled Funds (《信託公司集合資金信託計劃管理辦法》) and Interim Measures on Administration of Information Disclosure of Trust Investment Companies (《信託投資公司信息披露管理暫行辦法》) and Measures for the Implementation of the Administrative Licensing of Trust Companies of China Banking Regulatory Commission (CBRC Order [2015] No.5) (《中國銀監會信託公司行政許可事項實施辦法》) (the "Measures for the Licensing of Trust Companies") promulgated by the CBRC on June 5, 2015 and became effective on the same date, and other applicable laws, regulations and normative documents.

**Industry Access**

Pursuant to the Measures for the Licensing of Trust Companies, the establishment of trust corporate institutions shall fulfill the following requirements: (1) its articles of association shall be in compliance with the PRC Company Law and the requirement of the CBRC; (2) its investors, including domestic non-financial enterprises, domestic financial institutions, foreign financial institutions and other investors as agreed by the CBRC, shall satisfy the applicable requirements; (3) its minimum registered capital shall be RMB300 million or equivalent in a freely convertible currency fully paid up in cash. For those engaging in trust business without fulfilling the obligations as an investment manager, their minimum registered capital shall be RMB100 million or equivalent in a freely convertible currency; (4) it shall have directors and senior management members satisfying the appointment qualification and other competent staff engaging in trust businesses; (5) it shall have sound organization structure, management system and risk control mechanism; (6) it shall have premise for operation, safety precautionary measures and other facilities in relation to its business; (7) it shall establish information technology structure in relation to its business, safe information system in compliance with laws and regulations which is necessary to its operation and technology and measures to ensure the continuity of its operation; (8) other prudent conditions as stipulated by the CBRC.

**Restriction on Shareholding by Foreign Investor**

Pursuant to the Administrative Measures for the Investment and Shareholding by Foreign Financial Institutions (《境外金融機構入股管理辦法》) promulgated by the CBRC, the shareholding of a single foreign institution in trust companies shall not exceed 20%. However, no specific restriction on the indirect shareholding of trust companies by foreign investors is set out under such measures.

**Business Scope**

Pursuant to the Administrative Measures of Trust Companies (CBRC Order [2007] No.2) (《信託公司管理辦法》(中國銀監會令2007年第2號)) promulgated by the CBRC on January 23, 2007 and effective from March 1, 2007, trust companies may apply to engage in part or all of the following business activities in RMB or foreign currencies: (1) fund trusts; (2) trusts of movable property; (3) real estate trusts; (4) trusts of marketable securities; (5) trusts of other properties or property rights; (6) acting as the promoter of an investment fund or a fund management company and engaging in fund investment business; (7) enterprise asset restructuring, mergers and acquisitions, project financing, corporate finance, financial consulting and others; (8) entrusted securities underwriting business as approved by relevant departments of the State Council; (9) mediation, advising, credit investigation business and others; (10) bailment and safe deposit locker facility business; and (11) any other business stipulated by laws and rules or approved by the CBRC.

In addition, the operations of trust companies may include interbank deposit, interbank loan, loan, leasing, investment and other businesses. The investment business activities shall be restricted to equity investments in financial enterprises, investments in financial products and investments in fixed assets for own use. Subject to the regulations of the CBRC, trust companies shall not use their own assets for industrial investment. Trust companies shall not engage in debt business other than interbank loan, and the balance of interbank borrowing shall not exceed 20% of their respective net assets unless as otherwise provided under the regulations of the CBRC. Trust companies may provide guarantee to third parties, provided that the balance of guarantee to third parties shall not be more than 50% of their net assets.

**Regulation and Administration**

Pursuant to the Administrative Measures of Trust Companies, trust companies shall allocate 5% of their after-tax profit to the trust compensation reserves annually, until the total amount accumulated thereunder reaches 20% of the company's registered capital. The trust compensation reserves of a trust company shall be deposited at a domestic commercial bank with good standing and scale, or used for the purchase of low-risk, high-liquidity securities such as treasury bonds.

Pursuant to the Administrative Measures of Net Capital of Trust Companies (CBRC Order [2010] No.5) (《信託公司淨資本管理辦法》(中國銀監會令2010年第5號)) promulgated by the CBRC and effective from August 24, 2010, the net capital of a trust company shall be subject to the supervision by the CBRC and calculated in accordance with the following formula: net capital = net assets – risk deductions of various assets – risk deductions of contingent liabilities – other risk deductions determined by the CBRC. The net capital of a trust company shall be not less than RMB200 million. A trust company shall always comply with the following risk control indices: (1) its net capital shall not be less than 100% of the sum of all risk capitals; (2) its net capital shall not be less than 40% of the net assets.

Pursuant to the Guiding Opinions of the General Office of China Banking Regulatory Commission in Relation to the Risk Control of Trust Companies (Yin Jian Ban Fa [2014] No.99) (《中國銀行業監督管理委員會辦公廳關於信託公司風險監管的指導意見》(銀監辦發[2014]99號)) promulgated by the CBRC and effective from April 8, 2014, trust companies shall duly handle their risk projects and strengthen their control over potential risks, and shall report to the regulators on a case-by-case basis prior to the commencement of any connected transaction, and must not engage in any business with the character of shadow banking such as non-standardized wealth management cash pooling. Trust companies shall also establish risk management and efficiency improvement mechanism such as remuneration delay, bonus restriction or dividend recovery incentive systems.

Pursuant to the Notice of the CBRC and MOF in Relation to the Issue of the Administrative Measures of the Protection Fund of Trust Industry (Yin Jian Fa [2014] No. 50) (《中國銀監會、財政部關於印發〈信託業保障基金管理辦法〉的通知》(銀監發[2014]50號)) promulgated by the CBRC and the MOF and effective from December 10, 2014, in order to regulate the fundraising, management and use of China Trust Industry Protection Fund ("Protection Fund") (中國信託業保障基金),

a market-oriented risk mitigation system shall be established to protect the legitimate interests of the trustees, effectively prevent the risk of the trust industry and facilitate the sound development of the trust industry. Organizations including the trust companies and the China Trustee Association shall jointly contribute capitals and establish China Trust Industry Protection Fund Co., Ltd. ("Protection Fund Company") to protect the fundraising, management and use of the Protection Fund in accordance with the laws. Protection Fund Company shall use the Protection Fund under the following circumstances: (1) trust companies are unable to cover their debts with their capitals. Restructuring is still required after implementing the recovery and disposal plan; (2) trust companies are in the course of insolvency proceedings and restructuring in accordance with the laws; (3) trust companies are ordered to close down or deregister due to non-compliance operation; (4) trust companies need short-term liquidity support due to temporary cash-flow problems; (5) other circumstances which require the use of Protection Fund.

**Private Fund Business**

**Administrative Authorities**

Pursuant to the Circular on Division of Duties of Private Equity Fund Management (《關於私募股權基金管理職責分工的通知》) published by the State Commission Office for Public Sector Reform, the CSRC is responsible for the supervision and administration of private equity funds to protect investors' interests and rights, while the NDRC is responsible for formulating the policy and measures to facilitate the development of private equity funds, and determining jointly with the competent departments the standards and regulations for the government to invest in private equity funds.

**Establishment, Capital Raising and Investment Areas**

Pursuant to the Interim Measures for the Supervision and Administration of Private Equity Funds (CSRC Order No.105) (《私募投資基金監督管理暫行辦法》(中國證監會令第105號)) issued by the CSRC and effective from August 21, 2014, the establishment, fund raising, investment scope and other aspects of equity investment enterprise shall comply with the following requirements:

***Registration and Filing***

The managers of all private equity funds shall apply for and complete the registration with the Asset Management Association of China ("AMAC") in accordance with its requirements. After raising capital, the managers of all kinds of private equity funds shall complete the filing procedure for the fund in accordance with AMAC's requirements.

***Qualified Investors***

- Private equity funds shall raise funds from qualified investors and the number of investors of a single fund shall not in aggregate exceeds the number stipulated under the relevant laws such as the Securities Investment Fund Law, the PRC Company Law and the Partnership Enterprise Law (《合夥企業法》);

- Qualified investor of a private equity fund means a corporate or individual investor that has the relevant risk identification ability and risk appetite, invests RMB1 million or more in a single private equity fund and comply with the following relevant criteria: (1) being a corporation that has a net asset of not less than RMB10 million; (2) being an individual that has financial assets of not less than RMB3 million or has an average annual income of not less than RMB500,000 for the past three years;

- The following investors are deemed as qualified investors: (1) NSSF, pension funds (such as companies' annuities) and social welfare funds (such as charity funds); (2) investment scheme established according to the relevant law and registered with the AMAC; (3) managers and practitioners of private equity funds who also invest in the private equity funds managed by themselves; and (4) other investors stipulated by the CSRC.

***Capital Raising***

Managers and distributors of private equity funds must not raise capital from corporations or individuals other than qualified investors and must not promote or introduce to unspecified targets through public media such as the press, radio, television and internet, or through seminars, reporting, analysis and announcement conferences, brochures, cellphone text messages, WeChat, blogs or emails.

Managers and distributors of private equity funds must not make any investment capital guarantee or minimum returns commitment to the investors.

If the manager of a private equity fund sells the private equity fund directly, he shall evaluate the risk identification ability and risk appetite of the investors through, among others, questionnaire and obtain a written confirmation from the investor as to whether he complies with the criteria for qualified investors, and shall prepare a risk disclosure statement for the investor to sign and confirm. If a distributor is engaged to sell the private equity fund, the distributor of the private equity fund shall conduct the above evaluation and confirmation procedures. The contents and formats of the investor risk identification ability and risk appetite questionnaires and the risk disclosure statements shall be provided by the AMAC according to the characteristics of different types of private equity funds.

The manager or distributor selling the private equity fund shall conduct a risk rating of the fund by himself or engaging a competent institution and introduce the fund to investors with the corresponding risk identification ability and risk appetite. The investor shall fill in the investor risk identification ability and risk appetite questionnaire truly, confirm assets or income truly and be responsible for their truthfulness, accuracy and completeness. Investors giving false information or false confirmation shall be liable for the corresponding consequences.

The investor shall ensure that the investment capital is from legal sources and must not invest in private equity funds by raising capital from others.

***Investment Areas***

Shares, equities, bonds, futures, units of funds and other subjects of investment stipulated in the investment contract.

***Investment Procedures***

Those establishing a private equity securities fund shall prepare and enter into a fund contract, articles of association or a partnership agreement ("Fund Contract"). The Fund Contract shall comply with the relevant requirements stipulated in the Securities Investment Fund Law. For the establishment of other private equity funds, the Fund Contract shall stipulate the respective rights, obligations and other relevant matters in accordance with the relevant requirements stipulated in the Securities Investment Fund Law.

Subject to any agreement in the Fund Contract to the contrary, a private equity fund shall be entrusted to a trustee. If the Fund Contract stipulates that the private equity fund shall not be entrusted, it shall expressly provide for systems and measures to ensure the safety of the properties of the fund as well as dispute resolution mechanism.

Where a private equity fund manager manages more than one type of private equity funds, the manager shall adhere to professional management principles. Where a manager manages different funds that have the potential of misappropriation or conflict of interests, he shall establish mechanisms to prevent misappropriation or conflict of interests.

Managers, trustees, distributors and other service providers of private equity funds and their respective practitioners engaging in the operation of the private equity funds must not, among other conducts, mix and invest their own properties or the properties of others with fund properties, handle the properties of different funds unfairly, or misappropriate or embezzle fund properties.

Managers and trustees of private equity funds shall disclose information of their funds, including their investment, assets and liabilities, allocation of investment returns, fees borne by the funds and performance-based remunerations, potential conflict of interests and any other material information that may affect the legal rights of the investors, to the investors truly according to the Fund Contracts, and must not withhold any information or provide false information. The rules of information disclosure shall be prepared by the AMAC.

**Proprietary Capital Investment Business**

**Equity Investment**

Pursuant to the Consolidation Supervision Guidelines, when financial asset management companies make use of their capital for equity investment, entities with legal person status invested by and under actual control of financial asset management companies shall be included in the scope of consolidated supervision. The CBRC is authorized to determine and adjust the scope of consolidated supervision according to the equity structural changes and the risk category of the financial asset management companies. The investees shall also be included in the consolidated supervision if the investees are not controlled by the financial asset management companies but, on the basis of risk correlation, their general risks may have material impacts on the financial conditions and risk level of the financial asset management companies, or the damages and loss incurred by their compliance risks and reputation risks have material impacts on the reputation of the financial asset management companies.

Financial asset management companies may exclude the following organizations from the consolidated supervision, namely organizations which are closed or declared bankruptcy or in the liquidation procedure due to closure, investees which are intended to be sold within three years with financial asset management companies holding their equity interest of 50% or above, overseas subsidiaries which are subject to the foreign exchange regulations of the places where they are located, other contingencies or restrictions on capital allocation, or debt-to-equity swap companies which are held by financial asset management companies in short term or on a transitional basis.

**Trust and Wealth Management Product Investment**

Pursuant to the Circular on Standardization of Trust and Financing Product Investments of Financial Asset Management Companies (Yin Jian Fa [2011] No.92) (《關於規範金融資產管理公司投資信託和理財產品的通知》(銀監發[2011]92號)) promulgated by the CBRC and the MOF and effective from September 28, 2011, the financial asset management companies which have carried out shareholding reform and are intending to engage in trust and financing product investments shall perform corresponding corporate governance procedures, while the companies that have not carried out shareholding reform shall report to the MOF for approval. Financial asset management companies shall pay close attention to the risk transmission and transfer that may be caused by trust and financing product investments conducted through their affiliates so as to strengthen risk isolation and prevent investment risks.

Pursuant to the Circular on Risk Alerts for Such Businesses as Trust Credit Enhancement and Future Acquisition by Financial Asset Management Companies (Yin Jian Si Fa [2012] No.4) (《關於金融資產管理公司開展信託增信及其遠期收購等業務風險提示的通知》(銀監四發[2012]4號)) promulgated by the CBRC and effective from January 17, 2012, without the approval of regulatory authorities, financial asset management companies shall not perform businesses including trust product guarantee and future acquisition of distressed assets, and projects of the above types that have been signed shall be liquidated as soon as possible, and risk prevention and control work shall also be conducted.

**The Hong Kong Regulatory Environment**

**Introduction**

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters.

The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

**Types of Regulated Activities**

The SFO provides a single licensing regime under which a person needs only one license to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management; and

Type 10: providing credit rating services.

As of the Latest Practicable Date, the following Group companies are licensed under the SFO to carry out the regulated activities as stated below:

| Group Company | Types of Regulated Activities |
|---|---|
| Simsen International Corporation Limited | Type 1, Type 2, Type 4, Type 6 and Type 9 |

In addition to the licenses above granted to the member of our Group by the SFC, China Huarong International Holdings Limited also holds a money lender license issued by the licensing court under the Money Lender Ordinance, which allows it to provide loans to its clients in its ordinary course of business.

**Overview of Licensing Requirements**

Under the SFO, any person who:

(a) carries on a business in a regulated activity; or

(b) holds itself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offense for a person to conduct any regulated activity without the appropriate license.

Further, if a person (whether by itself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

In addition to the licensing requirements on corporations, any individual who:

(a) performs any regulated function in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

must be licensed separately under the SFO as a licensed representative accredited to his principal.

For each regulated activity conducted by a licensed corporation, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to supervise the business of the regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he is accredited. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising the licensed corporation's regulated activity or activities must apply to the SFC to become a responsible officer.

**Fit and Proper Requirement**

Persons applying for licenses under the SFO must satisfy and continue to satisfy after the grant of such licenses by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.

**On-going Obligations of Licensed Corporations**

Licensed corporations, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key on-going obligations of a licensed corporation:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the Securities and Futures (Financial Resources) Rules (as discussed in more detail below);
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules;
- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules;
- issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules;
- record-keeping requirements prescribed under the Securities and Futures (Keeping of Records) Rules;
- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules;
- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules;
- notification to the SFC of certain changes and events, in accordance with the requirements under Securities and Futures (Licensing and Registration) (Information) Rules;
- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record-keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (the "Guideline") issued by the SFC (as discussed in more detail below); and
- business conduct requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, and other applicable codes and guidelines issued by the SFC.

**Securities and Futures (Financial Resources) Rules ("Financial Resources Rules")**

Subject to certain exemptions described below, a licensed corporation is required to maintain minimum paid-up share capital of:

- HK$5,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that does not provide securities margin financing; (ii) a corporation licensed for Type 2 or Type 7 regulated activity; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity that is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 6 regulated activity that is subject to the no sponsor work licensing condition (but is not subject to the licensing condition that it shall not hold client assets);
- HK$10,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that provides securities margin financing; (ii) a corporation licensed for Type 8 regulated activity; or (iii) a corporation licensed for Type 6 regulated activity that is not subject to the no sponsor work licensing condition; or
- HK$30,000,000—in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

There is no minimum paid-up share capital requirement if the corporation is (i) licensed for Type 1 regulated activity and is an approved introducing agent or a trader; (ii) licensed for Type 2 regulated activity and is an approved introducing agent, a trader or a futures non-clearing dealer; (iii) licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets; or (iv) licensed for Type 6 regulated activity which is subject to both licensing conditions that it shall not hold client assets or engage in sponsor work.

Pursuant to the Financial Resources Rules, a licensed corporation shall also maintain minimum liquid capital of the higher of the amount of (a) and (b) below:

(a) the amount of:

- HK$100,000—in the case of a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets;
- HK$500,000—in the case of (i) a corporation licensed for Type 1 regulated activity that is an approved introducing agent or trader; or (ii) a corporation licensed for Type 2 regulated activity that is an approved introducing agent, a futures non-clearing dealer or a trader;
- HK$3,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader; (ii) a corporation licensed for Type 2 regulated activity that is not an approved introducing agent, a futures non-clearing dealer or a trader; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 7 or Type 8 regulated activity; or
- HK$15,000,000—in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

(b) its variable required liquid capital, as defined in the Financial Resources Rules.

If the licensed corporation is licensed for more than one type of regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the highest amount required among those regulated activities.

**Anti-money Laundering and Counter-terrorist Financing**

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the AMLCTF Guideline and the Prevention of Money Laundering and Terrorist Financing Guideline issued by the SFC for Associated Entities published by the SFC in April 2012.

The AMLCTF Guideline assists licensed corporations and their senior management in formulating and implementing appropriate and effective policies, procedures and controls in order to meet applicable legal and regulatory requirements. Under the AMLCTF Guideline, licensed corporations must, among other things:

- assess the risks of any new products and services before they are launched and ensure that appropriate additional measures and controls are implemented to mitigate and manage the risks associated with money laundering and terrorist financing;
- identify the client and verify the client's identity by reference to any documents, information or data from reliable and independent sources, and take steps from time to time to ensure that the client information obtained is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complicated, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose and may indicate money laundering and terrorists financing;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the information from various lists that have been made known to them, as well as conduct comprehensive on-going screening of the client database; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislation in Hong Kong that is concerned with the regulatory system of anti-money laundering and counter-terrorist financing.

***Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) ("AMLO")***

Among other things, the AMLO imposes requirements relating to client due diligence and maintenance of records of specific financial institutions and empowers competent authorities to supervise compliance with the requirements under the AMLO. In addition, the competent authorities are empowered to (1) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO and (2) mitigate money laundering and terrorist financing risks.

***Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")***

Among other things, the DTROP empowers competent authorities to investigate assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offense under the DTROP if a person deals with any property knowing or having reasonable grounds to believe it to be the proceeds from drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (directly or indirectly) is the proceeds from drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offense under the DTROP.

***Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")***

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organized crime and triad activities, and gives the courts jurisdiction to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offenses. The OSCO extends the money laundering offense to cover the proceeds from all indictable offenses in addition to drug trafficking.

***United Nations (Anti-terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) ("UNATMO")***

Among other things, the UNATMO provides that it would be a criminal offense to: (1) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offense under the UNATMO.

## THE U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

U.S. Treasury Regulations commonly referred to as FATCA target non-compliance by U.S. taxpayers using foreign accounts. FATCA seeks to obtain information on accounts held by U.S. taxpayers in other countries by requiring foreign financial institutions ("FFIs") to report to the U.S. Internal Revenue Service ("IRS") information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a minimum ownership interest. Governments have the option of permitting their FFIs to enter into agreements directly with the IRS to comply with FATCA under U.S. Treasury Regulations or to implement FATCA by entering into one of two alternative model intergovernmental agreements ("IGAs") with the United States.

The governments of the United States and Hong Kong have entered into a Model 2 IGA. Under this agreement, Hong Kong will direct and legally enable FFIs in Hong Kong to register with the IRS and report the information required by FATCA about consenting U.S. accounts directly to the IRS. This requirement is supplemented by government-to-government exchange of information regarding certain pre-existing non-consenting accounts on request.

The governments of the United States and the PRC have in substance agreed to a Model 1 IGA. Under a Model 1 IGA, FFIs will report the information required under FATCA about U.S. accounts to their home governments, which in turn will report the information to the IRS. These agreements are reciprocal, meaning that the United States will also provide similar tax information to these governments regarding individuals and entities from their jurisdictions with accounts in the United States.

A withholding tax of 30% may be imposed under FATCA on certain payments made to us and our subsidiaries that are treated as FFIs, including payments of United States source interest and dividends, as well as the gross proceeds of the disposition of assets that can produce United States source interest or dividends, unless we and our subsidiaries that are treated as FFIs (a) enter into an agreement with the United States Treasury to collect and provide to the U.S. tax authorities information regarding United States persons (or foreign entities in which United States persons hold a minimum ownership interest) that directly or indirectly maintain accounts with the FFI (including, in certain circumstances, owning equity or debt issued by the FFI) or (b) comply with legislation that implemented an IGA between the applicable FFI's jurisdiction and the United States. The Company and each of its subsidiaries intend to comply with FATCA.

**Summary**

With the approval of the State Council, China Huarong Asset Management Corporation, the predecessor of the Company, was established on November 1, 1999 with a registered capital of RMB10,000 million contributed solely by the MOF. Huarong Corporation is one of the Four AMCs established by the PRC government with the aim of addressing the challenges posed by the Asian financial crisis, effectively mitigating financial risk, maintaining the stability of the financial system and promoting the reform and development of state-owned banks and SOEs.

In the early years of our establishment (which was during the Policy Phase), following the performance evaluation standards set by the MOF, we managed and disposed the distressed assets that we purchased from ICBC. In 2006, we completed the target set by the MOF for the recovery of Policy Distressed Assets, marking the conclusion of our mission to dispose of Policy Distressed Assets and our entering into the Transition Phase. From 2006 to 2010, in the course of liquidating distressed institutions held by us in trusteeship and restructuring distressed assets, we established a number of platform companies through strategic investment and restructuring by mergers and acquisitions. These platform companies engage in various businesses, including financial leasing, special situations investment, securities, trust, real estate, private funds, banking and futures. Starting from a single business model engaged in the operation, management and disposal of distressed assets, through innovation, we have gradually built up a diversified and comprehensive business model, and have determined that our direction is to provide the real economy with financial services.

With the approval of the State Council, Huarong Corporation was restructured as China Huarong Asset Management Co., Ltd. on September 28, 2012. The MOF and China Life Group are the promoters of China Huarong. China Huarong took over all the assets, subsidiaries, branches, businesses, personnel and relevant policies of Huarong Corporation. The completion of the joint-stock reform marked our transition from a policy-driven institution engaging in the disposal of financial assets to a modern market-oriented joint-stock financial service enterprise. In August 2014, we obtained strategic investment in the amount of RMB14,540 million, which was the largest in terms of scale in the industry.

## Key Milestones

Key milestone events in our history are set out below:

| Year | Milestone Events |
|---|---|
| **Policy Phase** | |
| 1999 | Incorporated in Beijing as one of the Four AMCs as approved by the State Council |
| 2000 | Began to acquire NPLs of RMB407,696 million from ICBC, and commenced the policy business |
| | Obtained the qualification for securities underwriting business |
| 2001 | Assigned by PBOC, disposed and liquidated China Venturetech Investment Corporation ("CVIC") and became the first financial institution to be entrusted to conduct administrative liquidation of distressed enterprise |
| | Became the first AMC to conduct international tender for distressed assets and sell NPL asset packages to international bidders including Goldman Sachs, creating a new model of PRC distressed asset disposal by Sino-foreign cooperation |
| | Became the first AMC to launch online auction of distressed assets |
| | Became the first AMC to introduce information publication system for asset disposal |
| 2002 | Appointed as the lead underwriter for the public listing of Hebei Taihang Cement Co., Ltd., becoming the first lead underwriter for the public listing of a DES company in the PRC |
| 2003 | Became the first AMC to launch multi-tranche trust products with distressed assets as the underlying assets (quasi-asset-securitization business). The underlying asset pool for the trust products was RMB13,261 million |
| 2004 | Entrusted by the State Council to wind down the large-scale private enterprise groups of Delong Group in order to eliminate its systemic financial risk, becoming the first AMC to wind down a large-scale private enterprise held in trusteeship |
| | Appointed as the sponsor for the public listing of Shaanxi Construction Machinery Co., Ltd., becoming the first AMC to complete the sponsorship and underwriting for the public listing of an enterprise under the sponsor regime |
| | Became the first AMC to receive ISO9000 accreditation for quality management systems as certified by the British Standards Institution ("BSI") |
| 2005 | Entrusted by the MOF to dispose RMB246,045 million distressed assets of ICBC |
| 2006 | Restructured one of the first financial leasing companies in China, Zhejiang Financial Leasing and renamed it as Huarong Financial Leasing in the next year, the first financial leasing company controlled by a financial institution |
| | Established Huarong Rongde with foreign investors to engage in distressed asset-based special situations investment business, which is the only Sino-foreign joint venture AMC controlled by an AMC in China |
| | Completed the target set by the MOF for the recovery of Policy Distressed Assets and ranked top among our peers in terms of Cash Recovery Ratio while maintaining the disposal costs at a lower level |

| Year | Milestone Events |
|---|---|
| **Transition Phase** | |
| 2007 | Established Huarong Securities with China Gezhouba Group Company Ltd., which was one of the first securities companies established by an AMC |
| 2008 | Restructured Xinjiang International Trust & Investment Co., Ltd., one of the first trust investment companies in China, and established Huarong Trust, which was the first trust company controlled by an AMC |
| 2009 | Defined "market-oriented, diversified, comprehensive and international" as the direction of our development and commenced commercial transition and the implementation of "core client strategy". We also actively built up strategic cooperation relationships with and provided comprehensive financial services to governments at provincial and municipal levels, financial institutions and large enterprises |
| | Completed the restructuring of Zhuhai Hengqin Xindong Real Estate Development Company and established Huarong Real Estate |
| 2010 | We believe we were the first to conduct acquisition-and-restructuring business on a large scale, leading the peers to establish the mainstream business model of AMCs with the market-oriented development |
| | Restructured the commercial banks in Zhuzhou, Xiangtan, Hengyang and Yueyang in Hunan Province, as well as the Urban Credit Cooperative in Shaoyang, and merged them into Huarong Xiangjiang Bank, which became the first commercial bank controlled by an AMC |
| | Together with Chongqing Yufu Assets Management Group Co., Ltd., established Huarong Yufu which was the first private fund management company jointly established by an AMC and a financing platform of local government |
| | Huarong Financial Leasing successfully issued a financial bond of RMB1,000 million in the national interbank bond market, becoming the first financial leasing company in China to carry out market-oriented direct financing through issuance of a financial bond |
| | Completed the restructuring of Hainan Xinghai Futures Brokerage Co., Ltd. and established Huarong Futures |
| | Received the award "2010 Most Creative Enterprise in China" at the annual meeting of the Chinese Enterprises Innovation Forum in 2010 |
| 2011 | Received the award "2011 Greatest Potential Enterprise in China" from China Economic Development Forum |
| | Entered into a co-operative memorandum of understanding with NABG as our first step to implement our "international expansion strategy" |
| | Finalized the joint-stock reform plan and submitted the proposal to and, in the following year, obtained official approval by the State Council |

| Year | Milestone Events |
|---|---|
| **Commercialization Phase** | |
| 2012 | Incorporated China Huarong, marking our transformation from a policy-driven financial institution to a market-oriented financial institution |
| | With our total assets amounting to RMB315,034 million, we became the largest AMC in terms of total assets |
| | Received the approval to participate in the interbank lending market and obtained the permit to issue financial bonds, which expanded the investment and financing channels of market-oriented funds for the Company |
| | Recognized as "National Enterprise Model Regarding Innovation", "2011 China's 100 Top Brands" and "2011 Best Social Responsibility Case of the Year", which enhanced our corporate image and social influence |
| | Rated as "Outstanding" ("AAA" level of A-grade) in the MOF's Performance Evaluation of State-owned and State-controlled Financial Institutions, which was the highest rating among all financial institutions |
| 2013 | Established Huarong International as our overseas strategic platform, taking an important step in our international strategies |
| | Successfully issued a financial bond of RMB12,000 million, which was the largest financial bond publicly issued by an AMC in the PRC capital markets at the time |
| | Raised RMB10,000 million long-term capital from New China Life Insurance Company Ltd. through a trust company as a new measure in respect of our external financing and the improvement of our liability structure |
| | Rated as "Outstanding" ("AAA" level of A-grade) in the MOF's Performance Evaluation of State-owned and State-controlled Financial Institutions again, which was the highest rating among all financial institutions |
| 2014 | Successfully introduced strategic investments by China Life Group, Warburg Pincus, CSI, Khazanah, CICC, COFCO, Fosun International and Goldman Sachs |
| | China Huarong was given Class A issuer credit rating by the three international authoritative credit rating agencies, namely Fitch, Standard & Poor's and Moody's |
| | Successfully issued a RMB20,000 million financial bond, which is currently one of the largest financial bonds publicly issued by an AMC in the PRC capital markets |
| | Issued US$1,500 million bonds through a subsidiary of Huarong International, which was our first offshore U.S. dollar bond |
| | Established a branch in the Shanghai Free Trade Zone, which is the first branch in the Shanghai Free Trade Zone established by an AMC, and established Huarong Qianhai Wealth, which expanded our international strategies |
| | Became the first among our peers to issue securitized credit asset products which consisted of debt assets from our acquisition-and-restructuring business, and actively attempted the "asset-light" operating model in respect of off-balance sheet business |
| 2015 | Established a US$5,000 million U.S. dollar medium-term note program through a subsidiary of Huarong International, and successfully issued an initial tranche of US$3,200 million U.S. dollar bond, which was the largest Regulation S U.S. dollar senior bond issued by a financial institution in the world as of the Latest Practicable Date |
| | Successfully issued a RMB35,000 million financial bond, which was the largest non-policy financial bond publicly issued in a single offer in the PRC capital markets as of the Latest Practicable Date |

## Our History

Our development history is mainly divided into three phases: Policy Phase, Transition Phase and Commercialization Phase.

## Policy Phase

Our business in relation to distressed debt assets and DES Assets acquired during the Policy Phase was collectively referred to as "Policy Business". Specifically, the features of Policy Business included: (i) the price and financing for acquisition of these distressed assets were determined or arranged by the PRC government; (ii) we managed and disposed of these distressed assets in accordance with performance evaluation standards set by the MOF; and (iii) our losses, if any, incurred from the acquisition-and-disposal of Policy Business would be handled in a manner proposed by the MOF and approved by the State Council.

In the course of carrying out the Policy Business, we acquired the distressed assets of ICBC with the refinancing from PBOC and the financial bonds issued to ICBC. From 1999 to 2004, we purchased Policy Distressed Assets carved out from, among others, ICBC at the original value of RMB412,808 million. During this phase, to support the reform and development of medium and large SOEs and assist in optimizing their asset and liability structures, we selectively converted distressed debt assets into equity interests in these SOEs, pursuant to the Opinions on Certain Issues Regarding Converting Debt into Equity (關於實施債權轉股權若干問題的意見) jointly issued by the State Economic and Trade Commission and the PBOC.

In 2004, as commissioned by the PRC government, we took over all the companies in the "Delong Group", and became the first AMC entrusted to wind down large private enterprises. We have conducted the liquidation of three groups in the Delong Group, and carried out restructuring on six listed companies including Torch Automobile (湘火炬). We also took different measures in respect of 13 financial institutions, including securities companies, trust companies, financial leasing companies, city commercial banks and insurance companies. These measures included operation under trusteeship, suspension of business for rectification, liquidation or restructuring, for the sustainable development of the relevant companies. As commissioned by the PBOC, we also engaged in the management and disposal of assets formerly held under China Venturetech Investment Corporation, which was the first financial institution closed down by the PRC government through administrative proceedings.

As of December 31, 2006, we had disposed of Policy Distressed Assets in an aggregate amount of RMB334,509 million, and completed relevant tasks in respect of recovery target and we ranked top among our peers in terms of Cash Recovery Ratio while maintaining the disposal costs at a lower level. We had also carried out Debt-to-Equity Swaps for several medium and large SOEs. Through these initiatives, we have played a significant role in mitigating financial risk, maintaining the stability of the financial system and promoting the reform and development of SOEs.

In addition, we have been actively exploring the Commercialization Transition. In 2004, we successfully completed our first commercial acquisition of distressed asset packages through cooperation with ICBC. The acquisition was a successful attempt of commercialized operation of our distressed asset management business. In 2002, we became the first AMC to carry out the listing of a DES company, and we were also the first lead underwriter for the listing of a DES company, using the market-oriented approach to realize the securitization of DES companies' equity and the enhancement of DES companies' value. In May 2005, we further acquired distressed assets of RMB22,586 million from ICBC by tender. In the same year, we were commissioned by the MOF to dispose of RMB246,045 million distressed assets of ICBC.

**Transition Phase**

After the completion of our policy-driven mission, we fully committed to commercialization transition. We actively explored new commercialized methods to acquire distressed asset packages, and successfully acquired the distressed asset packages of a number of institutions, including ICBC, BOC, CMB and the Beijing Rural Commercial Bank. In order to promote the progress of commercialization, by the end of 2006, we established separate accounts for and separately audited our Policy Business and Commercialized Business. The distressed debt assets and DES Assets acquired based on commercial decisions and at market prices were collectively referred to as our "Commercialized Business". Under our Commercialized Business, we raise funds mainly through commercial channels such as loans from commercial banks, receive all gains and bear all losses arising from the business.

During the Transition Phase, we actively explored ways for AMCs to transform into commercialized entities. From 2006 to 2010, on the basis of restructuring Distressed Entities/Financial Institutions held by us in trusteeship, we successively established Huarong Financial Leasing, Huarong Securities, Huarong Trust, Huarong Futures and Huarong Xiangjiang Bank, which engage in financial leasing, securities, trust, futures and banking businesses, respectively, and formed the initial framework of a comprehensive financial services group. In addition, we established Huarong Rongde in 2006 to engage in distressed asset-based special situations investment business.

In 2009, we defined "market-oriented, diversified, comprehensive, international" as our development direction to further develop into a comprehensive financial services group with the outstanding core business and a diversified business scope. We have established the strategic structure of "One Body, Two Wings", with the Group's headquarters as the main body, and our nationwide branches and subsidiaries with diversified businesses as the two wings, to provide financial services, including securities, financial leasing, banking, trust, futures, asset management and investment.

**Commercialization Phase**

***Joint-stock reform***

Huarong Corporation launched the joint-stock reform in 2012. The valuation date of the independent assessment of Policy Business and Commercialized Business was September 30, 2011. The assessed value reflected the valuation of the capital contribution from MOF for the establishment of Huarong Corporation and all remaining assets of Policy Business acquired by Huarong Corporation. With the approval of the State Council, Huarong Corporation was restructured as China Huarong Asset Management Co., Ltd. on September 28, 2012. The MOF and China Life Group are the promoters of China Huarong. China Huarong took over all the assets, subsidiaries, branches, businesses, personnel and relevant policies of Huarong Corporation.

MOF subscribed 25,335,870,462 shares based on the valued net asset of Commercialized Business of Huarong Corporation of RMB25,335,870,462 at the consideration of RMB1.00 per share at par, representing a shareholding of 98.06%; China Life Group subscribed 500,000,000 shares of RMB1.00 each at the cash consideration of RMB500,000,000, representing a shareholding of 1.94%. As a part of our financial restructuring, we acquired the remaining assets of Huarong Corporation's Policy Business, which became a part of our Commercialized Business, from MOF at the consideration of approximately RMB19,704 million. These remaining assets included equity interests we held in 281 DES Companies with a carrying amount of RMB17,256.2 million. Such consideration shall be paid in five-year installment and was stated as account payables in the accountant's report. After the acquisition, we managed such assets and bore the corresponding financial outcome. Accordingly, the acquisition represented the discontinuity of our Policy Business and no asset is stated as policy distressed asset in our balance sheet.

In addition, as the other part of our financial restructuring, the obligation to repay all principal and interest on debts related to the Policy Business of Huarong Corporation was waived or satisfied through the establishment of a jointly-managed fund to repay the principal of the existing bond.

In 2000, Huarong Corporation acquired distress assets from ICBC with an aggregate Original Value of RMB407,696 million at a consideration of RMB94,700 million cash and the issuance of financial bond (referred to as the "Existing Bond"), with a principal of RMB312,996 million for an initial term of 10 years and an interest rate of 2.25% per annum. In June 2005, the MOF issued a notice providing that (i) starting from July 1, 2005, in the event that Huarong Corporation is unable to settle interest payments of the Existing Bond in full, the MOF will provide financial support, and (ii) if necessary, the MOF will also provide financial support with respect to Huarong Corporation's repayment of the principal of the Existing Bond. In 2010, the MOF issued a further notice providing that: (i) the term of the Existing Bond is extended by 10 years, and (ii) the MOF will continue to provide support with respect to the repayment of the principal and interest on the Existing Bond.

In 2012, pursuant to the overall restructuring plan approved by the State Council, the MOF established a jointly-managed fund to manage the repayment of the principal of the Existing Bond and the principal was no longer accounted for in our balance sheet. Pursuant to the arrangements in connection with the jointly-managed fund, its sources of capital were from enterprise income taxes payable by ICBC and China Huarong during the existence of the jointly-managed fund, as well as other capital allocated by the MOF. The capital of the jointly-managed fund will be used to settle payment of the principal of the Existing Bond. The interest of the Existing Bond will be settled by the MOF.

The jointly-managed fund will operate for a term from January 18, 2012 to December 12, 2021. In the event that the principal of the Existing Bond would be fully repaid before December 12, 2021, the jointly-managed fund might be terminated in advance. In the event that the jointly-managed fund is insufficient to repay the principal of the Existing Bond as at December 12, 2021, the MOF might settle the outstanding principal of the Existing Bond by further extending the term of the Existing Bond and the jointly-managed fund, or by providing additional financial support with the approval of the State Council.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the outstanding principal of the Existing Bond was approximately RMB175,096.3 million, RMB146,047.6 million, RMB112,128.1 million and RMB112,128.1 million.

As of the Latest Practicable Date, the MOF held 77.49% of our issued share capital. The MOF is a ministry under the State Council and holds, directly or indirectly, equity interests in several state-owned banks, insurance companies and AMCs in China. As the controlling shareholder of the Company, the MOF performs a supervisory function over state-owned equity interests on behalf of the State Council, but is not involved in the daily operation of the Company. Our business has not been managed and operated under the direction of the MOF since the joint-stock reform in 2012. We have full discretion to make our own investment decisions. For details on the supervisory function of the MOF, see "Regulatory Environment—The PRC Regulatory Environment—Major Regulatory Authorities—MOF". The Company is not aware of any policy or action of the MOF that will specifically prejudice or favor a particular AMC.

Our PRC legal advisor considers that our joint-stock reform had been approved by relevant PRC authorities and was in compliance with the relevant laws and regulations in the PRC.

***Introduction of strategic investments***

In August 2014, we completed the introduction of strategic investments from eight investors, namely China Life Group, Warburg Pincus, CSI, Khazanah, CICC, COFCO, Fosun International and Goldman Sachs. The additional capital contributed by China Life Group and the new strategic investments from the seven investors amounted to RMB14,540 million, representing 20.98% of our total share capital subsequent to the strategic investment. For more details relating to the rights of the Strategic Shareholders and strategic cooperation with the Strategic Investors, see "Strategic Investors".

***Carrying out international business***

In January 2013, we set up our off-shore strategic platform in Hong Kong—Huarong International. In July 2014, we successfully issued US$1,500 million U.S. dollar bonds in Hong Kong through a subsidiary of Huarong International. Meanwhile, the three authoritative international credit rating agencies, Moody's, Standard & Poor's and Fitch gave China Huarong with issuer credit ratings of A3, A- and A, respectively. In January 2015, we established a US$5,000 million medium term notes program in Hong Kong through a subsidiary of Huarong International and successfully issued an initial tranche of US$3,200 million U.S. dollar bonds. The issuance of such bonds has expanded our financing channels in the international capital markets, reduced our financing costs and improved our liquidity.

**Major Subscription**

For details on our subscription of Simsen International's new shares, see "Business—Our Principal Businesses—Asset Management and Investment Business—International Business."

**Major operating subsidiaries**

A summary of the major operating subsidiaries of the Group is set out below.

***Huarong Securities Company Limited***

Huarong Securities was a national comprehensive securities company established in September 2007 by us and China Gezhouba Group Company Ltd., as promoters, obtaining the pre-emptive rights for securities assets originally from Deheng Securities (德恒證券) and Hengxin Securities (恒信證券).

Upon establishment, the registered capital of Huarong Securities was RMB1,510 million, of which 99.34% was held by us. After several rounds of capital contribution, the registered capital of Huarong Securities amounted to RMB4,674 million as of the Latest Practicable Date. Huarong Securities had 13 shareholders, of which we held 81.56% of the equity interest as of the Latest Practicable Date.

The business scope of Huarong Securities includes stock brokerage, securities investment advisory, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsorship, securities proprietary trading, securities asset management, margin financing and securities lending, agency sales of financial products and management of investment funds from public offerings.

***China Huarong Financial Leasing Co., Ltd.***

Huarong Financial Leasing was established as part of the restructuring of Zhejiang Financial Leasing Co., Ltd. in March 2006. The predecessor of Zhejiang Financial Leasing Co., Ltd. was Zhejiang Leasing Co., Ltd., which was established in 1986 and was one of the first financial leasing companies established in China. As of the Latest Practicable Date, the registered capital of Huarong Financial Leasing was RMB5,000 million, of which 79.92% of the equity interest was held by us.

Huarong Financial Leasing mainly engages in financial leasing business and other businesses approved by the CBRC.

***Huarong Xiangjiang Bank Corporation Limited***

Huarong Xiangjiang Bank was established in October 2010 as a commercial bank on the basis of the restructuring of the commercial banks in Zhuzhou, Xiangtan, Hengyang and Yueyang and the Urban Credit Cooperative in Shaoyang, Hunan province. The promoters were the Company, Hunan Commercial Trust Holdings LLC, Hunan Publishing Investment Holding Group Co. Ltd., Jinan Juntuyuan Investment Co., Ltd. and the original shareholders of Four City Commercial Banks and a Credit Cooperative in Hunan. Huarong Xiangjiang Bank established its headquarters in Changsha City, Hunan province, and had a registered capital of RMB4,080 million upon establishment. In August 2013, Huarong Xiangjiang Bank completed the increase in capital by placing shares to the original shareholders, which increased the registered capital to RMB6,161 million. As of the Latest Practicable Date, we held 50.98% of the equity interest in Huarong Xiangjiang Bank.

The business scope of Huarong Xiangjiang Bank includes taking deposits from the public, issuing short-term, medium-term and long-term loans, arranging settlement of both domestic and overseas accounts, handling the acceptance and discount of bills, issuing financial bonds, issuing, settling and underwriting government bonds as agent, buying and selling government bonds and financial bonds, inter-bank lending and borrowing, buying and selling foreign exchanges as principal or as agent, banking card business, letter of credit service and guarantee, handling receipts and payments and agency insurance businesses, providing safe deposit boxes, sales of securities investment funds and undertaking other businesses approved by the banking regulatory authority.

***Huarong International Trust Co., Ltd.***

In May 2008, we restructured and renamed Xinjiang International Trust & Investment Co., Ltd. as Huarong Trust. The predecessor of Xinjiang International Trust & Investment Co., Ltd. was

Xinjiang International Trust Investment Company (新疆國際信託投資公司), which was established in January 1987 and was one of the earliest trust companies engaging in trust investment business in the PRC. In July 2002, the PBOC approved the re-registration for Xinjiang International Trust Investment Company, and changed the name to Xinjiang International Trust & Investment Co., Ltd. As of the Latest Practicable Date, the registered capital of Huarong Trust was RMB1,983 million, of which 98.09% of the equity interest was held by us.

The business scope of Huarong Trust includes fund trusts, movable property trusts, real estate trusts, securities trusts, trusts of other property or property rights, acting as the promoter of investment funds or fund management companies and engaging in fund investment business, enterprise asset restructuring, mergers and acquisitions, project financing, corporate wealth management, financial advisory, entrusted securities underwriting business as approved by relevant departments of the State Council, mediation, advisory, credit investigation business, custodian and safe deposit boxes business, application of inherent properties by deposits and placements with banks, loans, leasing and investment, provision of collateral with inherent properties, inter-bank lending and borrowing and any other business stipulated by laws and rules or approved by the CBRC.

***Huarong Futures Co., Ltd.***

The predecessor of Huarong Futures was Hainan Changjie Futures Co., Ltd. (海南昌潔期貨經紀有限公司), which was established in 1993 and was one of the first companies engaging in futures business in China. Hainan Changjie Futures Co., Ltd. changed its name to Hainan Xinghai Futures Co., Ltd. (海南星海期貨經紀有限公司) in 1997 and Huarong Futures Co., Ltd. in November 2010. In August 2010, Huarong Securities obtained 80% of interest in Hainan Xinghai Futures Co., Ltd.. As of the Latest Practicable Date, the registered capital of Huarong Futures was RMB320 million, of which 75.44% of the equity interest was held by us through Huarong Securities.

Huarong Futures mainly engages in commodity futures brokerage, financial futures brokerage and asset management business, covering all listed futures on the future exchanges in the PRC. Huarong Futures is the member of the four major future exchanges, namely Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange.

***Huarong Rongde Asset Management Co., Ltd.***

Huarong Rongde, established in Beijing in June 2006, is a Sino-foreign asset management company jointly established by China Huarong and other international financial institutions such as Deutsche Bank AG. As of the Latest Practicable Date, the registered capital of Huarong Rongde was RMB1,788 million, of which 59.30% of the equity interest was held by the Company. Huarong Rongde mainly engages in special situations investment business.

***Huarong Real Estate Co., Ltd.***

The predecessor of Huarong Real Estate was Zhuhai Hengqin Xindong Real Estate Development Company, which was established by Changchun Trust & Investment Co., Ltd. with a capital contribution of RMB50 million in May 1994. In July 2009, the Company carried out debt restructuring for Zhuhai Hengqin Xindong Real Estate Development Company and had it restructured into a sole shareholder limited liability company which was wholly owned by the Company and changed its name to Huarong Real Estate Co., Ltd.. As of the Latest Practicable Date, its registered capital was RMB1,850 million.

The business scope of Huarong Real Estate includes development and operation of real estate, investment in and management of real estate, city infrastructure construction, property management, hotel investment and management as well as house leasing.

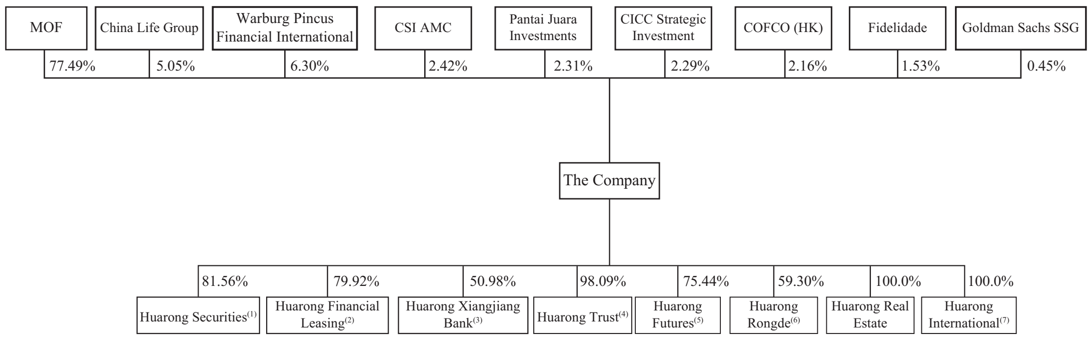
***China Huarong International Holdings Ltd.***

Huarong International was established in January 2013, as our first off-shore subsidiary. As of the Latest Practicable Date, the share capital of Huarong International was HKD420 million and Huarong Real Estate and Huarong Zhiyuan held 88.10% and 11.90% of the equity interest of Huarong International, respectively.

Huarong International's business scope includes equity investment, debt investment, mezzanine investment and loans to customers.

## Shareholding and Group Structure

The following chart sets forth the shareholding and group structure of the Company and our major operating subsidiaries immediately prior to the completion of the Global Offering. For more information, see "Share Capital".




(1) Huarong Securities is held by the Company, China Gezhouba Group Co., Ltd., Beijing New Century Investment Inc. and Jiujiang Hehui Import & Export Co., Ltd. (九江和匯進出口有限公司) as to 81.56%, 4.61%, 3.95% and 1.69% equity interest, respectively. The remaining 8.19% equity interest of Huarong Securities is held by other nine shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Securities are independent third parties.

(2) Huarong Financial Leasing is held by the Company, Zhejiang Yongli Industry Group Co., Ltd., Zhejiang Provincial Energy Group Finance Co., Ltd., CSIC Finance Co., Ltd. (中船重工財務有限責任公司), CITIC Information Technology Investment Co., Ltd. (中信信息科技投資有限公司) and Zhengda Industrial Investment Co., Ltd. as to 79.92%, 6.80%, 3.20%, 2.56%, 1.60% and 2.0%, respectively. The remaining 3.92% equity interest of Huarong Financial Leasing is held by other shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Financial Leasing are independent third parties.

(3) Huarong Xiangjiang Bank is held by the Company, Hengyang City Construction Investment Co., Ltd. (衡陽市城市建設投資有限公司), Hunan Trust Co., Ltd., Tianyuan Real Estate Co., Ltd., Yueyang State-owned Asset Management Co., Ltd. (岳陽市國有資產經營有限責任公司), Xinhuang Group Xiangtan Xinhuang Resources Technology Co., Ltd. (新煌集團湘潭市新煌資源科技有限公司) and Xiangtan Dual Responsibility Construction Investment & Financing Co., Ltd. (湘潭市兩型社會建設投融資有限公司) as to 50.98%, 5.07%, 3.16%, 4.42%, 2.34%, 2.38% and 2.68% equity interest, respectively. The remaining 28.97% equity interest of Huarong Xiangjiang Bank is held by other shareholders, each with less than 2.0% equity interest. All the other legal person shareholders of Huarong Xiangjiang Bank are independent third parties.

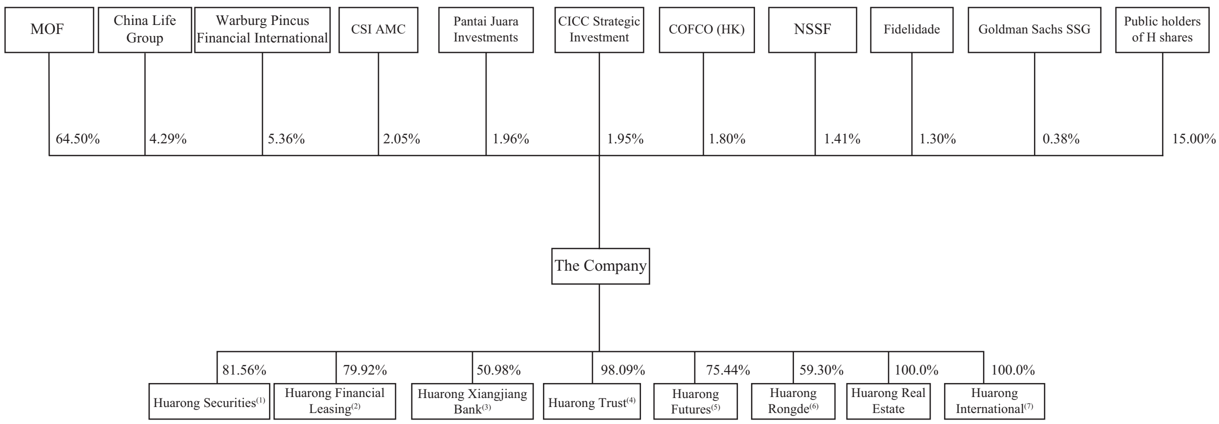
(4) The Company holds 98.09% equity interest in Huarong Trust. The remaining 1.91% equity interest of Huarong Trust is held by other two shareholders. All the other shareholders of Huarong Trust are independent third parties.

(5) 92.50% equity interest of Huarong Futures is held by Huarong Securities and its remaining 7.50% equity interest is held by Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司). Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司) is an independent third party.

(6) The remaining 40.70% equity interest of Huarong Rongde is held by Cathay Capital Company (No. 2) Limited. Cathay Capital Company (No. 2) Limited is an independent third party.

(7) Huarong International is held by Huarong Real Estate and Huarong Zhiyuan, both being wholly-owned subsidiaries of the Company, as to 88.10% and 11.90 %, respectively.

The following chart sets forth the shareholding and group structure of the Company and the major operating subsidiaries after the completion of the Global Offering, assuming no over-allotment option is exercised. For more information, see "Share Capital".




(1) Huarong Securities is held by the Company, China Gezhouba Group Co., Ltd., Beijing New Century Investment Inc. and Jiujiang Hehui Import & Export Co., Ltd. (九江和匯進出口有限公司) as to 81.56%, 4.61%, 3.95% and 1.69% equity interest, respectively. The remaining 8.19% equity interest of Huarong Securities is held by other nine shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Securities are independent third parties.

(2) Huarong Financial Leasing is held by the Company, Zhejiang Yongli Industry Group Co., Ltd., Zhejiang Provincial Energy Group Finance Co., Ltd., CSIC Finance Co., Ltd. (中船重工財務有限責任公司), CITIC Information Technology Investment Co., Ltd. and Zhengda Industrial Investment Co., Ltd. as to 79.92%, 6.80%, 3.20%, 2.56%, 1.60% and 2.0%, respectively. The remaining 3.92% equity interest of Huarong Financial Leasing is held by other shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Financial Leasing are independent third parties.

(3) Huarong Xiangjiang Bank is held by the Company, Hengyang City Construction Investment Co., Ltd. (衡陽市城市建設投資有限公司), Hunan Trust Co., Ltd., Tianyuan Real Estate Co., Ltd., Yueyang State-owned Asset Management Co., Ltd. (岳陽市國有資產經營有限責任公司), Xinhuang Group Xiangtan Xinhuang Resources Technology Co., Ltd. (新煌集團湘潭市新煌資源科技有限公司) and Xiangtan Dual Responsibility Construction Investment & Financing Co., Ltd. (湘潭市兩型社會建設投融資有限公司) as to 50.98%, 5.07%, 3.16%, 4.42%, 2.34%, 2.38% and 2.68% equity interest, respectively. The remaining 28.97% equity interest of Huarong Xiangjiang Bank is held by other shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Xiangjiang Bank are independent third parties.

(4) The Company holds 98.09% equity interest in Huarong Trust. The remaining 1.91% equity interest of Huarong Trust is held by other two shareholders. All the other shareholders of Huarong Trust are independent third parties.

(5) 92.50% equity interest of Huarong Futures is held by Huarong Securities and its remaining 7.50% equity interest is held by Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司). Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司) is an independent third party.

(6) The remaining 40.70% equity interest of Huarong Rongde is held by Cathay Capital Company (No. 2) Limited. Cathay Capital Company (No. 2) Limited is an independent third party.

(7) Huarong International is held by Huarong Real Estate and Huarong Zhiyuan, both being wholly-owned subsidiaries of the Company, as to 88.10% and 11.90 %, respectively.

## SUMMARY

We entered into Share Subscription Agreements with each of the Strategic Shareholders in June 2014 and the closing of the transactions contemplate there under was completed in August 2014, and the registration of the shareholding changes with the administration of industry and commerce was completed in October 2014. In addition, in order to support business development and enhance corporate governance standards of the Company, we also entered into Strategic Cooperation Agreements and/or MOU with each of the Strategic Investors and established strategic cooperation with them in June 2014.

## STRATEGIC INVESTMENT

### Share Subscription

The table below sets out the basic information of the strategic investments.

| | China Life Group[(1)] | Warburg Pincus[(2)] | CSI[(3)] | Khazanah[(4)] | CICC[(5)] | COFCO[(6)] | Fosun International[(7)] | Goldman Sachs[(8)] |
|---|---|---|---|---|---|---|---|---|
| **Date of the Share Subscription Agreements** | June 30, 2014 | June 27, 2014 | June 27, 2014 | June 27, 2014 | June 27, 2014 | June 27, 2014 | June 27, 2014 | June 27, 2014 |
| **Number of Shares subscribed** | 1,150,000,000 | 2,060,000,000 | 790,000,000 | 755,000,000 | 750,000,000 | 708,000,000 | 500,000,000 | 147,000,000 |
| **Subscription amount (RMB)** | 2,438,000,000 | 4,367,200,000 | 1,674,800,000 | 1,600,600,000 | 1,590,000,000 | 1,500,960,000 | 1,060,000,000 | 311,640,000 |
| **Closing date ("Closing Date")** | August 29, 2014 | | | | | | | |
| **Basis of considerations** | The relevant consideration was determined on an arm's length basis with reference to the business valuation of the Company. | | | | | | | |
| **Price per Share** | RMB 2.12 per Share | | | | | | | |
| **Discount to IPO price[(9)]** | 19.5% | | | | | | | |
| **Use of proceeds** | The proceeds from the investment from the Strategic Investors totaled RMB14,540 million (converted at the exchange rate as of the date of capital verification), of which, RMB1,500 million, RMB1,000 million and RMB1,000 million were used as capital contribution to Huarong Financial Leasing, Huarong Trust and Huarong Securities, respectively. The remaining proceeds were used to promote the development of the Company's businesses including distressed asset management business.<br><br>The above proceeds have been almost used up. | | | | | | | |
| **Shareholding in the Company immediately prior to the Global Offering** | 5.05%[(10)] | 6.30% | 2.42% | 2.31% | 2.29% | 2.16% | 1.53% | 0.45% |
| **Shareholding in the Company immediately after the Global Offering[(11)]** | 4.29% | 5.36% | 2.05% | 1.96% | 1.95% | 1.80% | 1.30% | 0.38% |
| **Strategic effect on the Company** | Our capital strength and corporate governance have been enhanced by learning from their successful experience, allowing us to expand our business network. | | | | | | | |

(1) Prior to the signing of China Life Group Share Subscription Agreement, China Life Group had been a Shareholder of the Company, holding 500,000,000 Shares in the Company.
(2) Warburg Pincus holds Shares through Warburg Pincus Financial International.
(3) CSI holds Shares through its wholly-owned subsidiary, CSI AMC.
(4) Khazanah holds Shares through its wholly-owned subsidiary, Pantai Juara Investments.
(5) CICC holds Shares through its affiliate, CICC Strategic Investment.
(6) COFCO holds Shares through its wholly-owned subsidiary, COFCO (HK).
(7) Fosun International holds Shares through its subsidiary, Fidelidade.
(8) Goldman Sachs holds Shares through its wholly-owned subsidiary, Goldman Sachs SSG.
(9) The discount is calculated based on the indicative price of HK$3.21 per H Share (being the mid-point of the range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK$1=RMB0.82081.
(10) Taking into account the Shares held by China Life Group in the Company before the Closing Date, China Life Group holds a total of 5.05% equity interest in the Company.
(11) Shareholding proportion is determined based on (1) the indicative number of 5,769,880,000 H Shares issued under the Global Offering before the exercise of the Over-allotment Option, and (2) after taking into account the transfer of state-owned Shares held by the MOF and COFCO to NSSF.

## OUR STRATEGIC INVESTORS

### China Life Group

China Life Group, headquartered in Beijing, is a large state-owned financial and insurance company whose entire equity interest is controlled by the MOF. China Life Group and its subsidiaries constitute the largest state-owned financial and insurance group in China. Its business scope includes life insurance, property and casualty insurance, endowment insurance, asset management, alternative investment, overseas business and e-commerce. It is also one of the largest institutional investors in China's capital markets. It has been selected as one of the Fortune Global 500 companies and one of the World's Top 500 Brands for years.

### Warburg Pincus

Warburg Pincus is a global private equity investment firm focused on growth investing. Founded in 1966, Warburg Pincus has raised 14 private equity funds. The firm has more than US$35 billion of assets under its management, and invests in various industries all over the world. Partnering with entrepreneurs and management teams, Warburg Pincus helps companies formulate strategy, conceptualize and implement financing structures and recruit talented executives. The firm is headquartered in New York with offices in Amsterdam, Beijing, Frankfurt, Hong Kong, London, Luxembourg, Mauritius, Mumbai, San Francisco, São Paulo and Shanghai. Warburg Pincus is the manager of Warburg Pincus International.

Warburg Pincus Financial International is a company established and existing under the laws of the Republic of Mauritius. It is a wholly-owned subsidiary of Warburg Pincus International.

### CSI

CSI is a wholly-owned subsidiary of CITIC Securities Co., Ltd. It mainly engages in investment banking, securities brokerage, futures brokerage and asset management through its subsidiaries. Incorporated in Hong Kong, CSI acts as an overseas platform of CITIC Securities Co., Ltd. for expanding business into global financial markets. With its knowledge and expertise on the Chinese and international capital markets, CSI provides a wide range of financial products and services for its domestic and international customers.

CSI AMC is a company established and existing under the laws of Hong Kong. It is a wholly-owned subsidiary of CSI.

### Khazanah

Khazanah is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, financial institutions, healthcare, aviation, infrastructure, leisure & tourism, property, creative & media, education, and innovation & technology.

Pantai Juara Investments is an investment-holding entity incorporated under the Labuan Companies Act 1990, laws of Malaysia and is a wholly-owned subsidiary of Khazanah.

**CICC**

Established in July 1995, CICC is the first sino-foreign joint venture investment bank in China serving as a strategic cooperation among prestigious Chinese and international financial institutions and companies. CICC strives to provide investment banking services of high quality to domestic and overseas institutions and individual customers. Its business covers various areas including securities research, issue and underwriting of equity and debt instruments, financial advisory services in relation to mergers and acquisitions, securities sales and trading, proprietary trading of securities, asset management and fortune management.

CICC Strategic Investment is a specialized investment company controlled by CICC.

**COFCO**

COFCO is one of the SOEs under the supervision of the SASAC. COFCO owns eight listed companies, among which five are Hong Kong listed companies, including China Foods Limited (stock code: 00506), China Agri-Industries Holdings Limited (stock code: 00606), China Mengniu Dairy Company Limited (stock code: 02319), CPMC Holdings Limited (stock code: 00906) and Joy City Property Limited (stock code: 00207), and three are companies listed in Mainland China, including COFCO Tunhe (600737.SH), COFCO Property (000031.SZ) and COFCO Biochemical (000930.SZ). Attributed to its good operational results, COFCO has been continuously listed as one of the Global 500 companies by *Fortune*, an American magazine, and ranked the first among the top 100 enterprises of China’s food industry.

COFCO (HK) is a company established and existing under the laws of Hong Kong. It is a wholly-owned subsidiary of COFCO.

**Fosun International**

Fosun International (stock code: 00656), was listed on the Main Board of the Hong Kong Stock Exchange on July 16, 2007. Fosun has been persistently taking roots in China and investing in China’s growth fundamentals. It has been actively implementing its investment model of “Combining China’s Growth Momentum with Global Resources”. Fosun is dedicated to making a major stride towards becoming a world-class investment group underpinned by the twin drivers of “insurance-oriented comprehensive financial capability” and “global industrial integration capability taking roots in China”. Today, Fosun’s businesses include two major parts, integrated finance and industrial operations.

Fidelidade is a company established and existing under the laws of Portugal. As of June 2015, Fosun International holds 85% equity interest in Fidelidade. Fidelidade was established in 1835 and is the leading life and non-life insurance market operator in Portugal with a long history. Fidelidade has Portugal’s largest market share across the areas of life and non-life insurance products, and covers most of the main individual products, with diversified and exclusive distribution platforms, as well as product brand highly recognized by the market.

**Goldman Sachs**

Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a series of financial services to diversified clients in various areas that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, Goldman Sachs is headquartered in New York and maintains offices in all major financial centers around the world.

Goldman Sachs SSG is a company established and existing under the laws of the state of Delaware, the United States, and is a wholly-owned subsidiary of Goldman Sachs.

**Rights and Obligations of the Strategic Shareholders**

According to the Share Subscription Agreements, the rights and obligations of the Strategic Shareholders include the following:

***Dividends***

According to the Share Subscription Agreements, the Company shall use commercially reasonable efforts to procure that the aggregate amount of all dividends declared by the Company in respect of the period between July 1, 2014 and December 31, 2014 and each subsequent financial year ending seven months prior to the initial closing of the initial public offering ("**IPO**") shall not be less than 15% of the "net profit of the Company" for such fiscal year or period as set forth in the audited parent company's statement of income of the Company for such fiscal year (or, 25% to 30%, if deemed by the Company to be in the best interest of both the Company and the shareholders of the Company).

***Anti-Dilution Right***

In connection with issue of any new ordinary Shares or securities convertible into additional ordinary Shares ("**Additional Shares**") by the Company (except certain particular issues) prior to the IPO, the Strategic Shareholders shall be entitled to purchase a certain number of Additional Shares so that the proportion of the total ordinary Shares held by the Strategic Shareholders as against all ordinary Shares of the Company in issue is no less than relevant proportions immediately prior to the completion of the issues of Additional Shares by the Company.

***No More Favorable Terms***

Except pursuant to certain particular issues, the Company undertakes that it will not issue or agree to issue any ordinary Shares to any parties other than the Strategic Shareholders on terms more favorable than the terms on which any ordinary Shares were issued to Strategic Shareholders pursuant to the Strategic Investment Agreements prior to the IPO.

***Right to Nominate Directors***

According to the relevant Share Subscription Agreements, China Life Group and Warburg Pincus Financial International shall be entitled to nominate one Director, respectively. If the total number of Shares in the Company owned by either China Life Group or Warburg Pincus Financial International and their respective affiliates (as defined under the Share Subscription Agreements) are equal to or below 5% of the total outstanding Shares in the Company, China Life Group or Warburg Pincus Financial International shall procure its nominated Director to resign and waive all of their rights and privileges as member of the Board at the earlier of the next annual general meeting of the Company or the expiry of the tenure of such Director.

The rights of China Life Group and Warburg Pincus Financial International under the relevant Share Subscription Agreements to nominate Directors and the obligation of the Company to elect Directors shall terminate upon the listing of the Company on an eligible stock exchange (including the Hong Kong Stock Exchange).

***Shares Transfer Restrictions***

The transfer by the Strategic Shareholders of their Shares shall be subject to the following restrictions:

(i) Except for permitted transfers, the Strategic Shareholders shall not transfer their Shares to any person until but excluding the third anniversary of the closing date (the "**Lock-up Period**");

(ii) The Strategic Shareholders shall not transfer or dispose of the relevant securities to any major direct competitors of the Company. However, if the Strategic Shareholders or the placing agent or a broker assisting the Strategic Shareholders in the sale cannot determine or control the capacity of the purchaser, the provisions hereof shall not restrict the Strategic Shareholders in selling any ordinary shares to the purchaser except when the Strategic Shareholders, above placing agent or other agent actually know that the purchaser is a major direct competitor or its agent.

Upon listing of the ordinary Shares of the Company on one or more eligible stock exchanges, the Restricted Strategic Shareholders shall, and the Parent Companies of the Restricted Strategic Shareholders shall procure the relevant Restricted Strategic Shareholders to, send notices to the Company in advance before transferring the Shares held by them.

***Company's Right of First Offer***

If the IPO of the Company is completed before the end of the Lock-up Period and the Strategic Shareholders desire to transfer the Shares held by them to any third party to the extent permissible under the Share Subscription Agreements, they shall make an offer in writing to the Company. If the Company fails to reply in writing or refuse to repurchase the Shares within the prescribed period, the Strategic Shareholders may transfer such Shares to any other proposed transferees with terms and conditions no more favorable than those set out in the offer within a certain period after making the offer or the receipt of the offer by the Company. The Strategic Shareholders shall conduct the above procedures again before completing any share transfers in the following cases: (1) certain particular Strategic Shareholders fail to complete the transfer of such Shares to the proposed transferees during the above period; and (2) the consequent selling terms of such certain particular Strategic Shareholders are more favorable than the original ones.

***Conversion of Shares of Strategic Shareholders***

If the Company seeks to conduct a public offering of ordinary shares outside the PRC, Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, Fidelidade and Goldman Sachs SSG can convert all or any part of the Shares held by them into foreign shares listed outside the PRC, subject to relevant regulatory approvals.

***Termination of Rights***

According to the Share Subscription Agreements, if any rights of the Strategic Shareholders and their parent companies conflict with the applicable laws or the listing rules of any eligible stock exchanges, or may result in the violation of relevant laws or any applicable listing rules of eligible stock exchanges by the Company, such rights shall be terminated immediately upon the listing of the Company on such eligible stock exchange. In accordance with Guidance Letter HKEx-GL43-12, all the special rights of the Strategic Shareholders described above shall terminate on the Listing Date.

Based on relevant arrangements in the above Share Subscription Agreements and as the transactions related to the Share Subscription Agreements have been completed at least 28 complete days before the Company's IPO application to the Hong Kong Stock Exchange, the Joint Sponsors consider that the relevant transactions meet the requirements of the Interim Guidance on Pre-IPO Investments, Guidance Letter HKEx-GL43-12 and Guidance Letter HKEx-GL44-12.

## STRATEGIC COOPERATION

While we signed the Share Subscription Agreements with the Strategic Shareholders, we also entered into separate Strategic Cooperation Agreements and/or MOU with each Strategic Investor and established strategic cooperation with them.

According to the Strategic Cooperation Agreements and/or MOU and in order to more effectively advance the strategic cooperation, we established the Guidance Committee, the Liaison Office and working teams during the term of the agreements. The Guidance Committee will determine the specific contents of the strategic cooperation and discuss and review the overall strategy and target of the strategic cooperation. The Liaison Office will prepare the partnership plan, implement the resolutions of the Guidance Committee and assist in the coordination among the working teams. The working teams will prepare the partnership framework, manage the implementation and progress of the partnership and submit a report on the implementation to the Guidance Committee.

### Scope of Cooperation with Strategic Investors

#### *Corporate Strategy and Governance*

According to the Strategic Cooperation Agreements and/or MOU, where applicable and practicable, the Strategic Investors will offer necessary consultancy and advisory services in the development of strategies based on the requirements of the Company, share their strategic management experiences in strategic planning, objective segmentation, execution optimization and monitoring implementation with the Company, provide strategic support in the Company's establishment of corporate governance, management structure and business processes, major business industries, risks and internal control management, businesses and human resources as well as other businesses, provide advice to the Company on corporate governance matters and/or assist the Company in establishing and improving the investor relations management team, website, information management and database. In addition, according to the Warburg Strategic Cooperation Agreement, upon the agreement with the Company, Warburg Pincus can, through its wholly-owned subsidiary or its designated related parties, appoint one special strategic consultant to the Chairman during the term of the agreement and offer the Chairman consultancy services in relation to the strategic planning, overall operation and business plans of the Company.

#### *Supervision and Business Processes*

According to the Strategic Cooperation Agreements and/or MOU, where applicable and practicable, the Strategic Investors will share their experiences in the establishment and management of the organizational structure across businesses, regions and departments, assist the Company in optimizing the Group's management and control system, improving the organizational structure and strengthening the management of business chains based on the standard for listed companies. They will share their experiences in the design of business processes and make recommendations to optimize and restructure the business processes of the Company. They will share their financial management and control experience with the Company and offer the Company necessary consultancy and advice on the improvement of the financial management and control system; and/or they will also share client management experience as well as provide the Company with suggestions on the establishment and optimization of the client management system.

***Key Areas of Business Cooperation*[1]**

According to the Strategic Cooperation Agreements and/or MOU and subject to further terms to be agreed between the Company and each of the Strategic Investors from time to time as contemplated under the Strategic Cooperation Agreements and/or MOU, the Strategic Investors shall provide strategic assistance in certain cooperation areas in accordance with their respective areas of expertise and Strategic Cooperation Agreements and/or MOU, as applicable to each Strategic Investor:

*Distressed Asset Management Business*

Warburg Pincus Financial International and Goldman Sachs SSG will, where applicable and practicable, explore cooperation with the Company in the domestic and overseas distressed assets businesses and FI Distressed Assets businesses including discussing the joint establishment of a distressed asset management plan in potentially feasible ways to conduct business cooperation in the acquisition, management, operation and entrusted disposal of distressed assets and share their knowledge about the development of new financial products and strategies with the Company. They will share their experiences in product designs, investment strategies, investment processes, and capital utilization under their asset management business to improve the asset management ability of the Company. They will share their experiences in credit management, investment portfolio management and assets securitization to improve the Company's skills and capability in providing distressed asset management. They will actively participate in the reform and reorganization of SOEs within the PRC through private equity investment and comprehensive financing support.

*Investment and Financing Business*

The Strategic Investors will, where applicable and practicable, cooperate with the Company in one or more of the following areas in accordance with their respective Strategic Cooperation Agreements and/or MOU entered into with the Company:

- conducting business cooperation and sharing experiences in fund-raising, selection of projects, due diligence, decision-making and execution of projects and post-investment management to assist the Company in improving the equities investment decision-making system and the investment business pricing system and assisting the Company in establishing a systematical valuation system;
- sharing investment and management experiences in reorganizations, M&A financing, structural financing, leverage buyouts and mezzanine investment and financing;
- sharing experiences in the design, terms and arrangement, pricing, risks management and control of structural products;

1 There may be differences in the forms of cooperation between the Company and each of the Strategic Investors in the same area of business. For the avoidance of any doubt, the description of the cooperation in each area of business by the Strategic Investors is a combined summary of the cooperation between the Company and such Strategic Investors and does not mean each of such Strategic Investors will conduct all forms of cooperation mentioned therein in such line of business.

- strengthening cooperation in equities investment funds and equities investment plans as well as consolidate and expand the cooperation in the capital market; and/or
- sharing resources of mature projects in the following areas: ecological agriculture, efficient agriculture, extensive agriculture, urbanization construction, scarce resources and other industries, and actively cooperate in projects through investment, joint investment and other ways.

*Asset Management Business*

China Life Group, Warburg Pincus Financial International, CSI and CICC will, where applicable and practicable, conduct cooperation with the Company regarding financial innovation in the acquisition, management, operation and entrusted disposal of FI Distressed Assets and other distressed assets; share and exchange the experiences with the Company in product designs, investment strategies, investment processes, capital utilization, investment risks control and marketing of products for the asset management business; deepen the asset management business through cooperation with the Company and the joint platform of the Company to assist the Company in further expanding assets acquisitions, management and disposals as well as other existing businesses, share the due diligence and assets pricing technologies as well as clients' information and market consultancy with the Company and recommend quality targets for assets acquisition to the Company. They will also share their experiences in the private equity investment funds management, mutual funds management business and the financial management industry with the Company.

*Financial Services Business*

Warburg Pincus Financial International will, where practicable, cooperate with the Company in the consumer finance industry and share international experience in the consumer finance area in various means to assist the Company in developing specialty and training talents in the consumer finance area. Meanwhile, it will explore the overall business cooperation with the Company in areas such as consumer, auto and internet finance, including negotiation on the establishment of joint consumer finance companies, auto finance companies, auto rental companies or internet finance companies, subject to the applicable laws, regulations and policies.

COFCO will, where practicable, conduct overall cooperation with the Company in equities investments, bridge financing, distressed asset management and real estate finance in developing into a food and oil products enterprise covering the full industrial chain. It will share its experience in the operation of supply chain finance, agricultural finance and special financial business and jointly develop innovative products to provide clients with all-dimensional financial services.

*International Business*

Warburg Pincus Financial International will, where practicable, help the Company in expanding overseas financial markets and provide advice on the issue of bonds, establishment of funds, capital raising, post-investment management and investment exit to the Company and its overseas subsidiaries. They will share suitable resources in the M&A business with the Company and assist the Company in expanding the assets acquisition and business cooperation opportunities in emerging and mature markets as well as offer consultancy and advice on conducting international businesses.

Pantai Juara Investments will, where practicable, assist the Company to expand its international businesses and advise the Company on the Company's international businesses and overseas expansion plans. Where practicable and relevant, it may recommend premium overseas investment projects to the Company to expand its clients channel and seek suitable targets for merger and acquisition in order for the Company to enter into new business service areas, and proactively assist the Company to develop new business models.

*Investment Banking Business*

CICC, Goldman Sachs SSG and CSI, will, where applicable and practicable, provide assistance to the Company in the investment banking business, including domestic and overseas sponsorship, underwriting of stocks and bonds, M&A and reorganizations and private equity investments and share their business experiences and professional skills. They will provide the Company with services related to cross-border M&A transactions of the Company based on its development demands of the Company. They will provide strategic assistance in restructuring of enterprises, listing and refinancing after listing and share business experiences in bond financing for enterprises and conduct business cooperation to provide support for the future financing plans of the Company.

*Insurance Business*

China Life Group will, where practicable, conduct cooperation with the Company in the insurance business, including conducting in-depth research on the application of insurance capital and achieving the reasonable investment and effective application of insurance capital through asset management plans, trusts and other ways, and will cooperate in developing innovative financial products. They will conduct in-depth research on cooperation in the assets insurance industry and cooperate in products and services in the vehicle renting and insurance sectors, and actively recommend clients with business demands to each other. They will also establish cooperation models in insurance agency businesses and other key business industries. It will share extensive client resources accumulated in the industry and assist the Company in exploring new client resources as well as actively recommend clients with demands in securities, futures, funds and trust business to the Company.

*Other Businesses*

In addition, each Strategic Investor will, where applicable and practicable, cooperate with the Company in commercial property investments, hotel operations, property development, project engineering, securities and futures, funds, trusts and other business areas based on their own business advantages.

***Risk Management and Internal Control***

The Strategic Investors will, where applicable and practicable, share their advanced experience in risk management with the Company, assist the Company regarding the establishment of a comprehensive risk management program that matches the Company's characteristics and management requirements on a group company and assist the Company to design the risk management system, processes, risk management appraisal indicators and risk management information system. They will, where applicable and practicable, share their experiences in internal controls with the Company and offer necessary consultancy and advice in establishing a complete internal controls system, including but not limited to optimization of the internal auditing system and compliance management system. They will, where applicable and practicable, also share their experiences in risk exposure management and overall limit management based on particular industries, products and clients, including restrictions of limit approval and controls over the approvals process, to provide consultancy and advice on the establishment of a regulatory compliance program on the policies, processes and risk measurement for connected transactions to the Company.

***Human Resources and Training***

Warburg Pincus Financial International, CSI, Pantai Juara Investments, CICC, Fosun International and/or Goldman Sachs SSG will, where applicable and practicable, maintain regular strategic interactions with the senior management of the Company, including but not limited to conducting visits between the management of both parties, holding regular forums on development strategies and businesses by the management of both parties and inviting the management of the Company to professional forums of constructive significance. Based on actual demands of the Company, both parties will cooperate in preparing detailed training plans and a regular training system to provide the staff of the Company at all levels with special training as well as training support by various means, including training classes, training lectures, discussions and communications, field trips and visits.

***Establishment of Information System***

China Life Group, Warburg Pincus Financial International, CSI, Pantai Juara Investments, CICC, COFCO and/or Fosun International will, where applicable and practicable, share their advanced experience in the management of information technology system and offer consultancy and suggestions to improve the Company's IT governance structure, including improving the function of the information technology system, providing the Company with strategic planning on the information technology system and consultancy services on the information technology system as well as preparing plans on the improvement of the information technology system. The above Strategic Investors will, where applicable and practicable, share their advanced experience in the back up recovery support system of financial enterprises with the Company, provide the Company with consultancy and advice on optimizing the management system and system establishment in key areas and help the Company boost the strength of the information technology supporting system, including advancing the integration of technology and business and establishing an infrastructure platform which provides comprehensive financial services to customers.

**Current Cooperation Progress**

As at the Latest Practicable Date, we have made substantive progresses with the Strategic Investors, including:

***Exchange Visits and Communications between Senior Management***

Since September 2014, the Chairman and other members of the senior management of the Company have held various meetings with the senior management of the Strategic Investors and exchanged their views on the macro economic conditions, industry prospects, the development strategies of their companies and other important issues.

***Business Communication and Cooperation***

Relevant departments of the Company and its subsidiaries have held a number of meetings with the Strategic Investors and/or their subsidiaries or affiliates since 2014, regarding investment banking businesses, investment and financing businesses, international businesses and information technology and conducted cooperation in some areas. The Company has communicated with a Strategic Investor for many times on the application of insurance capital and has successfully conducted financing business with it. Several Strategic Investors have participated in the domestic and overseas financing activities of the Company as lead underwriters, bookrunners or investors. The International Business Department of the Company has communicated and negotiated with certain Strategic Investors for many times on cooperation projects of private equity funds and for a certain project, funds were already contributed. The Company has also proactively discussed with a Strategic Investor to establish a consumer finance company and a number of meetings with the Strategic Investor and relevant regulatory authorities and governmental departments were held. At the subsidiary level, the Strategic Investors have communicated with the subsidiaries of the Company, including Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank, Huarong Yufu and Huarong Real Estate, regarding investment and financing businesses, investment banking business, and real estate business, and they have conducted successful cooperations in various business areas.

***Training***

In 2015, the Company has communicated with the Strategic Investors for many times on a number of training cooperation projects, and held various trainings through seminars, lectures and other ways in cooperation with certain Strategic Investors. Such trainings covered areas including corporate strategies, corporate governance and corporate management, with trainees including major officers, key business personnel and middle-level management of the Company.

***Cooperation on Information Technology***

The information technology department of the Company has exchanged ideas with a Strategic Investor on post-investment project management system, and corporate cooperative operation and management. In particular, it has communicated with a Strategic Investor on the introduction of corporate cooperative tools.

*Unless indicated otherwise, information and statistics presented in this section on the macro-economy and the industries in which the Group operates are derived from various official or publicly available sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Underwriters, our or their affiliates or advisers or any other party involved in the Global Offering, and no representation is given as to its accuracy. In addition, certain financial data contained in this section, including data relating to us, may be compiled in accordance with standards different from our IFRS financial data presented elsewhere in this prospectus.*

## OVERVIEW

We are the largest financial asset management company in China in terms of total assets. With distressed asset management as the foundation of our business and supported by our comprehensive financial services business, we have established a unique "through-the-cycle" business model to provide our clients with a diversified array of financial products and services.

The distressed asset management industry is an important component of the Chinese financial system and plays a key role in resolving systemic financial risk and providing liquidities to financial assets in the structural transformation of the Chinese economy. Since our establishment, we have continuously pushed forward the development of China's distressed asset management industry through innovations in various areas, including business philosophy, development models, organizational structure and operations mechanisms, business platforms, products and services, management practice, corporate culture and talent development. We were the first AMC to transform from a pure-play distressed asset disposal company to "a professional asset manager and prominent provider of integrated financial services". Among the four AMCs, we believe we were:

- the first AMC to dispose of distressed asset packages through an international bidding process, setting a precedent in the industry for the batch disposal of distressed assets following international practice.
- the first AMC to be commissioned by the PRC Government to wind down a large private conglomerate, playing an important role in resolving systemic financial risks through the orderly management of such an enterprise in crisis.
- the first AMC to carry out the acquisition-and-restructuring model for distressed debt asset management on a large scale, which has led the industry to establish the mainstream business model for distressed asset management.
- the first AMC to issue asset securitization products backed by distressed debt assets which have been managed under our acquisition-and-restructuring model, demonstrating an effective way for AMCs to implement a capital-light business strategy.
- the first AMC to restructure and establish subsidiaries in various financial industries, including commercial banking, financial leasing and trust, and to build a full-value-chain integrated portfolio of financial services offerings.

As a non-traditional financial institution in China's "new normal" economic environment, we have a unique business model that allows us to achieve consistent and steady growth and generate competitive returns for our shareholders:

- **We are the most profitable AMC and our net profit and ROAE rank first among the Four AMCs.** We have formed a "one body, two wings" strategic corporate structure, with the our Head Office as the "body" and our nation-wide Company Branches and subsidiaries as the "two wings." Supported by this structure, we have achieved effective synergies by sharing core resources of the Group and developed a business model that led to strong growth and significant economies of scale. For the years ended December 31, 2012, 2013 and 2014, our net profit was RMB6,986.6 million, RMB10,093.2 million and RMB13,030.8 million, respectively, and our ROAE was 19.4%, 22.7% and 19.1%, respectively, both ranking first among the Four AMCs. For the six months ended June 30, 2015, our net profit was RMB9,867.8 million and our annualized ROAE was 22.2%. In addition, we have a highly productive execution team in terms of income per capita and net profit per capita. As of December 31, 2014, we had a total of 8,352 employees, and achieved income per capita and net profit per capita of RMB6.1 million and RMB1.6 million, respectively for the year ended December 31, 2014.

- **We have established a unique "through-the-cycle" business model and have, as a result, achieved consistent and solid growth against a backdrop of economic transformation and structural change in China.** Based on our leading capabilities in the acquisition, operation and disposal of distressed assets, we have integrated our distressed asset management business with our financial services business to build up a "through-the-cycle" business model. During periods of economic slowdown and structural adjustments, we focus on identifying undervalued debt assets and quality enterprises in need of short-term liquidity. Supported by effective financing arrangements, we apply our extensive business experience, professional and technical skills and leading risk management capability to exploit the business opportunities brought by pricing inefficiencies of these assets and enterprises. Meanwhile, we are able to provide our clients with customized financial products and services through our comprehensive financial services platform at different stages of economic cycles.

- **We have established an integrated product and service offering that can be deployed across our clients' capital structure, and meet their demands throughout their business lifecycle.** We have developed a wide range of financial products and service offering that cover the entire capital structure of a company, including senior debt, mezzanine debt, subordinated debt and equity. We also provide customized financial products and services to enterprises through the early, growth and mature stages of their lifecycle. Our long term relationship with a particular client usually starts with us providing a tailored solution that meets individualized and diversified demand of the client. We then introduce the client to our family of value-added financial services, providing them with a one-stop and integrated platform.

- **We have established a sound and comprehensive risk management system and an advanced risk control process, and have effectively integrated our risk management culture into our daily operations.** Since the establishment of our business sixteen years ago, we have accumulated valuable experience as well as capabilities to identify, measure and control various types of risks. Risk management capabilities are our core strength. We have established a comprehensive risk management system that takes into account the control requirements of our Group as well as the market-oriented operations of our businesses. Through advanced risk management processes and effective risk-protection measures (including prudent provision policies and stringent requirements for collateral, pledges and guarantees), we effectively identify and mitigate risks. Our risk management culture has been established gradually and is based on clear risk appetite, individual accountability and effective performance assessment. We insist on a prudent and sound risk management strategy and maintain all our key risk indicators at reasonable levels. Through an emphasis on collateral, pledges and guarantees and prudent policies regarding impairment losses provision, we are able to significantly mitigate and adequately cover our potential credit risks.

We divide our principal business segments as follows: (i) distressed asset management; (ii) financial services; and (iii) asset management and investment. For the year ended December 31, 2014, income from distressed asset management, financial services and asset management and investment represented 56.1%, 35.1% and 9.9%, respectively, of our total income, and profit before tax from these three business segments represented 55.7%, 32.9% and 11.4%, respectively, of our total profit before tax. For the six months ended June 30, 2015, income from these three business segments represented 55.2%, 32.0% and 13.4% of our total income, respectively, and profit before tax from these three business segments represented 51.6%, 31.9% and 16.2% of our total profit before tax, respectively. The table below sets forth a breakdown of the major business lines under each business segment:

| Distressed asset management | Financial services | Asset management and investment |
|---|---|---|
| ■ Distressed debt asset management | ■ Securities and futures | ■ Asset management |
| ■ DES asset management | ■ Financial leasing | ■ Financial investments |
| ■ Custody and agency services for distressed assets | ■ Banking | ■ International business |
| ■ Distressed asset-based special situations investments | | ■ Other businesses |
| ■ Distressed asset-based property development | | |

Our distressed asset management business consists of 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. For the years ended December 31, 2012, 2013 and 2014, the Pre-tax ROAE for our distressed asset management business was 31.1%, 36.9% and 26.3%, respectively. For the six months ended June 30, 2015, the annualized Pre-tax ROAE for this business was 26.0%.

Our distressed debt asset management business includes the acquisition-and-disposal business and the acquisition-and-restructuring business. During the course of our acquisition-and-disposal business, we have accumulated extensive experience in distressed asset management and industry leading capabilities in the acquisition, operation and disposal of distressed assets. To seize the opportunities arising from the structural adjustment of the Chinese economy, we developed our acquisition-and-restructuring business, through which we effectively identify quality enterprises facing temporary liquidity issues, and continuously enhance and realize the potential value of our distressed debt assets. As of June 30, 2015, the carrying amount of distressed debt assets under the acquisition-and-disposal and acquisition-and-restructuring businesses was RMB34,574.6 million and RMB212,491.0 million, respectively.

We have a diversified DES asset portfolio. As of June 30, 2015, the carrying amount of our DES asset portfolio was RMB26,595.1 million, comprising 221 companies in more than ten sectors, including industrials, materials, energy and information technology. We utilize our extensive financial and industrial resources, as well as our integrated services platform and diversified disposal techniques, to support the improvement and development of DES companies, and maximize the realizable value of our DES assets. Leveraging our industry experience and project sources acquired from distressed debt assets management and DES asset management businesses, we entered into distressed asset-based special situations investments and property development businesses.

Building on our distressed asset management business, we gradually extended our operations into financial services, and constructed our integrated financial services platform including subsidiaries in securities, financial leasing, banking and futures. Leveraging the core competency we developed in conducting our distressed asset management business and the support from our multi-license financial services platform, we have built a competitive and differentiated asset management and investment platform to capitalize on opportunities in the so-called "pan-asset management" era, while promoting the sustainable development and synergic operation of our business platforms. By converting non-standard assets that we manage into standard asset management products that we offer, we provide our clients with exposure to alternative investment opportunities. As of December 31, 2014, the aggregate value of third-party assets under management of our bank wealth management, securities, trust and private fund businesses was RMB228,561.9 million, representing an increase of 38.8% from December 31, 2013. As of June 30, 2015, the aggregate value of third-party assets under management of our bank wealth management business, securities, trust and private fund businesses was RMB321,630.4 million, representing an increase of 40.7% from December 31, 2014.

During the Track Record Period, we have recorded rapid growth in our total assets, net assets and net profit. As of December 31, 2012, 2013 and 2014, and June 30, 2015, our total assets stood at RMB315,033.6 million, RMB408,367.3 million, RMB600,521.1 million and RMB734,556.0 million, respectively, representing a CAGR of 38.1% from 2012 to 2014, and our net assets was RMB42,571.5 million, RMB52,534.2 million, RMB83,532.1 million and RMB97,149.1 million, respectively, representing a CAGR of 40.1% from 2012 to 2014. For the years ended December 31, 2012, 2013 and 2014, our income was RMB26,063.3 million, RMB37,319.4 million and RMB51,060.7 million, representing a CAGR of 40.0% from 2012 to 2014, and our net profit was RMB6,986.6 million, RMB10,093.2 million and RMB13,030.8 million, representing a CAGR of 36.6% from 2012 to 2014. For the six months ended June 30, 2015, our income was RMB37,826.0 million, representing an increase of 62.3% from the six months ended June 30, 2014, and our net profit was RMB9,867.8 million, representing an increase of 39.4% from the six months ended June 30, 2014.

### Our Competitive Strengths

**Our "through-the-cycle" business model and integrated business platform are well positioned to capture opportunities arising from the "new normal" economic environment in China, the diversification of financing structures and the rapid accumulation of wealth.**

The deceleration and structural transformation of the Chinese economy, the diversification of financing structures in the real economy and the rapid accumulation of net worth of Chinese households have created tremendous opportunities for our businesses. Supported by our integrated services platform, we have been able to meet our clients' demands for financial services that traditional financial institutions could not provide.

- **In the "new normal" economic environment in China, we have the unique ability to resolve credit risks and provide liquidity for existing financial assets, which provides vast growth potential for our leading distressed asset management business.**
  - *Greater supply of distressed assets for our acquisition-and-disposal business from non-performing loans of banks.* According to the CBRC, the balance of non-performing loans held by China's banking institutions has increased from RMB1.05 trillion as of December 31, 2011, to RMB1.43 trillion as of December 31, 2014, the balance of non-performing loans held by commercial banks has increased for 16 consecutive quarters to RMB1,091,900 million as of June 30, 2015. We believe that the balance of non-performing loans held by China's commercial banks will continue to increase, driven by the increase in the total loans extended by these banks, the deepening of the structural adjustment of the economy, the continuation of spin-off of non-performing loans and the deleveraging of commercial banks, as well as the financial restructuring of city commercial banks, rural commercial banks and credit cooperatives. These factors are expected to contribute to a continuous steady supply of distressed debt assets which are suitable for our distressed debt asset management business.
  - *Greater supply of distressed assets for our acquisition-and-restructuring business from FI Distressed Assets.* According to the CBRC, the balance of loans belonging to the special mention category under the five-category loan classification system held by China's commercial banks was RMB2,646,500 million as of June 30, 2015. We believe that the borrowers under a significant portion of the special mention loans were high quality enterprises with strong demands for short term liquidity support and restructuring of existing debt. In addition, following the deceleration of economic growth, the structural transformation of the economy and the tightening of the regulatory environment, non-bank financial institutions in China, including trust companies and subsidiaries of mutual funds, are expected to have greater liquidity needs. These trends are expected to provide us with more business opportunities for the rapid development of our distressed debt asset management business, utilizing the acquisition-and-restructuring model.
  - *Greater supply of distressed assets for our acquisition-and-restructuring business from NFE Distressed Assets.* With the decrease in economic growth rate, the debt ratio of Chinese enterprises has increased while receivable turnover ratio has slowed. According to the NBSC, the balance of accounts receivable of Domestic Above-scale Enterprise has increased from RMB8.2 trillion as of December 31, 2012 to RMB10.8 trillion as of June 30, 2015. We believe that, in the "new normal" economic environment, the need for "redeployment of financial assets" will continue to increase, which will offer significant opportunities for the development of our acquisition-and-restructuring business for NFE Distressed Assets.

- **We have leading capabilities in providing diversified financing and alternative investment products. As a result, the diversification of financing structures in the real economy and the rapid accumulation of the net worth of Chinese households have created significant opportunities for our financial services and asset management and investment platforms.**

  - China's financial system is dominated by banks and the percentage of direct financing is relatively low. However, due to the limitation of traditional banks' business scope and business practice, a significant part of the society's financing needs could not be effectively met. As a result of the continued deepening of financial reform and development of financial markets in China, the financing structures in the real economy have been diversifying and the percentage of non-bank financings has increased from 21% as of December 31, 2004, to 38% as of December 31, 2014. We hold financial licenses in our securities, financial leasing, banking and trust businesses and have unparalleled competitive advantages in providing diversified financing solutions.

  - Although the net worth of Chinese households continues to accumulate, the significant demand for investment services has not been fully met due to the lack of available asset classes for investment. Since 2012, with a new round of regulatory reforms, China's asset management industry has expanded significantly and the combined assets under management from banks' wealth management, trust and insurance funds, assets managed by securities companies, mutual funds and their subsidiaries, as well as private funds, exceeded RMB 60 trillion as of June 30, 2015. Compared to more traditional asset management institutions, we have deep and experienced capabilities in converting non-standard assets into standard assets allowing us to accurately match investment projects of various risk-return profiles with investors of different risk appetites. This also allows us to help Chinese households to participate more effectively in the investment and appreciation of alternative assets.

**Leveraging our extensive business innovation capabilities, technical skills and experience in capital operations, we have consistently maintained our leading edge in distressed asset management.**

The distressed asset management industry in China has high barriers to entry, with the current market dominated by the Four AMCs. Compared to that of the other AMCs, we believe our distressed asset management business has a higher level of commercialization and stronger capabilities to continuously innovate. As of June 30, 2015, the carrying amount of our distressed debt assets held under the acquisition-and-disposal business, distressed debt assets held under the acquisition-and-restructuring business and DES Asset portfolio was RMB34,574.6 million, RMB212,491.0 million and RMB26,595.1 million, respectively.

- **Leading business innovation capabilities.** We have consistently driven our growth through innovations, proactively explore new market opportunities and continuously push forward the development of China's distressed asset management industry. Among the four AMCs, we believe we were:

  - the first AMC to dispose of distressed asset packages through an international bidding process, setting a precedent in the industry for the disposal of distressed assets following international practice;

  - the first AMC to be commissioned by the PRC Government to wind down a large private conglomerate, playing an important role in resolving systemic financial risks through the orderly management of such an enterprise in crisis;
  - the first AMC to establish a Sino-foreign joint venture asset management subsidiary to focus on distressed asset-based special situations investments, which remains the only Sino-foreign joint venture asset management company as of the Latest Practicable Date and serves as a classical case study of Sino-foreign cooperation in the distressed asset management industry;
  - the first AMC to carry out the "acquisition-and-restructuring" model on a large scale, effectively meeting the short-term liquidity needs of high quality enterprises, and leading the industry to establish one of the mainstream business models for distressed asset management by the AMCs;
  - the first AMC to issue asset securitization products backed by distressed debt assets, which have been commercially restructured, demonstrating an effective way for AMCs to implement a "capital-light" business strategy; and
  - the first AMC to set up a Company Branch in the Shanghai Free Trade Zone and actively leverage the preferential policies and resource advantages of the free trade zone to expand our distressed asset management and related businesses, furthering our strategy for international expansion.

- **Outstanding professional technical advantages.** We have accumulated significant cross-industry and cross-economic cycle technical skills from our operations in the past 16 years, especially in the acquisition, operation and disposal of distressed assets:

  - *Leading capabilities in the acquisition of distressed assets.* (i) We have outstanding due diligence capabilities. We have formulated internal guidelines for business, financial, collateral and legal due diligence. On the basis of comprehensive due diligence, we thoroughly assess the credit risk and value of distressed debt assets to effectively identify debt assets with high quality debtors or solid collateral and other security measures. (ii) We have leading asset pricing capabilities. In the past 16 years of our operations, we have accumulated extensive experience and a substantial number of case studies in the assessment and pricing of distressed assets. (iii) We have excellent transaction design capabilities. We are able to flexibly combine various transaction structures (including packaged acquisition, debt restructuring and mixed investments in debts and equities) based on the different characteristics of distressed debt assets and debtors and the individual demands of clients. In addition, our brand, extensive products and services offerings, business network across China and long term strategic cooperation relationships with local governments, large financial institutions and other enterprise clients help us to maintain our leading position in the acquisition of distressed assets.
  - *Leading capabilities in the operation of distressed assets.* (i) With respect to the continuous assessment and management of risks, we meticulously manage the collateral securing our distressed debt assets and closely and continuously monitor daily operations of the debtors and guarantors of our distressed debt assets. We are developing our own dynamic valuation system for real estate collateral to perform

periodic revaluation of the collateral for as long as we hold the relevant distressed debt assets. (ii) With respect to value enhancement, we are able to provide customized products and services to debtors based on our diversified business platform, which can enhance their operational capabilities and debt-repayment capabilities. (iii) With respect to the continuous innovation in our businesses, we have established a research and development department at the Head Office, which closely monitors macroeconomic and industry development trends. Through cultivating our corporate culture and setting up incentive mechanisms, we encourage our business units to continuously innovate to improve the methods and means of our business.

  - *Leading capabilities in the disposal of distressed assets*. We have an in-depth understanding of local judicial systems, social environments and the operation of capital markets. We use a wide range of disposal methods, including collection of principal and interest, recovery through litigation, debt restructuring, receipt of assets in satisfaction of debt, asset swap, debt-to-equity swap, equity repurchase, leasing of physical assets, follow-on investment, and listing of shares. Based on the characteristics of the debtors and distressed debt assets, we are able to design appropriate disposal plans to maximize the recovery value of distressed debt assets.

- **Rich experience in capital operations.** We set up clear value enhancement targets for our DES assets. We strive to enhance the value of our DES assets portfolio through the adoption of differentiated operational strategies for our DES assets, the utilization of our integrated services platform and the effective application of various value-enhancing techniques. We have increased the proportion of listed DES assets by 16.1 percentage points, from 40.6% as of December 31, 2012, to 56.7% as of June 30, 2015, mainly through the public listing of our DES Companies or swapping equity interests we hold in unlisted DES Companies into equity interests in their listed affiliates. Our DES asset portfolio is comprised of leading enterprises in more than ten industries, including industrials, materials, energy and information technology. Through the operation of DES assets, we have not only accumulated extensive cross-industry experiences, but also grown an investment management team with outstanding professional capabilities.

As a result of our outstanding commercial operations capabilities, we achieved excellent operating results during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014, profit before tax of our distressed asset management business amounted to RMB4,067.1 million, RMB7,636.0 million and RMB9,340.3 million, respectively, and the Pre-tax ROAE was 31.1%, 36.9% and 26.3%, respectively. For the six months ended June 30, 2015, profit before tax of our distressed asset management business was RMB6,614.9 million, and the annualized Pre-tax ROAE was 26.0%.

**We provide our clients with comprehensive financial products and services through our integrated financial services platform and differentiated asset management and investment platform.**

Since 2006, through the restructuring of distressed enterprises and cooperation with government agencies, we have established a number of platform subsidiaries including securities, financial leasing, banking, trust and private funds. We leverage the Company's professional capabilities in distressed asset management, extensive experience in operations management, high quality project resources and extensive client base and business network across China to facilitate the development of the core competitiveness of these subsidiaries. Conversely, through their accelerated development, these subsidiaries provide strong support to the diversified businesses of the Group. For the year ended December 31, 2014, our financial subsidiaries in aggregate contributed 47.8% and 39.1% of the total assets and total income of the Group, respectively. For the six months ended June 30, 2015, our financial subsidiaries in aggregate contributed 46.6% and 34.5% of the total assets and total income of the Group, respectively.

- **Securities Business.** Huarong Securities is the only securities company controlled by the Four AMCs to be rated Grade A of Category A or AA Grade by CSRC for five consecutive years from 2011 to 2015. Its ROAE was 13.6% in 2014 and its annualized ROAE for the six months ended June 30, 2015 was 32.2%, ranking among the highest in China's securities industry. Combining the abundant project resources of the Group and its own outstanding product design and management capability, Huarong Securities has long maintained its industry-leading competitive strength in asset management. In 2014, Huarong Securities was selected as the "Best Securities Company in Asset Management of the Year" in the twelfth Financial and Economic Fengyun List. According to the Asset Management Association of China, the balance of assets under management of collective asset management schemes of Huarong Securities was RMB25,849 million as of December 31, 2014, ranking fifth in the industry and representing 3.9% of the total assets under management of all collective asset management schemes of China's securities industry. In recent years, Huarong Securities has gradually built up its investment banking team with strong business capability and provides investment banking services to the extensive client base of the Group. Huarong Securities was elected as an Excellent Member of the 2014 Chinese Bond Market and granted the first prize of the Progress Award of Bond Business. According to WIND Info, in 2014, Huarong Securities ranked seventh in the industry in terms of corporate bond underwriting volume, and ranked tenth in the industry in terms of asset-backed securities underwriting volume. Huarong Securities was among the first to obtain the qualification of market maker in the NEEQ in China and has been rapidly developing.

- **Financial Leasing Business.** Leveraging the Group's business network across China, Huarong Financial Leasing has realized significant geographic coverage and achieved an industry leading position and high profitability. As of December 31, 2014, in terms of total assets, Huarong Financial Leasing is the largest non-bank controlled Financial Leasing Company in China. In 2014, its ROAA and ROAE was 2.0% and 19.3%, respectively, both of which ranked first among the ten largest Financial Leasing Companies in terms of total assets. Huarong Financial Leasing focuses on providing leasing services to high-quality SMEs and has established its core competitive strength in sectors associated with the daily lives of the general population, such as public transport, healthcare and environmental protection. The leasing industry in China is still in its early stage of development with tremendous potential for growth. According to the 2015 World Leasing Yearbook, as of December 31, 2013, the market penetration rate of the leasing industry in China was 3.1%, significantly lower than that of other major economies, such as 31.0% in the United Kingdom and 22.0% in the United States. We believe that, with its extensive client resources, Huarong Financial Leasing will be able to seize the development opportunities of China's leasing industry and maintain its rapid growth and profitability.

- **Banking Business.** We were the first AMC to control a commercial bank. Huarong Xiangjiang Bank set the features of: "small, specialized, professional, innovative and unique" as the key features of its business. In 2014, Huarong Xiangjiang Bank was rated a Grade A commercial bank in the comprehensive evaluation by the PBOC, which is the highest rating for city commercial banks. From December 31, 2012 to December 31, 2014, the CAGR of its total assets, total deposits and total loans were 12.1%, 29.5% and 26.5%, respectively, which shows its great potential for growth. While achieving rapid growth in its business by utilizing its geographical advantages, Huarong Xiangjiang Bank has fully implemented the risk management culture of the Group. As of June 30, 2015, the NPL ratio of Huarong Xiangjiang Bank was 0.94%, significantly lower than the average level in the industry. Huarong Xiangjiang Bank has gradually built up its competitive strength in retail banking and in servicing small and micro enterprise businesses. From 2012 to 2014, the CAGR of the balance of its retail loans, retail deposits and small and micro enterprise loans was 48.2%, 19.2% and 92.5%, respectively. Huarong Xiangjiang Bank's strength in retail banking and small and micro enterprises has enabled it to continue achieving rapid business growth and profitability despite the trend of financial disintermediation in China.

- **Trust Business.** Among the trust companies controlled by the Four AMCs, Huarong Trust managed the largest trust assets portfolio by value as of December 31, 2014, and had the highest net profit for 2014. Leveraging the extensive business network and project resources of the Group, it has built up leading capabilities in active asset management. Huarong Trust ranked sixth in the 2013 ranking of China's trust companies by the China Trustee Association in terms of comprehensive financial capability. As of June 30, 2015, trust assets under management of Huarong Trust were RMB179,103.2 million. The balance of collective trust schemes accounted for 50.8% of trust assets under management of Huarong Trust as of the same date, which was among the highest in China's trust industry. Huarong Trust uses a leading business and risk management system in the industry to achieve comprehensive risk management of its trust projects and has imposed stringent control on the risk exposure of its trust assets. As of June 30, 2015, the balance of trust assets invested in the real estate industry accounted for 14.0% of the total balance of its trust assets. As of the Latest Practicable Date, the principal and interest of all the mature trust products of Huarong Trust has been duly repaid.

- **Private Fund Business.** We primarily conduct our private fund business through Huarong Yufu. Huarong Yufu is the first private fund management company jointly established by a wholly state-owned financial institution and a local government. By leveraging the strengths of China Huarong and Chongqing Yufu in branding and resources, Huarong Yufu has established competitive advantages in client resources, business network and project experiences. Huarong Yufu offers extensive private fund products, including high yield funds, buyout funds, growth capital funds and industry funds. While meeting the diversified investment demands of its clients, Huarong Yufu has seized the business opportunities arising from the structural transformation of China's economy and the accelerated development of the Chinese capital markets. As of June 30, 2015, the aggregate balance of assets under management of Huarong Yufu was RMB36,909.3 million, managed by 23 private funds of various types, with aggregate capital invested amounting to RMB35,583.9 million.

**We have implemented a "core client strategy" to drive strategic synergies and have realized in-depth client coverage and effective cooperation among business lines through centralized management of the Group.**

We promote a "core client strategy" at the Group level to drive strategic synergies, which focuses on in-depth cooperation with our core clients. While we have strengthened the Group's centralized management of resources, capital, risks, finance and organizational structure, we have also promoted the effective sharing of the Group's core resources among its operational units, including its network, clients, business, technology and funds. As a result, we have realized in-depth client coverage and effective cooperation among business lines.

- **Strategic synergy driven by our "core client strategy."** We have selectively designated local governments, large-scale enterprises, major enterprise groups and major financial institutions as our "core clients." Through in-depth cooperation with these core clients, we have obtained strategic resources from them, seized valuable opportunities, improved our business portfolio and created strategic value. As of June 30, 2015, we signed 18 strategic cooperation agreements with 15 provincial-level governments and had established strategic cooperation with 84 leading financial institutions and 89 large-scale enterprises.

- **Network synergy built upon our "one body, two wings" structure.** We have formed a "one body, two wings" structure, with the Head Office serving as the "body" and the 31 Company Branches across China and eight diversified principal subsidiaries serving as the two "wings," which form the foundation for sharing of core resources within the Group. As of June 30, 2015, Huarong Xiangjiang Bank had 14 branches, one banking operations outlet at its head office and 219 business outlets; and Huarong Securities had eight branches, two investment banking outlets and 58 business outlets. In addition, Huarong International, our overseas business platform based in Hong Kong, captures international business opportunities and accumulates global commercial resources for the Group.

- **Business synergy aiming to provide "comprehensive financial solutions."** Leveraging the financial licenses and professional expertise of the Company Branches and subsidiaries, we have integrated the extensive product lines of the Group to form product groups. This allows us to meet the individualized and diversified demands of our clients and provide "one-stop" integrated financial services solutions. From January 1, 2012 to June 30, 2015, the cumulative amount of financing provided through cooperation relationships between the Company, the Company Branches and subsidiaries amounted to RMB195,931.1 million, and the cumulative income amounted to RMB23,387.7 million.

In the mean time, we have also benefited from the Group's capabilities to achieve synergies in talent pipeline, branding, financing channels and information technology. For example, (i) we have implemented a rotation system under which the senior management of the Group's head office, Company Branches and subsidiaries of the Company rotate positions; (ii) our various business units share the brand of China Huarong to compete in their relevant markets; (iii) we have optimized the structure and duration of our financings and lowered our financing costs through the centralized capital planning of the Group and the continuous enhancement of our capability to obtain offshore and domestic financings; and (iv) we have built up a centralized information and data platform, a client management system, an office business application system and a comprehensive business management system, which allow us to achieve efficient information sharing within the Group.

**We have continuously expanded our financing channels, secured long-term and stable sources of financing, and proactively explored "capital-light" business models and balance sheet optimization.**

We continue to expand our financing channels, improve the capital structure of our assets and liabilities, and strive to provide stable and low-cost financing for the sustainable development of our business. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of our debt financing, including borrowings from central bank, deposits from financial institutions, placements from financial institutions, borrowings, financial assets sold under repurchase agreements and bonds and notes issued was RMB153,322.2 million, RMB209,904.2 million, RMB329,941.5 million and RMB403,713.9 million, respectively, representing a CAGR of 46.7% from 2012 to 2014.

- **We have continuously diversified our financing channels.** We have transformed from relying primarily on bank borrowings in our early operations, to utilizing comprehensive and diversified financing channels, including borrowings from central banks, bank borrowings, interbank borrowings, domestic financial bonds, overseas U.S. dollar bonds, insurance funds and strategic equity financing.

  - *Sufficient bank credit facilities*. During the Track Record Period, the number of banks from which the Company obtained credit facilities increased from 38 as of December 31, 2012, to 55 as of June 30, 2015, and the aggregate amount of credit lines the Company obtained from these banks increased from RMB205,710.0 million as of December 31, 2012, to RMB458,880.0 million as of June 30, 2015.

  - *Issuance of domestic bonds*. As of June 30, 2015, the Company had issued financial bonds in the amount of RMB32,000.0 million in the China interbank bond market. In July 2015 the Company issued RMB35,000.0 million of financial bonds in the interbank bond market in China, which was the largest single issuance of ordinary financial bonds in the history of the interbank bond market in China as of the Latest Practicable Date. Our subsidiaries have also proactively and innovatively explored bond financings. For example, Huarong Financial Leasing is the first Financial Leasing Company to issue financial bonds in the PRC. As of June 30, 2015, Huarong Financial Leasing had issued financial bonds in an aggregate amount of RMB3,800.0 million.

  - *Issuance of overseas bonds.* In 2014, we obtained issuer credit rating of A3, A- and A from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively, which are the highest credit ratings for Chinese non-bank financial institutions as of the Latest Practicable Date. In July 2014, we issued overseas U.S. Dollar bonds in the amount of US$1,500.0 million. In January 2015, we set up a medium term note program in the amount of US$5,000.0 million and issued an initial tranche of US$3,200.0 million (which was the largest investment-grade bonds denominated in U.S. dollars issued under Regulation S under the U.S. Securities Act at the time of the issuance).

  - *Introduction of domestic and foreign strategic investors.* In August 2014, we successfully placed shares to strategic investors in the amount of RMB14,540.0 million, which was the largest strategic investment with the most diversified investors in the history of China's distressed asset management industry. We brought in well-recognized domestic and foreign investors as our new shareholders, who helped to expand our international vision and introduce cross-industry resources to us, while their strategic investment also enhanced the capital base of the Company.

- **We have improved the duration structure of our financing.** We have proactively adjusted the source and duration of our financing by innovative means, including entering into strategic cooperation with large commercial banks to extend the duration of our bank borrowings, introducing long-term financing from non-bank financial institutions such as insurance companies, and issuing domestic and overseas bonds. We continuously optimize the duration of our financing, effectively mitigate the duration mismatch of our assets and liabilities and minimize our liquidity risk. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the weighted average term to maturity of the Company's debt financing, including borrowings and bonds, was 22.9 months, 26.4 months, 39.3 months and 31.0 months, respectively.

- **We have proactively explored asset securitization**. We were the first AMC to conduct credit asset securitization with distressed debt assets which have been managed under our "acquisition-and-restructuring" model. As of July 31, 2015, we have cumulatively issued credit asset securitization products in an aggregate amount of RMB11,956.7 million. Our credit asset securitization business is an innovative attempt to explore "capital-light" operations of financial asset management companies. Huarong Xiangjiang Bank and Huarong Financial Leasing have also conducted securitization of bank loans and lease receivables, respectively.

**We have a robust and comprehensive risk management system and a professional risk management team, and we have continuously strengthened our risk management culture.**

Risk management capabilities are our core competitiveness. We insist on a prudent and sound risk management strategy and continuously strengthen our risk management practice based on clear risk appetite, individual accountability and effective performance assessment. We have established a comprehensive risk management system meeting the management and control requirements of our Group and compatible with the market-oriented operations of our business. We effectively identify and mitigate risks through our comprehensive risk management process and effective loss-protection measures including provisions, collateral, pledges and guarantees.

- **We have a comprehensive risk management system meeting the management and control requirements of our Group, which is compatible with the market-oriented operations of our business.** We implement our risk management at three levels. The Board directly leads our risk management and promulgates the unified risk policies and risk appetite for the Group. Our senior management implements these risk policies and risk appetite, and our Board of Supervisors supervises their implementation. We further enhance our risk management capabilities through three lines of operational defense, including (i) our frontline business departments, (ii) the Risk Management Department of our Group and other functional departments involved in risk management and (iii) the Auditing Department of the Group.

- **We have a comprehensive risk management process, supported by an advanced risk quantification tool and indicator system.** Our risk management process is characterized by comprehensive management and multiple levels of controls, covering the key aspects of risk management including risk identification, measure, monitoring, responding and control and reporting. We have advanced risk quantification tool and indicator system, enabling us to analyze our risks through an economic capital model, an internal ratings model, a liquidity risk model and stress tests, and monitor our risks using a series of alert indicators. We regard strong capital adequacy as the foundation of our risk management. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the capital adequacy ratio of the Company, calculated according to the *Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial)*, promulgated by the CBRC, was 13.7%, 13.5%, 13.6% and 12.8%, respectively, in each case higher than the regulatory requirement of 12.5%.

- **We have formulated tailored risk management measures to control our credit risks, including excess security measures and prudent provision for impairment losses.** We minimize our potential credit risk through requiring excess security and collateral where relevant. As of June 30, 2015, assets secured by collateral, pledges or guarantees accounted for 97.7% of the Group's assets with credit risk exposure (including distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables), within which assets secured by collateral or pledges accounted for 75.4% of the Group's assets with credit risk exposure. As of June 30, 2015, assets secured by collateral, pledges or guarantees accounted for 99.1% of the Company's acquisition-and-restructuring distressed debt assets, within which assets secured by collateral or pledges accounted for 90.2% of the Company's acquisition-and-restructuring distressed debt assets. As of June 30, 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 is 34.2%. We also adequately cover our potential credit risk through prudent provision for impairment losses. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the allowance for impairment losses for distressed assets classified as receivables of the Company accounted for 7.1%, 7.9%, 6.8% and 7.2%, respectively, of the total carrying amount of distressed assets classified as receivables, significantly higher than the 2.8%, 2.8%, 2.9% and 3.0% provision ratio for China's commercial banks as of the same dates according to CBRC statistics, respectively.

- **We have cultivated a professional risk management team and continued to strengthen our risk management culture.** In the course of our business operations in the past 16 years, we have cultivated a professional and experienced risk management team. We were the first AMC to appoint a Chief Risk Officer to assist the President of the Company to carry out risk management for the Group. We organize our risk management team into a three tier structure, with the Chief Risk Officer serving as the first tier, various departments of our Group involved in risk management serving as the second tier, and the person-in-charge for risk management of Company Branches, our subsidiaries and the business departments of the Head Office serving as the third tier. We were the first AMC to establish a risk appetite framework. We deconstruct our risk appetite at each level of our organization and set up risk management indicators for each business line. We have strengthened our "first-in-command" accountability system, and designated "first-in-command" individuals for risk management at each Company Branch and subsidiary. We evaluate the performance of each business line by its risk-adjusted rate of return and perform dynamic adjustments to optimize the usage and allocation of economic capital for each business line.

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

We were established in 1999 by the MOF and we are among a handful of financial institutions that have the MOF as their direct shareholder. Benefitting from the support of the MOF, we have been assigned A3, A- and A issuer ratings by Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings, respectively, the highest credit ratings these rating agencies have assigned to Chinese non-bank financial institutions as of the Latest Practicable Date.

In 2014, with the goal of "introducing capital, system, talents and resources," we introduced eight Strategic Investors, namely China Life Group, Warburg Pincus, CSI, Khazanah Nasional Berhad, CICC, COFOC, Fosun International, and Goldman Sachs. As a result, we became the first AMC to explore mixed-ownership reform with the introduction of domestic private capital. Our strategic shareholders are reputable leaders in their respective industries and provide strong support for our business diversification strategy.

Our senior management are experienced and entrepreneurial, with strategic vision and excellent leadership. Our senior management successfully led us in completing the transformation from a pure-play distressed asset disposal company to a professional asset manager and comprehensive financial services provider. Our senior management has, on average, approximately 25 years of management experience related to the financial industry, and has taken up important positions in related ministries under the State Council, regulatory authorities and large commercial banks. Our senior management has an in-depth and unique understanding of the Chinese macroeconomic environment and financial system.

- Our Chairman, Mr. Lai Xiaomin, has over 30 years' of work and management experience in the financial industry. Prior to joining us, Mr. Lai held leadership positions at the Planning and Funding Department of the PBOC, the Credit Management Department of the PBOC and the Second Banking Regulation Department of the PBOC. Mr. Lai also served as Director of the Beijing Office of the CBRC, Director of the General Office of the CBRC and Chief Spokesman of CBRC. Through these positions, Mr. Lai has accumulated extensive management experience in the financial industry. Since joining us, Mr. Lai has served as our President from January 2009 to September 2012 and as our Chairman of the Board from September 2012 to the present.
- Our President, Mr. Ke Kasheng, also has over 30 years' of work and management experience in the financial industry. Prior to joining us, Mr. Ke served as Director of the Non-bank Financial Institution Supervision Department of the CBRC. And prior to that position, Mr. Ke held leadership positions in the Guangdong Branch of the PBOC and the Guangdong Office of the CBRC.

In addition, we have also built a business execution team with strong expertise and extensive experience to support our sustainable development. As of June 30, 2015, the Company had 2,281 employees, 91.7% of whom hold bachelor's degree or above. Our employees hold more than 50 types of professional qualifications, including Certified Public Accountants, Chartered Financial Analysts, attorneys, Financial Risk Managers and Certified Practising Valuers. We have also established a market-oriented employee performance appraisal system to provide appropriate incentives and motivation for our employees.

**We have a well-respected brand and well-recognized social influence.**

During our rapid yet steady development in the past 16 years, we have held on to the brand concept of "Professionalism and Prosperity," and established a well-respected and influential corporate brand. The value of our brand has been extensively recognized:

- We have received the "Top 100 Chinese Brands of 2011" and the "Top 500 Asian Brands of 2014" awards from the Asia Brand Association, the "China's Most Innovative

Enterprise of 2010" and the "Enterprise with the Greatest Development Potentials in the Chinese Economy in 2011" awards from the Chinese Association of Productivity Science, the "Best Example of Social Responsibility Practice of the Chinese Banking Industry in 2011" award from the China Banking Association, the "Advanced Group for National Poverty Alleviation and Development of 2013" award by the Leading Group Office of Poverty Alleviation And Development Planning under the State Council, and the "2012-2013 National Enterprise Culture Outstanding Achievements" award from the China Enterprise Confederation and China Directors Association.

- Our Chairman, Mr. Lai Xiaomin was elected as a delegate to the Twelfth National People's Congress of China. Separately, he has received the 9$^{th}$ "Top 10 Outstanding Figures of Asian Brands" award in 2014 and the 8$^{th}$ "Annual Figure of Asian Brands" award in 2013 from the Asia Brand Association, the "2014 Figure of Chinese Finance and Economy" award by Xinhua News Agency, Economic Information, Xinhuanet and ENN Weekly, the "2014 Outstanding Entrepreneur Award of China Enterprise Social Responsibility" award by Xinhuanet and Chinese Academy of Social Sciences, the "2013 National Outstanding Figure of Advanced Productivity" award by the Chinese Association of Productivity Science, the "2011-2012 National Outstanding Entrepreneur" award by the China Enterprise Confederation and China Directors Association, and the "Financial Figure of 2011" award by ifeng.com.

We have a unified approach to the management and promotion of the "China Huarong" brand. Since establishing the Company, we have established our image as a "professional asset manager, prominent provider of financial services" and achieved significant advantages in our commercial reputation. This all strongly supports the rapid development of the existing businesses of the Company and our subsidiaries and expansion into new businesses.

We believe that our well-respected brand and well-recognized social influence will continue to help us effectively obtain strategic resources and continuously expand our business scope, while enhancing the recognition and loyalty of our clients and commercial partners.

## OUR STRATEGIES

We endeavor to push forward our strategic transformation, while enhancing the quality of our growth, controlling our risks and strengthening our synergies. Specifically, we intend to leverage our traditional strengths in distressed asset management, further enhance our financial services platform, endeavor to establish a competitive third-party asset management business platform, advance our internationalization process, achieve sustainable development and become a leading financial holding company.

### Leverage our established strengths in distressed asset management, enhance our innovations and push forward the transformation and upgrade of our business.

- We will continue to strengthen our distressed asset management business, enhance our leading edge in the "acquisition-and-restructuring" business and closely monitor business opportunities in other segments of the distressed asset management market. We will further expand the scale of our distressed debt assets under the "acquisition-and-disposal" model and seize the tremendous opportunities brought about by the structural adjustment of the Chinese economy and the transformation and upgrade of the means of development in the "new normal" economic environment in China.

- We intend to utilize industry and business experiences accumulated over the years, and leverage our nationwide network of Company Branches and subsidiaries, to connect with enterprises throughout China. We will improve efficiency in the allocation of financial resources through redeployment of financial assets, and better satisfy the financing and investment needs of the real economy that cannot be met by traditional financial institutions in the "new normal" economic environment.

- We plan to proactively seize the opportunities arising from reforms of state-owned enterprises and the restructuring of industries. We will support the restructuring and swaps of DES assets and continue to improve the liquidity and value of our DES assets. We plan to strengthen our coverage of high quality DES companies, provide these DES companies with appropriate financial services and explore other potential business development opportunities.

- We plan to proactively explore "capital-light" business models and promote more efficient use of capital. For our existing distressed assets, we plan to strengthen asset securitization to reduce capital usage; for acquisition of new distressed assets, we plan to further deploy third party funds and utilize structured investments.

**Further improve our financial services platform, continue to implement our core strategic structure of "one body, two wings", strengthen business synergies among the Head Office, Company Branches and subsidiaries, and continue to provide diversified financial services to our core clients.**

- We will further reinforce the function of each financial subsidiary in the overall strategic structure of the Group. We will continue to encourage each financial subsidiary to expand its business scale, optimize its business structure, enhance its profitability, strengthen its financial services functions and support our principal businesses.

- We will continue to implement our "core client strategy" and optimize our business synergies. We plan to further optimize the client resource management and cross-selling mechanisms between the Head Office, Company Branches and subsidiaries to establish a modern comprehensive marketing system. This will be characterized by "one window, multiple products and one-stop services." With our diversified lines of financial services products, we strive to offer our "core clients" comprehensive financial solutions across their capital structure and life-cycle.

- We will continue to pay close attention to the development of China's financial services industry, and at the appropriate time, further extend our business scope by means of organic development, mergers and acquisitions, restructuring, capital injection and share placement. Alongside this, we will continue to enhance our financial services platform.

**Seize the historic opportunity of growth in demand for asset management services in the "pan-asset management" era and create a differentiated third party asset management platform.**

- We will build upon the significant experience acquired by our subsidiaries in their respective industries and our extensive experience, project resources and technical skills accumulated from our distressed debt asset management and special situations investments businesses, in order to take advantage of new business opportunities arising from a series of "new asset management regulations" and develop a differentiated and customized asset management offering. We plan to further leverage our leading capabilities in converting Non-standard assets (in the form of distressed assets) into standard assets (in the form of wealth management products), to help our clients gain exposure to alternative asset investment opportunities.

- We intend to leverage our strength in distressed asset project resources, continue to improve the financial investments we make with our own funds, and at the same time, explore off-balance sheet "capital-light" business models to achieve an effective match between our distressed assets resources and asset management products. We intend to further expand the scale of our asset management business through cooperation with third party asset management enterprises such as funds and trust companies.
- We plan to effectively integrate our internal client resources and product channels and form an integrated asset management platform. We plan to set up a marketing system for new clients and reinforce cooperation between various types of financial institutions and enterprises. We will continue to attract high net worth retail clients and explore related potential business opportunities, while continuing to improve services to our core corporate clients.
- We plan to proactively explore cooperation opportunities with emerging internet companies. We will also utilize the internet, big data analysis and cloud technologies to enhance our financial services platform so as to satisfy our retail clients' demand for personalized, specialized and inclusive asset management services.

**Continue to enhance our risk management capability and establish a risk management system on par with international standards.**

- We will continue to improve our risk management system based on both international best practice and the specific circumstances of China's distressed asset management industry. We plan to integrate the use of regulatory capital and economic capital in our risk management and enhance our risk management capability, through quantitative approaches such as analysis and forecasts based on big data and advanced internal rating models.
- We plan to further optimize the reporting lines between the Company Branches and the Head Office, between our subsidiaries and the Company, and between departments of the Head Office and the senior management of the Group, enhance the risk control system at the Group level and improve the efficiency and quality of our risk management.
- We will strengthen the risk management positions and personnel allocation within each business line to enhance the "first line of defense" of compliance and risk management departments at Company Branches and subsidiaries. We will continue to invest in improving risk management structures and personnel and enhance risk management training for our employees.

**Strengthen and deepen the cooperation with our strategic shareholders and enhance the competitiveness of the Group.**

- We will coordinate and establish internal committees and departments to promote and enhance cooperation with our strategic shareholders, share experiences and knowledge in various aspects such as business synergies, market expansion, risk management and information technology. We are confident that such cooperation will enhance the all-round competitiveness of the Group.

- We plan to further enhance the sophistication of our asset management business and establish new platforms for growing our business through cooperation with our strategic investors, including by establishing joint ventures and jointly-managed funds. We plan to connect our overseas and domestic asset management businesses to expand third party financing channels.
- We plan to enhance cooperation with our international strategic shareholders in connection with our overseas business, pay close attention to potential international business opportunities, and choose the right time to jointly develop overseas business in new geographic regions.
- We intend to leverage the extensive experiences of our international strategic shareholders, including by improving our management model and operational practices to conform with advanced international standards. We will continue to explore mixed ownership reform of state-owned enterprises and the optimization of our corporate governance structure with our international and domestic strategic shareholders.

**Continue to push forward our internationalization process, support the development of our overseas business and achieve full regional coverage.**

- We plan to accelerate the implementation of our international strategy by leveraging the policy and geographic advantages of Hong Kong, the Shanghai Free Trade Zone and the Qianhai Economic Zone in Shenzhen, and push forward the development of our international business platform (including Huarong International, Shanghai Free Trade Zone Company Branch and Huarong Qianhai Wealth).
- We plan to further increase the number of financial licenses of Huarong International to enhance its business development. This will allow us to continue to diversify our business operations and product offering to provide both domestic and foreign clients with comprehensive financial solutions.
- We intend to closely monitor overseas financing and investment opportunities arising from the internationalization of the Renminbi, as well as the overseas investment opportunities arising from the implementation of China's "one belt, one road" strategy. In addition, the establishment of the Asia Infrastructure Investment Bank and the Silk Road Fund may provide us with further opportunities.
- We intend to prudently deploy funds raised from overseas, to focus on developing our global investment management business and to continue to pay attention to the overseas innovative investment sector.

## OUR PRINCIPAL BUSINESSES

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

| | Distressed asset management | Financial services | Asset management and investment |
|---|---|---|---|
| **Major business Lines** | • Distressed debt asset management<br>• DES asset management<br>• Custody and agency services for distressed assets<br>• Distressed asset-based special situations investments<br>• Distressed asset-based property development | • Securities and futures<br>• Financial leasing<br>• Banking | • Asset management<br>• Financial investment<br>• International business<br>• Other businesses |
| **Major sources of income[(1)]** | • Income from distressed debt assets classified as receivables<br>• Investment income<br>• Commission and fee income<br>• Fair value changes on distressed debt assets<br>• Other income | • Interest income<br>• Investment income<br>• Commission and fee income | • Investment income<br>• Commission and fee income |
| **Major operating entities** | • The Company<br>• Huarong Rongde<br>• Huarong Real Estate | • Huarong Securities<br>• Huarong Futures<br>• Huarong Financial Leasing<br>• Huarong Xiangjiang Bank | • The Company<br>• Huarong Trust<br>• Huarong International |

(1) The major sources of income of the principal business segments are listed as items in our audited consolidated income statements for the years ended December 31, 2012, 2013 and 2014, and for the six months ended June 30, 2015, included in “Appendix I—Accountants’ Report”.

The tables below set forth the total income and profit before tax of each of our business segments for the periods indicated.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Total income** | | | | | | | | |
| Distressed asset management | 11,336.9 | 43.5% | 19,806.6 | 53.1% | 28,647.4 | 56.1% | 20,864.3 | 55.2% |
| Financial services | 11,437.0 | 43.9% | 13,792.6 | 37.0% | 17,915.2 | 35.1% | 12,121.1 | 32.0% |
| Asset management and investment | 4,206.3 | 16.1% | 4,326.5 | 11.6% | 5,049.7 | 9.9% | 5,081.6 | 13.4% |
| Inter-segment elimination | (916.9) | (3.5%) | (606.3) | (1.7%) | (551.6) | (1.1%) | (241.0) | (0.6%) |
| **Total** | **26,063.3** | **100.0%** | **37,319.4** | **100.0%** | **51,060.7** | **100.0%** | **37,826.0** | **100.0%** |

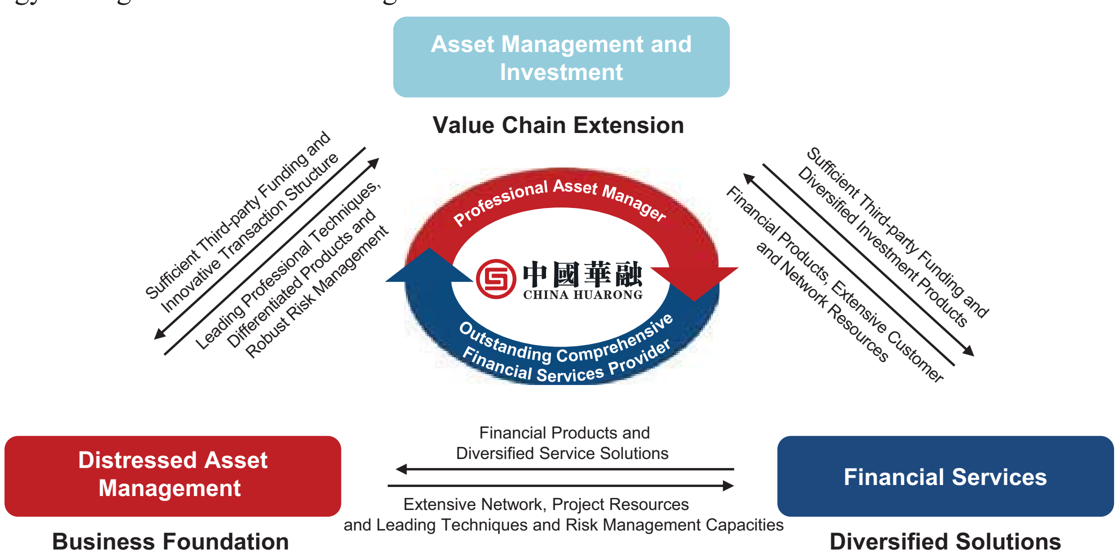
| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Profit before tax** | | | | | | | | |
| Distressed asset management | 4,067.1 | 44.6% | 7,636.0 | 56.0% | 9,340.3 | 55.7% | 6,614.9 | 51.6% |
| Financial services | 3,028.4 | 33.2% | 4,065.1 | 29.8% | 5,523.8 | 32.9% | 4,094.4 | 31.9% |
| Asset management and investment | 2,118.2 | 23.3% | 1,940.0 | 14.2% | 1,910.3 | 11.4% | 2,072.7 | 16.2% |
| Inter-segment elimination | (104.3) | (1.1%) | (1.4) | 0.0% | — | — | 41.6 | 0.3% |
| **Total** | **9,109.4** | **100.0%** | **13,639.7** | **100.0%** | **16,774.4** | **100.0%** | **12,823.6** | **100.0%** |

Distressed asset management is the foundation of our products and businesses. We apply different operational and management models for different distressed asset market segments to realize income from appreciation in asset value and restructuring of assets. Our distressed asset management business is comprised of 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. Over the past 16 years, we have accumulated extensive experiences, professional techniques and client resources for distressed asset management. We have also established a robust and efficient operational system, cultivated a diligent and professional execution team and maintained trusting and mutually beneficial relationships with local governments. In addition, we developed robust risk management capabilities and leading risk-based pricing capabilities. We maintain our competitive strengths through innovations in business philosophy, operational mechanisms, products and services. Furthermore, in the course of providing custody and agency services for liquidating distressed enterprises and restructuring distressed assets, we have successfully expanded into the asset management and investment as well as financial services businesses by means of strategic investments and mergers and acquisitions. As a result, we have successfully built up a diversified and comprehensive financial services platform.

Our financial services business supports and enhances our overall business by providing a diversified array of financial products and services. Leveraging our multiple financial licenses, we provide flexible, customized and diversified financing products and services to our clients through our financial services platform comprised of Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Futures. We have integrated our financial services platform with our distressed asset management, as well as asset management and investment businesses, to establish a comprehensive financial services eco-system capable of meeting the needs of our clients throughout their business lifecycle and value chain.

The asset management and investment business is an extension of our distressed asset management business, which effectively enriches our funding sources and investment methods, enhances the overall profitability of our distressed asset management business and improves the business and income structures of the Group. Our asset management and investment business includes asset management, financial investment, international business and other businesses, and primarily generates commission and fee income and investment income. We leverage our client resources, professional expertise, risk control capacities and project resources derived from distressed asset management business, and the financing and flexible investment methods of our financial services business to effectively deploy third party asset management business. By way of such application, we gradually developed a "capital-light" business model.

As a result of our diversified and comprehensive products and businesses, and built on effectively maximizing the synergies within our Group including strategic resources, products and businesses, branch network, and client and internal resources, we have innovatively established, through group-level operation and control, a unique product and business portfolio with "through-the-cycle" operation and "full cycle" profitability. The diagram below illustrates our model and the synergy among our three business segments.




We have developed our core competitiveness in the acquisition, operation and disposal of distressed assets. Our distressed asset management business also brings many business opportunities for our financial services and asset management and investment businesses through the sharing of its extensive client base, leading professional techniques and robust risk management capabilities. Leveraging our diversified financial services business, we have managed to provide clients with comprehensive products, services and customized financial solutions that may not be available elsewhere. For instance, Huarong Securities assists our clients to access the capital markets by providing asset restructuring advisory services, initial public offering underwriting services, and debt financing services; Huarong Financial Leasing provides our clients with sale and lease-back services; Huarong Xiangjiang Bank provides our clients with steady funding sources in the form of bank loans and lines of credit. Taking asset management and investment as an extension of the distressed asset management business, we can break through the capital and funding bottlenecks for our operation and explore the effective operation with light capital. By leveraging capital, our client base, products, industry experience and technical expertise from the distressed asset management business and financial services business, our asset management and investment business are able to provide flexible and innovative transaction structures and adequate supply of third party capital and funding. This means that the overall rate of return of the distressed asset management and financial services businesses has risen successfully. Through the synergies of the three principal business segments, we have effectively integrated three major advantages, namely a capital advantage, a license advantage and a funding advantage. Through the provision of customized "one-stop" integrated financial services to enterprises at different stages of their lifecycles, we have achieved steady growth and sustainable development throughout various stages of economic cycles.

**Distressed asset management business**

The distressed asset management business is the foundation of all our businesses. We utilize differentiated operation and management models for distressed asset market segments to realize income from asset values appreciation and assets restructuring. Our distressed asset management business is comprised of 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. Leveraging our professional technical advantage, extensive experience in capital operations and abundant client resources, our professional team is able to maximize the appreciation in the value of distressed assets. Based on our experience, we have explored and formed a distressed asset pricing mechanism and a risk control system that are suitable to the circumstances specific to our businesses. By relying on our refined process management and risk management systems, careful and robust due diligence, flexible transaction structure planning and stringent project risk control, we have effectively controlled risks associated with our business. Prior to the acquisition of distressed asset, we conduct stringent due diligence investigation and prudent assets evaluation. After the commencement of a project, we conduct regular and consecutive monitoring as well as dynamic management of the project and the related collateral. When we dispose assets, we also conduct appropriate evaluation and make the disposal in a public and transparent manner. Through this project workflow, we could classify, reassess and enhance the value of our distressed assets, while at the same time, maximize the return of our business.

Distressed asset management is an important source of our income and profit. In 2012, 2013 and 2014, and for the six months ended June 30, 2015, income from our distressed asset management business was RMB11,336.9 million, RMB19,806.6 million, RMB28,647.4 million and RMB20,864.3 million, respectively, accounting for 43.5%, 53.1%, 56.1% and 55.2% of our total income, respectively; profit before tax from our distressed asset management business was RMB4,067.1 million, RMB7,636.0 million, RMB9,340.3 million and RMB6,614.9 million, respectively, accounting for 44.6%, 56.0%, 55.7% and 51.6% of our total profit before tax, respectively. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the carrying amount of our distressed debt assets was RMB58,356.3 million, RMB100,267.2 million, RMB191,750.4 million and RMB247,065.6 million, respectively.

Our distressed asset management business is comprised of:

- Distressed debt asset management. We acquire distressed debt assets through competitive bidding, public auctions, blind auctions or negotiated acquisitions, and operate these assets through disposal or restructuring, in order to obtain cash proceeds or assets with operational value;

- DES asset management. We obtain equity assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. We enhance the value of our DES Assets by improving the business operations of DES Companies, and exit our investments through asset swaps, mergers and acquisitions, restructuring and initial public offerings of DES Companies in order to realize gains from the appreciation in value of the equity assets;
- Custody and agency services for distressed assets. We act on behalf of principals to operate, manage, dispose, liquidate or restructure distressed assets or distressed enterprises. We also provide agency, consultancy and advisory services related to distressed asset management;
- Distressed asset-based special situations investments. We invest through debt, equity or mezzanine instruments in assets with value appreciation potential and enterprises with short-term liquidity issues, which we have identified during the course of our distressed asset management business. We seek to improve the capital structure, management and operation of the investee enterprises, and exit and realize asset appreciation income; and
- Distressed asset-based property development business. We restructure, invest in and develop high quality property projects acquired in the course of conducting our distressed asset management business and generate profits from the appreciation in value of the assets.

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

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| **Distressed debt asset management business** | | | | |
| Gross amount of distressed debt assets[(1)] | 58,356.3 | 100,267.2 | 191,750.4 | 247,065.6 |
| Less: Allowance for impairment of distressed debt assets[(2)] | 3,907.6 | 7,247.2 | 11,474.1 | 15,301.8 |
| Carrying amount of distressed debt assets | 54,448.7 | 93,020.0 | 180,276.3 | 231,763.8 |
| Acquisition cost of newly added distressed debt assets | 43,342.1 | 75,516.8 | 150,091.9 | 98,012.5 |
| Total income from distressed debt assets | | | | |
| Operating income from distressed debt assets[(3)] | 4,894.8 | 9,427.1 | 16,548.2 | 11,498.5 |
| Financial advisory income from acquisition-and-restructuring business | 2,014.3 | 2,265.7 | 2,954.8 | 1,851.6 |
| Total | 6,909.1 | 11,692.8 | 19,503.0 | 13,350.1 |
| **DES asset management business** | | | | |
| Carrying amount of DES Assets | 21,482.6 | 21,587.0 | 24,388.6 | 26,595.1 |
| Dividend income from DES Assets | 262.1 | 357.4 | 234.3 | 34.8 |
| Acquisition cost of DES Assets disposed | 595.6 | 751.4 | 2,790.5 | 1,721.5 |
| Net gain from the disposal of DES Assets | 1,159.8 | 3,158.6 | 2,477.1 | 4,015.5 |
| **Custody and agency services for distressed asset business** | | | | |
| Income from asset management business | 415.1 | 454.6 | 452.2 | 156.2 |
| **Distressed asset-based special situations investments business** | | | | |
| Income | 1,568.2 | 1,920.4 | 2,600.1 | 1,504.9 |
| **Distressed asset-based property development business** | | | | |
| Income | 18.1 | 1,292.6 | 2,628.5 | 1,116.2 |
| **Other income[(4)]** | 1,004.5 | 930.2 | 752.2 | 686.6 |

(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 Accountants' 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 Accountants' 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 Accountants' Report.

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

### *Distressed debt asset management business*

We acquire 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, we realize value preservation and appreciation of these assets through flexible disposal or restructuring, and obtain cash proceeds or assets with operational value. We finance our acquisition of distressed debt assets primarily through our own capital, bank borrowings and bond issuances.

*Sources for acquisition of distressed debt assets*

Classified by the source of acquisition, our distressed debt assets include: (i) FI Distressed Assets and (ii) NFE Distressed Assets. By the acquisitions of FI Distressed Assets and NFE Distressed

Assets, we have full coverage of all the distressed asset markets. 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 periods indicated.

| | As of and for the year ended December 31, | | | | | | As of and for the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Acquisition cost of newly added distressed debt assets** | | | | | | | | |
| FI Distressed Assets | 41,065.1 | 94.7% | 49,243.9 | 65.2% | 44,516.6 | 29.7% | 33,457.2 | 34.1% |
| NFE Distressed Assets | 2,277.0 | 5.3% | 26,272.9 | 34.8% | 105,575.3 | 70.3% | 64,555.3 | 65.9% |
| **Total** | **43,342.1** | **100.0%** | **75,516.8** | **100.0%** | **150,091.9** | **100.0%** | **98,012.5** | **100.0%** |
| **Gross amount of distressed debt assets at the end of the period(1)** | | | | | | | | |
| FI Distressed Assets | 53,739.0 | 92.1% | 72,083.0 | 71.9% | 80,183.5 | 41.8% | 97,406.5 | 39.4% |
| NFE Distressed Assets | 4,617.3 | 7.9% | 28,184.2 | 28.1% | 111,566.9 | 58.2% | 149,659.1 | 60.6% |
| **Total** | **58,356.3** | **100.0%** | **100,267.2** | **100.0%** | **191,750.4** | **100.0%** | **247,065.6** | **100.0%** |
| **Operating income from distressed debt assets for the period(2)** | | | | | | | | |
| FI Distressed Assets | 4,459.8 | 91.1% | 8,513.0 | 90.3% | 8,292.7 | 50.1% | 3,781.5 | 32.9% |
| NFE Distressed Assets | 435.0 | 8.9% | 914.1 | 9.7% | 8,255.5 | 49.9% | 7,717.0 | 67.1% |
| **Total** | **4,894.8** | **100.0%** | **9,427.1** | **100.0%** | **16,548.2** | **100.0%** | **11,498.5** | **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 Accountants' 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 Accountants' Report.

Although the sources of acquisition are different, the ultimate debtors underlying both FI Distressed Assets and NFE Distressed Assets under our distressed debt asset management business belong to the same market segment, and our criteria for selecting clients are largely identical. We apply the same business model and corresponding risk management measures to both FI Distressed Assets and NFE Distressed Assets. For further details regarding the business models of our distressed debt asset management business, please see the section titled "—Distressed debt asset management business—Business Models for Distressed Debt Asset Management."

*FI Distressed Assets*

The FI Distressed Assets that we acquired during the Track Record Period 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 gross amount of our FI Distressed Assets increased from RMB53,739.0 million as of December 31, 2012, to RMB97,406.5 million as of June 30, 2015, primarily because (i) the supply of distressed assets from banks increased, as the balance of NPLs held by PRC commercial banks had increased for 16 consecutive quarters since the third quarter of 2011; and (ii) the supply of distressed debt assets from non-bank financial institutions increased as the balance of assets of non-bank financial institutions including trust companies had increased rapidly since 2009 and their pressure to deleverage had increased. The table below sets forth a breakdown of our FI Distressed Assets acquired from each type of financial institution based on acquisition costs for the periods indicated.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Banks** | | | | | | | | |
| Large Commercial Banks | 10,690.9 | 26.0% | 16,711.9 | 33.9% | 13,943.2 | 31.3% | 11,221.7 | 33.6% |
| Joint Stock Commercial Banks | 4,279.0 | 10.4% | 4,223.0 | 8.6% | 5,688.1 | 12.8% | 4,146.7 | 12.4% |
| City and rural commercial banks | 3,277.0 | 8.0% | 3,711.5 | 7.5% | 4,036.0 | 9.1% | 3,171.5 | 9.5% |
| Other banks | 231.0 | 0.6% | 377.4 | 0.8% | 472.1 | 1.0% | 183.0 | 0.5% |
| Subtotal | 18,477.9 | 45.0% | 25,023.8 | 50.8% | 24,139.4 | 54.2% | 18,722.9 | 56.0% |
| **Non-bank financial institutions** | 22,587.2 | 55.0% | 24,220.1 | 49.2% | 20,377.2 | 45.8% | 14,734.3 | 44.0% |
| **Total** | **41,065.1** | **100.0%** | **49,243.9** | **100.0%** | **44,516.6** | **100.0%** | **33,457.2** | **100.0%** |

As a percentage of our acquisition costs of FI Distressed Assets, our acquisition costs of FI Distressed Assets from banks increased from 45.0% in 2012, to 56.0% for the six months ended June 30, 2015, primarily because we increased our acquisition of distressed assets from banks in conformance with the trend of the increasing supply of such assets from banks.

*NFE Distressed Assets*

The acquisition cost of our newly added NFE Distressed Assets increased from RMB2,277.0 million in 2012 to RMB105,575.3 million in 2014. The acquisition costs relating to newly acquired NFE Distressed Assets as a percentage of all newly acquired distressed debt assets increased from 5.3% in 2012 to 70.3% in 2014. The increase was mainly because in recent years, the Chinese government had further promoted the transformation of economic growth, and, in the course of transformation, restructuring, integration and upgrade of certain industries, some enterprises had high leverage and low receivable turnover ratio, resulting in significant increases in the supply of NFE Distressed Assets.

Before August 2013, in the course of acquiring FI Distressed Assets, we selectively acquired related NFE Distressed Assets in order to consolidate the debts of the same borrowers. In August 2013, we commenced the acquisitions of NFE Distressed Assets on a large scale. On July 2, 2015, the MOF and the CBRC jointly issued the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (Cai Jin [2015] No. 56) (《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》(財金[2015]56號)), which expanded and formalized the non-financial enterprise distressed assets business of the AMCs and encouraged the

AMCs to help enterprises relieve the debt burdens of the enterprises, to provide liquidity for existing assets and to promote the development of the real economy, while promoting the sound operation and healthy development of the AMCs and providing beneficial environment for the vigorous development of the non-financial enterprises distressed assets business of the AMCs. The NFE Distressed Assets we acquired so far primarily include accounts receivable and other distressed debts of NFEs. These distressed debt assets include (i) overdue receivables, (ii) receivables expected to be overdue, and (iii) receivables from debtors with liquidity issues.

*Business Models for Distressed Debt Asset Management*

We employ two business models in our distressed debt asset management business: the acquisition-and-disposal model and the acquisition-and-restructuring model. These two models differ primarily in acquisition sources, legal relationships and income models:

- Acquisitions sources. We acquire distressed assets under the acquisition-and-disposal model primarily from financial institutions, especially NPLs from commercial banks. We acquire distressed assets under the acquisition-and-restructuring model from both financial institutions and NFEs, especially enterprises with short term liquidity issues;
- Legal relationships. Under the acquisition-and-disposal model, we enter into an agreement with the original creditors and assume the pre-existing rights and obligations between the original creditors and debtors after we acquire the debts. Except for the creditor, all the other elements of the original legal relationships of rights and obligations under the original loans remain the same. Under the acquisition-and-restructuring model, we enter into agreements with both the original creditor and the debtor to confirm the new contractual rights and obligations which replace the original legal relationships of rights and obligations. We acquire the debts from the original creditors by entering into an acquisition agreement and concurrently enter into a restructuring agreement with the debtor and its related parties to agree upon the new repayment amount, repayment method, repayment schedule, and any collateral and other security arrangements; and
- Income models. Under the acquisition-and-disposal model, our income is primarily dependent on the disposal methods and our ability to dispose of the acquired distressed assets in a timely manner. Income under the acquisition-and-disposal model primarily derives from the difference between the acquisition cost and disposal proceeds of the distressed assets, which fluctuates with the economic cycle and the changes in asset prices. Under the acquisition-and-restructuring model, we fix the restructuring income and payment schedule at the time of signing the restructuring agreement. As a result, income under the acquisition-and-restructuring model is more certain. In addition, the accounting treatments of these two models are different. For further details, see "Financial Information."

The table below sets forth the breakdown of distressed debt asset management business of the Company based on business model for the periods indicated.

| | As of and for the year ended December 31, | | | | | | As of and for the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| **Acquisition cost of newly added distressed debt assets** | | | | | | | | |
| Acquisition-and-disposal | 2,721.3 | 6.3% | 9,241.8 | 12.2% | 21,713.6 | 14.5% | 16,451.2 | 16.8% |
| Acquisition-and-restructuring | 40,620.8 | 93.7% | 66,275.0 | 87.8% | 128,378.3 | 85.5% | 81,561.3 | 83.2% |
| **Total** | **43,342.1** | **100.0%** | **75,516.8** | **100.0%** | **150,091.9** | **100.0%** | **98,012.5** | **100.0%** |
| **Gross amount of distressed debt assets at the end of the period** | | | | | | | | |
| Acquisition-and-disposal(1) | 3,126.3 | 5.4% | 8,134.2 | 8.1% | 22,337.6 | 11.6% | 34,574.6 | 14.0% |
| Acquisition-and-restructuring(2) | 55,230.0 | 94.6% | 92,133.0 | 91.9% | 169,412.8 | 88.4% | 212,491.0 | 86.0% |
| **Total** | **58,356.3** | **100.0%** | **100,267.2** | **100.0%** | **191,750.4** | **100.0%** | **247,065.6** | **100.0%** |
| **Income from distressed debt assets** | | | | | | | | |
| Acquisition-and-disposal(3) | 249.8 | 3.6% | 509.1 | 4.4% | 886.2 | 4.5% | 486.0 | 3.6% |
| Acquisition-and-restructuring | 6,659.3 | 96.4% | 11,183.7 | 95.6% | 18,616.8 | 95.5% | 12,864.1 | 96.4% |
| **Total** | **6,909.1** | **100.0%** | **11,692.8** | **100.0%** | **19,503.0** | **100.0%** | **13,350.1** | **100.0%** |

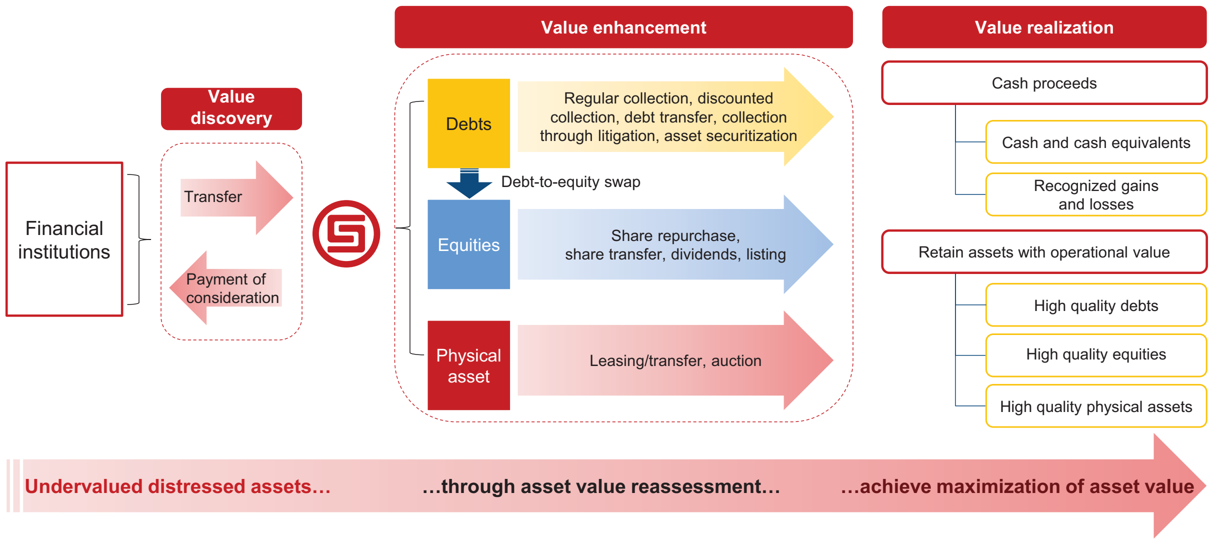
(1) Gross amount of acquisition-and-disposal distressed debt assets equals the Company's distressed debt assets designated at fair value through profit or loss, as shown in the Accountants' Report.
(2) Gross amount of acquisition-and-restructuring distressed debt assets equals the Company's distressed debt assets classified as receivables, as shown in the Accountants' Report.
(3) Income from acquisition-and-disposal distressed debt assets equals the Company's fair value changes on distressed debt assets, as shown in the Accountants' Report.

The percentage of acquisition cost of newly added distressed debt assets under the acquisition-and-disposal model to the total acquisition cost of newly added distressed debt assets increased from 6.3% in 2012 to 14.5% in 2014. The increase was mainly due to the increase in acquisition of FI Distressed Assets as we effectively seized the business opportunities brought by the increased market supply.

*Acquisition-and-disposal model*

Under the acquisition-and-disposal model, we acquire distressed debt assets at a discount to their Original Value, enhance the value of these assets on the basis of asset classification and realize profit from these assets through sale of assets or collection of debts by various means. As a major participant of the primary market for distressed debt assets, we acquire packages of distressed assets in batches from financial institutions through public bidding or negotiated transfers. To maximize the recovery value of our distressed debt assets, we choose 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. Our acquisition-and-disposal model is countercyclical in nature. During stages of macroeconomic downturn, the overall asset quality of financial institutions declines and the supply of distressed debt assets increases accordingly, which provides us with ample opportunities to acquire distressed debt assets. We conduct our acquisition-and-disposal business mainly through the Head Office of the Company and Company Branches.

The chart below illustrates our acquisition-and-disposal model.




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

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except percentages) | | | |
| Gross amount of distressed debt assets at the beginning of the period | 1,850.3 | 3,126.3 | 8,134.2 | 22,337.6 |
| Acquisition cost of newly added distressed debt assets | 2,721.3 | 9,241.8 | 21,713.6 | 16,451.2 |
| Gross amount of distressed debt assets disposed | 1,341.4 | 3,849.8 | 7,639.5 | 4,202.4 |
| Gross amount of distressed debt assets at the end of the period[(1)] | 3,126.3 | 8,134.2 | 22,337.6 | 34,574.6 |
| Net gain or loss from disposal of distressed debt assets[(2)] | | | | |
| Realized net gain or loss | 353.7 | 893.2 | 756.9 | 497.7 |
| Unrealized fair value change | (103.9) | (384.1) | 129.3 | (11.7) |
| **Total** | **249.8** | **509.1** | **886.2** | **486.0** |
| IRR on completed projects[(3)] | 14.7% | 15.7% | 16.0% | 17.0% |

(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 Accountants' 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 Accountants' Report.
(3) IRR 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.

The gross amount of acquisition-and-disposal distressed debt assets of the Company increased from RMB3,126.3 million as of December 31, 2012, to RMB34,574.6 million as of June 30, 2015, primarily because we seized the opportunity arising from the increase in the market supply of distressed assets and increased our acquisitions of FI Distressed Assets. Net gain or loss from acquisition-and-disposal distressed assets increased from RMB249.8 million in 2012, to RMB886.2 million in 2014, primarily due to the expansion of the acquisition-and-disposal distressed debt assets business.

The IRR on acquisition-and-disposal projects are primarily determined by the debtors' repayment capability, risks of the assets, financial cost of the original debts underlying the distressed assets, market interest rate, market liquidity and pricing of similar financial products. For 2012, 2013, 2014, and the six months ended June 30, 2015, the IRR on our completed acquisition-and-disposal projects was 14.7%, 15.7%, 16.0% and 17.0%, respectively. For further details regarding the financial performance of our acquisition-and-disposal business, see "Financial Information."

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, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Yangtze River Delta[(1)] | 901.0 | 28.8% | 4,919.8 | 60.5% | 10,899.1 | 48.8% | 14,993.5 | 43.4% |
| Pearl River Delta[(2)] | 512.1 | 16.4% | 700.8 | 8.6% | 1,975.0 | 8.8% | 6,110.8 | 17.7% |
| Bohai Rim Region[(3)] | 880.1 | 28.1% | 736.0 | 9.0% | 1,217.7 | 5.5% | 3,338.9 | 9.7% |
| Central Region[(4)] | 123.6 | 4.0% | 477.0 | 5.9% | 2,090.3 | 9.4% | 3,272.5 | 9.4% |
| Western Region[(5)] | 583.5 | 18.7% | 1,173.4 | 14.4% | 5,068.4 | 22.7% | 5,635.4 | 16.3% |
| Northeastern Region[(6)] | 126.0 | 4.0% | 127.2 | 1.6% | 1,087.1 | 4.8% | 1,223.5 | 3.5% |
| **Total** | **3,126.3** | **100.0%** | **8,134.2** | **100.0%** | **22,337.6** | **100.0%** | **34,574.6** | **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 and Inner Mongolia.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

Our distressed debt asset packages under the acquisition-and-disposal model are mainly sourced from Yangtze River Delta and Pearl River Delta.

*(1) Operation model of acquisition-and-disposal business*

a. Sources of information for acquisition of distressed debt assets

We obtain information on acquisition opportunities for distressed debt assets under the acquisition-and-disposal model primarily through the following means: (i) establishing communication channels with various financial institutions (including assigning personnel to those institutions) to stay informed of the conditions for the primary market for distressed asset packages and the disposition preference and plans of sellers, (ii) tracking the announcements for sales of distressed asset packages issued by financial institutions and following up on invitations for participating in asset transfers that we have received; and (iii) involving ourselves as early as possible in relevant projects through the entrusted management of distressed assets or the signing of strategic cooperation agreements or exclusive cooperation agreements. As of June 30, 2015, we had entered into strategic cooperation relationships with 84 financial institutions and strengthened the cooperation with these financial institutions in relation to the acquisition of distressed debt assets. In addition, we provide distressed assets-related training programs and engage in regular dialogues with these financial institutions in order to further strengthen our relationships with them.

b. Due diligence investigations

We conduct our due diligence investigations both on-site and off-site. On-site investigations include census investigations and sample investigations. We choose between the two on-site investigation methods based on the size of the distressed asset package, investigation conditions and available time. In census investigations, we investigate all distressed assets contained in a distressed assets package. During sample investigation, we select and investigate the important and representative distressed assets from the distressed assets package, and estimate the characteristic of the entire package. We select sample assets based on various factors, including region, industry, amount and form of security. We have set strict requirements on the proportion of sample assets to all distressed assets. We conduct census investigations for all our off-site due diligence investigations.

On-site investigations primarily include (i) conducting site visits to the business premises of debtors or related parties and inspecting the conditions of their business operations; (ii) conducting site visits to inspect the collateral and other important assets to be acquired and investigate the condition and market value of similar assets; (iii) interviewing the de facto controlling shareholder and senior management of the debtors or guarantors to understand their operational and financial conditions, future business strategies and prospects; (iv) conducting investigations and analysis on the financial information of the debtor companies and analyzing the condition of assets, liabilities and liquidity; (v) checking relevant information regarding the debtors and the distressed debt assets available at the government authorities such as the industry and commerce administration, tax, customs, real estate administration, land administration authorities and the courts; and (vi) investigating and researching the impact of the local credit environment and judicial environment on asset dispositions.

Off-site investigations primarily include reviewing written documents related to the assets, including loan contracts or agreements, relevant accounting documents, legal documents certifying that the debts are within the statute of limitations and litigation documents. We perform necessary analysis on the information we have collected for assets to be acquired through the due diligence process to form the basis for asset valuation.

c. Valuation mechanism

Our asset valuation is based on the results of due diligence, centered around cash flow estimation and fully accounted for costs and risks involved. We reasonably estimate both the static value of the assets at the time of acquisition and the dynamic value of the assets after enhancement techniques by means of perfecting legal processes, consolidating assets and improving operations. When conducting asset valuation, we pay close attention to the structure of the transaction, the asset's ownership, the debtor company's operating conditions and business prospects, past valuation information and precedent transactions, in addition to external factors such as relevant government policies, market factors and environmental factors. We also consider the impact of the regional economic, administrative and judicial environment on the post-acquisition management, operation and disposal of assets and the offer price of our potential competitors.

We employ different valuation methods for debt, equity and physical assets. The methods we employ for debt assets include the hypothetical liquidation method, the cash flow repayment method and the comparable transaction method. The methods we employ for equity assets include the market value method, the income method and the cost method. The methods we employ for tangible assets include the market comparison method, the income method and the cost method. Our valuation methods for land use rights also include the income capitalization method, the residual method, the cost approach method, and the land base price correction factor method.

We maintain cooperative relationships with many professional asset appraisal firms. We have established a database of professional asset appraisal firms containing information on over 630 firms and we update the database annually. Based on actual project requirements and practicability, we decide whether to appraise our distressed debt assets. We usually select asset appraisal firms from our database for our asset valuation needs. We have established an appraisal authorization system with dynamic adjustments that determine which firm should take charge of the valuation according to the fund placement scale.

We devote significant efforts to the training of our employees in valuation skills. We provide our relevant employees with position skill training, professional qualification training and technical management training. Our employees have obtained various state-issued professional qualifications, including Certified Public Appraisers, Real Estate Appraisers and Land Appraisers. Furthermore, we arrange training programs by industry association and valuation specialists from appraisal firms on valuation methods, valuation practice and case studies for different types of assets.

d. Acquisition process

We acquire distressed assets under the acquisition-and-disposal model primarily through competitive bidding, public auctions, blind auctions or negotiated purchases. The discount rate between our acquisition price and the Original Value of the assets depends primarily on the quality of the assets and market competition. Based on our due diligence investigations and valuation process, we mainly consider the following factors when determining whether to acquire distressed assets under the acquisition-and-disposal model and setting our offer prices for these assets: (i) projected cash recovery; (ii) the cost of capital and return on investment; (iii) projected disposal period; (iv) our competitors and the competitive landscape; and (v) our competitive advantage in the relevant geographic location and industry of the assets. Our extensive experience in the disposal of distressed assets prepares us well in estimating the recovery amount in distressed asset disposals. In addition, we have accumulated substantial experience in competitive bidding and have a proven track record.

e. Post-acquisition routine management

The primary goals of our routine management of distressed assets under the acquisition-and-disposal model are value discovery and enhancement, as well as avoidance of value impairment of these assets. In routine management, we focus on the collection of information. We continue to conduct due diligence in order to understand the operations, solvency, changes in total debts and external guarantees, willingness to repay or restructure debts, reputation of management, credit profile of the debtors in the local market and any potential purchasers for any assets of the debtors as well as their acquisition means and capability. We also research the liquidity of the collateral and solvency of the guarantor.

We generally designate managers responsible for the overall management of distressed assets we have acquired. A manager's duties include: (i) collecting debts in a timely manner and taking appropriate measures before the expiration of statutory periods such as the applicable statute of limitations and guarantee periods in order to safeguard our interests; (ii) conducting regular site visits to debtors, performing regular due diligence investigations and updating information in our due diligence information systems; (iii) monitoring the compliance of debtors and guarantors, closely tracking changes in the value of collateral and promptly reporting and proposing remedial measures for debt evasion and other serious issues; (iv) regularly performing valuations for debt assets; and (v) making claims during legal or bankruptcy proceedings (if any).

f. Disposal approaches

Based on the disposal plan determined at the time of the acquisition, the actual circumstances of disposal, any constraints of financial cost and the general plan of the Group, we adopt one or a combination of the following disposal approaches for distressed debt assets under the acquisition-and-disposal model.

- *Interim participation in operations*. We assist the debtor company to streamline its business lines and refine business structure through business consolidation and restructuring, follow-on investment and project cooperation in order to enhance the value of distressed assets.

- *Asset restructuring*. We flexibly restructure the assets of the debtor company in property right markets and capital markets to enhance the value of the distressed assets. For distressed debt assets related to property development, we acquire interests in property development projects through cooperation with debtors and develop such property projects through our distressed asset-based property development business to extend the value chain of distressed asset management and further enhance the value of our distressed assets. For details on our distressed asset-based property development business, see "—Our principal businesses—Distressed asset management business—Distressed asset-based property development business."

- *Debt-to-equity swaps*. Through negotiation with the debtor company, we exchange the debt we hold in the debtor company for an equity interest in the debtor company. For details on our DES asset management business, see "—Our principal businesses—Distressed asset management business—DES asset management business."

- *Individual transfer.* We directly sell individual distressed assets in the market.

- *Package-and-transfer.* Based on market demand and our marketing plan, we form asset packages for sale by combining selected debts, equities and tangible assets according to their geographic locations, industries and the similarity of debtor companies. We optimize the quality and composition of each asset package, and organize and promote the asset packages based on the investment preference of different investors, so as to maximize the recoverable value. We reduce our disposal costs and enhance the overall value of our distressed assets through disposals in batches by combination and packaging.

- *Discounted collection from debtors.* We accept lump sum or installment repayments from the debtor of a portion of the total amount of the debt under the original loan agreement in satisfaction of the entire debt.

- *Liquidation.* We realize the value of our distressed assets through liquidation.
- *Regular collection.* The debtors repay debts in accordance with the terms of the original loan agreement, for distressed assets of which the debtors are able and willing to repay their debts.
- *Collection through litigation.* We collect the debts from the relevant parties through litigation or arbitration.
- *Receipt of shares or assets in satisfaction of debts.* Where debtors are willing to repay their debts but are unable to pay cash, we receive shares or tangible assets in satisfaction of debts through negotiation or judicial proceedings.
- *Debt restructuring.* We restructure the debts through debt renewal, debt consolidation and debt transfer. This disposal method is similar to our acquisition-and-restructuring model. For details of the operation of our acquisition-and-restructuring model, see "—Our Principal Businesses—Distressed Debt Asset Management Business—Business Models for Distressed Debt Asset Management—Business Models for Distressed Debt Asset Management—Acquisition-and-restructuring model."

g. Operational cycle

The operational cycle of our acquisition-and-disposal projects generally last from 12 to 36 months. The operational cycle is affected by various factors, including the characteristics and value types of the distressed asset package, the disposal approaches, the cooperation of debtors and guarantors, market conditions and investor preferences. Based on our judgment on the appreciation potential of distressed assets, we adopt a flexible approach in setting the operational cycle of our distressed assets, in order to maximize our return on disposal. We also control the operational cycle through various methods, including assessment. Due to the countercyclical nature of our acquisition-and-disposal business, distressed assets with significant appreciation potential generally require a longer operational period in order to fully realize the target return on disposal. We set shorter operational periods for distressed assets with low appreciation potential in order to reduce financial costs, accelerate asset turnover and enhance capital efficiency.

*(2) Risk management of acquisition-and-disposal business*

a. Asset acquisition stage

At the asset acquisition stage, our acquisition-and-disposal business manages relevant risks mainly through strict due diligence, prudent asset pricing and dynamic review and authorization.

- Due diligence. We determine on whether to take a full-scale or sample due diligence investigation based on the scales of the distressed asset portfolio and the conditions and time for such review. We get a complete understanding of the information related to the assets contemplated to be acquired through strict and thorough due diligence investigations in order to minimize operational risks caused by information asymmetry.
- Asset pricing. We accurately price the acquisition-and-disposal distressed debts on an individual basis to control business risks. We determine the break-even point for the assets contemplated to be acquired on the basis of the acquisition price, internal borrowing cost and relevant costs for the anticipated asset acquisition, management and disposal. We take

a prudent evaluation of the static and dynamic values of an asset portfolio to avoid irrational quotation and to achieve a match between the acquisition cost and anticipated return.

- Authorization and approval. We implement dynamic and differentiated authorization mechanisms with respect to the acquisition-and-disposal business, based on the business management and risk management level of each Company Branch.

b. Post-acquisition routine management

After acquisition of a distressed debt asset portfolio, we put in place the requirements on risk control by tightening daily management of the debt assets and making corresponding adjustments on the disposal cycle and strategies. The main risk management measures include:

- Timely processing of the notice on debt transfer, change on mortgage and pledge registration; timely collection of debts from the debtor and relevant party; ensuring the enforceability of our rights under the restructuring agreement.
- Timely collection of and monitoring of important information with respect to the debtor's operational condition, the condition of liabilities and any external guarantee and willingness of repayment; thoroughly assess the potential value of the assets.
- Establishing rules on routine visits and regularly visit the assets being administered; proactively monitoring the change in value of the debt assets; based on the actual condition and depreciation situation of the debt assets, make timely warnings with respect to incidents that may result in loss to the new debt assets and prepare asset preservation strategies and related implementation plans.

c. Asset disposal stage

At the asset disposal stage, we strictly adhere to the relevant review and approval procedures, flexibly select assets disposal methods, effectively control risks and maximize the return on asset disposal. The main risk management methods include:

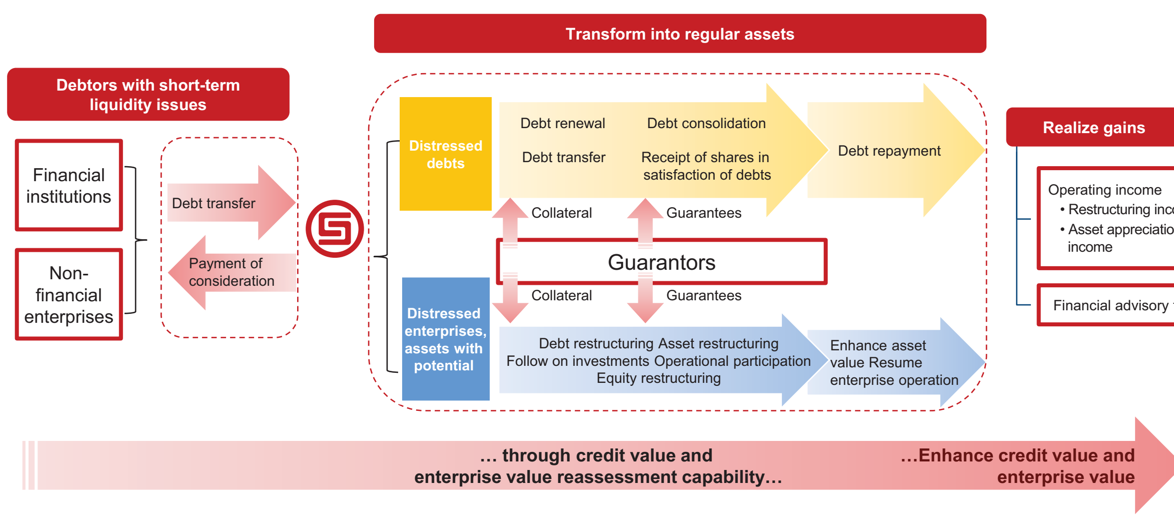
- Review and approval on asset disposal: strictly adhere to the relevant review and approval procedures based on the assets disposal methods and anticipated cash return status.
- Methods for asset disposal: in principle, asset transfer shall take the form of competitive bidding, including invitation to tender, auction, offer invitation and public bidding, in order to fully explore the potential market and enhance the return on asset disposition, to the extent possible.

*Acquisition-and-restructuring model*

Under our acquisition-and-restructuring model, we determine the methods to perform debt or asset restructuring based on the risk levels of distressed assets and enter into restructuring agreements with debtors and related parties concurrently with the acquisition of distressed assets. We were 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, we adopt flexible and customized restructuring approaches to reassess the debtors' credit risks, front-load the elimination of credit risks, redeploy 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. Our core competitive advantage under the acquisition-and-restructuring model is our ability to discover, reassess and enhance the overall value of the distressed assets. We have accumulated from our acquisition-and-disposal business strong capabilities in product innovation, enterprise restructuring and risk management, extensive industry experience and advantages in resources, all of which lay a solid foundation for the development of our acquisition-and-restructuring business.

Under our acquisition-and-restructuring model, we enhance the value of existing distressed debt assets through restructuring, and provide differentiated financial services for enterprises with temporary liquidity issues. Against the macroeconomic background of the deleveraging in the Chinese economy, we improve the liquidity and operating conditions of the debtor companies, effectively strengthen in credit quality along the supply chain and promote the structural transformation of the debtor, through our diversified restructuring approaches. We believe the development and structural transformation of the Chinese economy will provide us with more supply of distressed assets and significant opportunities for our distressed debt asset management business under the acquisition-and-restructured model. Through our acquisition-and-restructuring model, we are able to capitalize on the trend of gradual and orderly deleveraging and enhancing the efficiency of capital in the Chinese economy. As a result, we could generate solid and sustainable growth in the long cycle of economic transformation.

The chart below illustrates our acquisition-and-restructuring model.



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 periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except number of projects and percentages) | | | |
| Number of new projects | 250 | 333 | 591 | 373 |
| Number of existing projects as of the end of the period | 315 | 516 | 853 | 1,084 |
| Gross amount of distressed debt assets[(1)] | 55,230.0 | 92,133.0 | 169,412.8 | 212,491.0 |
| Allowance for impairment losses[(2)] | 3,907.6 | 7,247.2 | 11,474.1 | 15,301.8 |
| Carrying amount of distressed debt assets[(3)] | 51,322.4 | 84,885.8 | 157,938.7 | 197,189.2 |
| Acquisition cost of newly added distressed debt assets | 40,620.8 | 66,275.0 | 128,378.3 | 81,561.3 |
| Income from distressed debt assets | | | | |
| Operating income from distressed debt assets[(4)] | 4,645.0 | 8,918.0 | 15,662.0 | 11,012.5 |
| Financial advisory income | 2,014.3 | 2,265.7 | 2,954.8 | 1,851.6 |
| **Total** | **6,659.3** | **11,183.7** | **18,616.8** | **12,864.1** |
| Annualized return on monthly average gross amount of distressed debt assets[(5)(10)] | 19.4% | 17.9% | 13.1% | 12.9% |
| Impaired distressed debt assets[(6)] | 481.7 | 2,491.9 | 2,754.7 | 3,430.5 |
| Impaired distressed debt assets ratio[(7)] | 0.9% | 2.7% | 1.6% | 1.6% |
| Allowance to distressed debt assets ratio[(8)] | 7.1% | 7.9% | 6.8% | 7.2% |
| Impaired distressed debt assets coverage ratio[(9)] | 811.2% | 290.8% | 416.5% | 446.1% |

(1) Gross amount of distressed debt assets equals the Company's distressed debt assets classified as receivables, as shown in the Accountants' 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 Accountants' Report.

(3) Carrying amount of distressed debt assets disposed 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 Accountants' 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 Accountants' 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 Accountants' 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.

(10) For illustration, the annualized figure for annualized return on monthly average gross amount of distressed debt assets for the six months ended June 30, 2015 as illustrated in the table above was calculated by the actual return for the six months ended June 30, 2015 multiply 2 and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

The gross amount of the Company's acquisition-and-restructuring distressed debt assets increased from RMB55,230.0 million as of December 31, 2012 to RMB212,491.0 million as of June 30, 2015. This arose primarily because, as the pressure for deleveraging and structural adjustment that PRC enterprises face increased in the "new normal" economic environment in China we effectively seized the new business opportunities arising from an increase in the market supply of distressed debt assets and significantly increased our acquisition of NFE Distressed Assets. The income from acquisition-and-restructuring distressed assets increased from RMB6,659.3 million in 2012 to RMB18,616.8 million in 2014, primarily due to the expansion of the acquisition-and-restructuring business. The annualized return on our monthly average balance of acquisition-and-restructuring distressed assets decreased from 19.4% in 2012 to 13.1% in 2014, primarily because (i) we tightened up risk management and control and enhanced the selection of high quality clients and projects; and (ii) the PBOC lowered the benchmark interest rates and the reserve ratio, and, as a result, market interest rates decreased.

We determine a reasonable provision levels based on the macroeconomic situation, financial market conditions, scale of asset acquisitions and balance of impaired assets.

- Our impaired distressed debt assets ratio increased from 0.9% as of December 31, 2012, to 2.7% as of December 31, 2013; our allowance to distressed debt assets ratio increased from 7.1% as of December 31, 2012, to 7.9% as of December 31, 2013; and our impaired distressed debt assets coverage ratio decreased from 811.2% as of December 31, 2012, to 290.8% as of December 31, 2013. These changes arose primarily because we insisted on a prudent and solid operations strategy and we increased (i) the recognition of impaired distressed assets and (ii) the allowance for impairment losses for distressed assets, which was necessary as the overall financing costs of the real economy increased as a result of the overall liquidity shortage in the money market in 2013.
- Our impaired distressed debt assets ratio decreased to 1.6% as of December 31, 2014; our allowance to distressed debt assets ratio decreased to 6.8% as of December 31, 2014; and our impaired distressed debt assets coverage ratio increased to 416.5% as of December 31, 2014. These changes arose primarily because we recognized impaired distressed assets and made allowance for impairment losses for distressed assets (as the shortage of market liquidity was alleviated and the financing environment in the real economy was improved). For further details regarding the financial performance of our acquisition-and-restructuring business, see "Financial Information."

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, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Yangtze River Delta(1) | 11,050.3 | 20.0% | 18,142.9 | 19.7% | 33,731.3 | 19.9% | 39,552.4 | 18.6% |
| Pearl River Delta(2) | 6,501.0 | 11.8% | 7,234.3 | 7.9% | 20,143.9 | 11.9% | 28,200.7 | 13.3% |
| Bohai Rim Region(3) | 12,151.3 | 22.0% | 16,715.4 | 18.1% | 20,787.1 | 12.3% | 24,126.1 | 11.4% |
| Central Region(4) | 10,582.4 | 19.2% | 17,095.1 | 18.6% | 33,311.2 | 19.7% | 44,945.3 | 21.2% |
| Western Region(5) | 13,556.4 | 24.5% | 27,053.1 | 29.3% | 52,020.6 | 30.6% | 63,789.5 | 29.9% |
| Northeastern Region(6) | 1,388.6 | 2.5% | 5,892.2 | 6.4% | 9,418.7 | 5.6% | 11,877.0 | 5.6% |
| **Total** | **55,230.0** | **100.0%** | **92,133.0** | **100.0%** | **169,412.8** | **100.0%** | **212,491.0** | **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, Yunan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

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 at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Industry | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Real estate | 41,824.2 | 75.6 | 61,912.8 | 67.2 | 105,985.0 | 62.6 | 136,777.9 | 64.4 |
| Manufacturing | 2,540.1 | 4.6 | 6,003.7 | 6.5 | 15,483.5 | 9.1 | 28,059.8 | 13.2 |
| Construction | 971.9 | 1.8 | 1,906.9 | 2.1 | 9,252.4 | 5.5 | 8,599.5 | 4.0 |
| Mining | 2,817.2 | 5.1 | 3,204.3 | 3.5 | 5,383.0 | 3.2 | 8,322.7 | 3.9 |
| Leasing and commercial services | 2,284.5 | 4.1 | 2,331.7 | 2.5 | 6,005.9 | 3.5 | 8,231.2 | 3.9 |
| Water, environment and public utilities management | 201.5 | 0.4 | 1,715.0 | 1.9 | 4,079.6 | 2.4 | 3,433.2 | 1.6 |
| Transportation, logistics and postal services | 414.5 | 0.8 | 2,716.8 | 2.9 | 4,387.0 | 2.6 | 2,711.8 | 1.3 |
| Others | 4,176.1 | 7.6 | 12,341.8 | 13.4 | 18,836.4 | 11.1 | 16,354.9 | 7.7 |
| Total | 55,230.0 | 100.0 | 92,133.0 | 100.0 | 169,412.8 | 100.0 | 212,491.0 | 100.0 |

Our business is not significantly impacted by the development of a particular industry sector. Although our distressed debt assets under the acquisition-and-restructuring model are concentrated in the real estate industry during the Track Record Period, through our specific risk management measures, we are able to significantly mitigate and adequately cover the potential credit risks. See "Risk Management—Management of Major Risks—Management of Credit Risk—Credit risk management within the acquisition-and-restructuring businesses".

*(1) Operations of acquisition-and-restructuring business*

a. Sources of information for acquisition of distressed debt assets

Leveraging our acquisition experience and market reputation, we have established an extensive client base for our acquisition-and-restructuring business. We obtain information on acquisition opportunities for distressed assets that may be suitable for the acquisition-and-restructuring model primarily through: (i) active marketing by the Head Office of the Company and Company Branches; (ii) referrals from existing clients; and (iii) referrals from financial institutions and other business partners.

b. Due diligence investigations and valuation mechanism

In the course of acquiring distressed assets under the acquisition-and-restructuring model, we conduct comprehensive on-site and off-site due diligence investigations mainly on the financial conditions, asset conditions and repayment capabilities of the debtors and their related parties, industry prospects, guarantee capability of the guarantors, value change of collateral and the underlying reasons for the transfer of assets by the transferor. In the case of acquisitions of NFE Distressed Assets, in addition to the above due diligence procedures, we also verify the authenticity of the rights and obligations between the original creditors and debtors.

On-site investigations primarily include: (i) conducting site visits to the business premises of debtors and their related parties and inspecting the conditions of their business operations; (ii) conducting site visits to inspect the collateral and important assets to be acquired and investigate the sales condition and market value of similar assets; (iii) interviewing the de facto controlling shareholder and senior management of the debtors or guarantors to understand their operational and financial conditions, future business strategies and prospects; (iv) conducting investigations and analysis on the financial information of the debtor companies and analyzing the condition of assets, liabilities and liquidity; (v) checking relevant information regarding the debtors and the distressed debt assets available at the government authorities such as the industry and commerce administration, tax, customs, real estate administration, and land administration authorities and the courts; and (vi) investigating and researching the impact of the local credit environment and judicial environment on asset disposals.

Off-site investigations primarily include reviewing written documents related to the assets. Such documents include loan contracts or agreements, accounting documents, legal documents certifying that the debts are within the statute of limitations and litigation documents related to the assets to be acquired.

For acquisition-and-restructuring projects, we conduct due diligence investigations and evaluation in relation to principal collateral. Our due diligence investigations on collateral primarily include: (i) visiting government authorities including the industry and commerce administration, real estate registration authority, land and resources authority, courts and stock exchanges to inspect the conditions of mortgages, pledges and any seizure of assets; (ii) reviewing information of title transfer transactions relating to the collateral; and (iii) conducting research on the transaction prices for comparable assets by visiting the local market and reviewing industry analysis information. We primarily determine the value of collateral based on the recent market price of comparable assets, the current condition of the assets and the valuation results of external appraisal firms.

We have strict procedures for asset valuation. Based on the actual project requirements and practicability, we decide whether to value our distressed debt assets. We usually select asset appraisal firms from our database for our asset valuation needs. We have established an appraisal authorization system with dynamic adjustments that determines which firm to take charge of the valuation according to the fund placement scale.

c. Acquisition process

When deciding whether to acquire certain distressed assets under the acquisition-and-restructuring model, we mainly consider: (i) whether the principal and restructuring income can be fully recovered in a timely manner; (ii) the repayment ability and intention of the counterparty, including its asset liquidity and adequacy of cash flows; and (iii) the authenticity, legality, adequacy, validity and feasibility of the guarantee conditions and collateral.

We acquire distressed assets under the acquisition-and-restructuring model primarily through negotiated purchases. Concurrent with the signing of acquisition agreements, we enter into restructuring agreements with debtors and their related parties to record the revised terms and conditions for the debts. We determine the acquisition price and restructuring terms based on the risks of a project, our financial costs and target return. Through the performance of restructuring agreements and our routine management measures, we ensure the recovery of debts and the realization of our target return according to the repayment amount, methods and schedule under the restructuring agreements. When the debtors and relevant parties cannot perform the restructuring agreements, we will dispose the acquisition-and restructuring distressed assets by methods generally applicable under the acquisition-and-disposal model, including collection through litigation and sales. We will also assist in introducing investors for debtors or adopt other financing methods. For detailed descriptions of disposal methods under the acquisition-and-disposal model, see "—Our Principal Businesses—Distressed Asset Management Business—Distressed Debt Asset Management Business—Business Models for Distressed Debt Asset Management—Acquisition-and-disposal model".

d. Restructuring methods

We determine the methods of restructuring for distressed assets at the time of acquisition according to their risk levels, the characteristics of the debts and the actual situations of the debtors and enter into restructuring agreements with the debtors and their related parties. Our restructuring methods include debt restructuring, asset consolidation and enterprise restructuring, with different levels of complexity. Debt restructuring is the simplest method and mainly involves the restructuring of the debt relationship between the debtor and us. Asset consolidation is more complex and involves leveraging the core assets of the debtors and cleaning up and consolidating the overall debts of the debtors after restructuring the debt relationship between the debtor and us. Enterprise restructuring is the most complex method and generally involves leveraging the enterprise value of the debtor and helping the debtor to improve business operation and repayment capability with various measures including debt restructuring and follow-on investments. We mainly restructure the distressed assets through the method of debt restructuring, and use of asset consolidation and distressed enterprises restructuring only when appropriate.

- *Debt restructuring:* For debtor companies with short-term liquidity issues, we typically employ the debt restructuring method. In view of the debtors' long term repayment capability, we modify the terms of debt contracts or consolidate debts to match the key terms of debts post-restructuring with the debtors' repayment capability, thereby eliminating the liquidity risk of the debtor companies. Through the debt restructuring method, we also realize gains from the restructured debts by providing financial consultancy services on capital operations.
- *Asset consolidation:* For projects where the debtor companies suffer from poor management and face complex debt structures, but possess core assets with significant potential for value appreciation, we typically employ the asset consolidation method. Core assets refer to assets with significant value, such as real estate or mining assets. Based on our understanding of the value of the debtors' core assets, we help resume the construction and operation of debtors' core assets through debt restructuring, clean up and consolidation. We also help to enhance asset values through additional investments and participation in daily management, and realize gains from asset value appreciation.
- *Enterprise restructuring*: For debtor companies that suffer from liquidity shortages and operating difficulties but are still capable of generating value from their business operations, we typically employ the enterprise restructuring method. Based on our understanding of the enterprise value of the debtor companies, we start restructuring their debts and provide follow-on investments, as well as consolidating their assets. We also strive to explore the economic value of the debtor's productive assets, such as its real estate and plant, and help the debtors to improve business operation and generate stable cash flows for debt repayment, so as to realizing gains from the distressed debts.

e. Strategies to enhance asset value through restructuring

To ensure the timely collection of the restructured debts according to the restructuring agreements and achieve our target returns, we flexibly adopt the following measures, based on the actual condition of the relevant acquisition-and-restructuring project, and in order to maintain risks control in relation to the project:

- With respect to the design of restructuring agreements, based on the actual situations of the projects, we revise and modify the major elements of debt contracts (including debtor entity, guarantor entity, maturity date, form and contents of security and other protective measures) and ensure the restructuring agreement matches the repayment capability of the debtor. We typically obtain additional collateral and other security measures and ensure the sufficiency, legality and validity of the new and existing security measures. We design reasonable installment repayment schedules based on the operating conditions and cash flow situations of the debtor companies to ensure timely repayments. Our restructuring agreements provide that the capital costs will significantly increase if the debtors substantively default, in order to increase the costs of default for the debtors and enhance their willingness to repay.

- With respect to the post-acquisition management of acquisition-and-restructuring projects, we usually adopt effective measures to monitor the principal repayment sources based on the actual condition and practicability of the project, including monitoring sales performance, monitoring use of funds, collection of funds and management of company seals and chops. We strengthen the management of collateral by setting strict conditions for the release of collateral and by conducting on-site examinations of collateral regularly. We conduct regular stress tests on the cash flow of principal repayment entities based on the actual market conditions and the actual requirement of the project, in order to ensure the stress-resistance of the principal repayment sources.

f. Operational cycle

The operational cycle of our acquisition-and-restructuring projects generally lasts from 12 months to 36 months. In general, our acquisition-and-restructuring projects adopt installment repayments. After a comprehensive review of the expected cash flow and investment recovery period of acquisition-and-restructuring projects, we make a reasonable determination of the repayment term and the proportion of each installment payment.

*(2) Risk management for acquisition-and-restructuring business*

a. Strict project approval

Before project execution, we focus on our due diligence investigations, transaction structure design and risk control measures to minimize risks at source. We mitigate risks in advance by setting up criteria for business approval and product quality. We impose specific conditions on the standard and requirement of products, including the selection of clients and industries, due diligence, pricing of assets, forms of acquisition and transaction structure design, and strictly implement business review and approval procedures. In order to manage the risks of acquisition-and-restructuring business, we generally impose the following requirements on distressed assets under the acquisition-and-restructuring model:

- Principal repayment source of the project must pass the stress test. For real estate projects, we conduct stress tests based on the expected decrease in selling price and sales progress of the properties serving as the repayment source. For non-real estate projects, we conduct stress tests based on the changes in market price of the assets serving as the principal repayment source in the latest three years;
- Security measures must be sufficient, legal and valid;
- Credit rating of counterparty must be good; and
- Principal repayment source of the project must be controlled through necessary and effective measures, including the monitoring sales performance, monitoring use of funds, collection of funds and management of company seals and chops.

To avoid an excessive concentration of investments on any particular client and control credit risk of clients effectively, we implement limitation for client concentration risks. We continuously monitor the ratio of the balance of the principal of the funds we place to a debtor to the net assets of the Company, relevant indicators of the assets and liabilities of the debtor, and the total outstanding funds we place to debtors, and determine and control the maximum limit of outstanding investment and credit line of clients under each business line.

b. Prudent project execution

We strictly manage our risks throughout the project execution period and attach importance to risk mitigation measures. Major risk management methods include the following:

- Depending on the project type, we maintain sufficient security for our acquisition-and-restructuring projects through a comprehensive assessment of cash flow, collateral value, credit rating, revenue and remaining term of the project. As of June 30, 2015, the Company's distressed debt assets acquired through acquisition-and-restructuring that were secured by pledges, collateral and guarantees accounted for 99.1% of the total, within which distressed debt assets that were secured by pledges or collateral accounted for 90.2% of the total.
- We set different mortgage and pledge ratio requirements with respect to different collateral types in order to strictly control risks. We generally require that the mortgage and pledge ratio, calculated by dividing the acquisition cost of distressed assets by the value of collateral and pledge securing the assets, shall not exceed 50%. As of December 31, 2012, 2013 and 2014 and June 30, 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 30.2%, 30.7%, 35.7% and 34.2%, respectively.
- With respect to physical assets, collateral and assets to be retained for operations related to debt assets, we generally engage external independent appraisal firms to carry out asset valuations and adjust or add collateral as when necessary. For collateral involving real estate, we make use of the professional knowledge of Huarong Real Estate and conduct valuations before the acquisition of such distressed assets.
- According to the risk control, business expansion and operational capacities of the Company Branches, we grant and continuously adjust the approval authorities granted to the Company Branches based on acquisition cost.
- We have set up strict approval procedures to review acquisition-and-restructuring projects. For each project, our independent business review and legal affairs teams will evaluate in parallel the project proposals prepared by the business departments of the Company Branches and issue opinions to the manager-in-charge, the independent risk director, the business review committee and the general manager of the Company Branches for review. The approved project proposals will be submitted to the business review committee for re-assessment or to the Head Office of the Company for further approval, depending on the scope of authorization.
- Before launching the project, the risk director of the Company Branches shall conduct an independent and comprehensive examination and verification of the implementation conditions of the project.

c. Effective post-acquisition management

We impose strict post-acquisition management requirements and implement effective post-acquisition management measures for the acquisition-and-restructuring projects. We closely monitor the operations of debtors and guarantors and any material adverse change in the collateral. This enhances our post-acquisition management by obtaining financial information of debtors regularly, visiting debtor companies, conducting on-site inspection of collateral, sending payment notices to debtors prior to the scheduled repayment due date, holding regular meetings for post-acquisition management and establishing an advance warning mechanism for key risks. Our post-acquisition management team arranges on-site visits of each project at least once every quarter.

d. Stringent management of collateral

We have put in place a series of effective management measures for collateral obtained from our acquisition-and-restructuring projects. To ensure we obtain the fair value of the collateral, we require that the valuation of collateral shall be based on: (i) due diligence on the general condition of the local markets where the collateral are located; (ii) due diligence on the collateral related policies of the collateral's location; and (iii) due diligence on the title of ownership related to the collateral. We also take into full consideration the current conditions of collateral, including if there are any other rights that take priority over our rights, if the acquisition of land use rights is perfected, if there are any unpaid land use fees, if there are any encumbrances on the collateral and if the collateral are under lease.

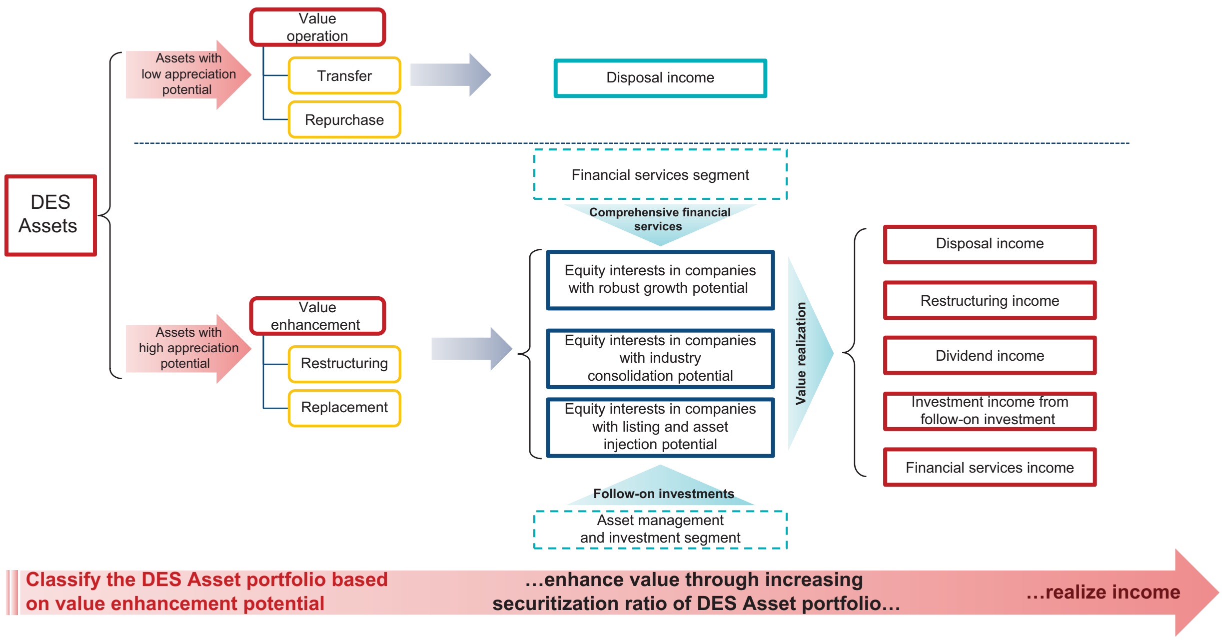
Upon acquisition of assets, we and the original creditors will promptly notify the debtor, guarantor and other related parties of the transfer of the debts by joint announcement or other valid means, and we will complete registration procedures for collateral in a timely manner. We are gradually establishing an appraisal and valuation system for the collateral to conduct regular impairment measurement for our distressed debt assets, and continuously monitor the collateral ratio. In the event of significant increase in the collateral ratio, we will request the debtors to provide additional collateral or repay the debts.

For projects requiring release of the collateral during the project execution period, we normally request the debtors to provide other protective measures, including reserving sales proceeds and providing other collateral in order to ensure the collateral ratio calculated by the outstanding principals divided by the value of remaining collateral does not exceed the ratio set in the restructuring agreement.

***DES Asset Management Business***

We obtain DES Assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. We enhance the value of our DES Assets by improving the business operations of the DES Companies. We exit such investments primarily through asset swaps, trade sales, restructuring and listing of DES Companies and realize gain from the appreciation of our DES Assets. Our DES Companies are mainly in the industrials, materials, energy and information technology sectors. Some of them are the leaders in their respective sectors and have competitive advantages in areas such as technology, production capacity and resources. The PRC Government has accelerated the transformation of economic growth through industrial reform and upgrade, elimination of surplus production capacities with low efficiency and promotion of the development of strategic and emerging industries. Against such background, our DES Assets have high potential for value appreciation.

The chart below illustrates the operation model of our DES Assets.




*Sources of DES Assets*

The main sources of our DES Assets include: (i) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large SOEs according to national policy prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company acquired through distressed asset management; and (v) the equity portfolio we received as part of its share capital when we were established in 1999. The equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large SOEs according to national policy prior to our restructuring constitute a majority of our DES Assets.

*Classification of DES Assets*

Our DES Assets are classified as shares of unlisted DES Companies ("Unlisted DES Assets") and shares of listed DES Companies ("Listed DES Assets"). As of June 30, 2015, we held Unlisted DES Assets in 195 DES Companies, with carrying amount of RMB11,518.9 million, and Listed DES Assets in 26 DES Companies, with carrying amount of RMB15,076.2 million. The table below sets forth certain details of our DES Assets portfolio as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except number of companies) | | | |
| **Composition of existing DES asset portfolio** | | | | |
| DES companies | 269 | 250 | 230 | 221 |
| Unlisted | 239 | 210 | 197 | 195 |
| Listed | 30 | 40 | 33 | 26 |
| **Carrying amount of DES Assets** | 21,482.6 | 21,587.0 | 24,388.6 | 26,595.1 |
| Unlisted | 12,767.2 | 12,959.9 | 11,736.9 | 11,518.9 |
| Listed | 8,715.4 | 8,627.1 | 12,651.7 | 15,076.2 |

As a part of our financial restructuring, we acquired the remaining assets of Huarong Corporation's Policy Business, which became a part of our Commercialized Business, from the MOF at the consideration of approximately RMB19,704 million. These assets included equity interests we held in 281 DES Companies ("DES Assets Acquired from the MOF") with a carrying amount of RMB17,256.2 million. The DES Assets Acquired from the MOF constituted a majority of our DES Assets portfolio. As of December 31, 2012, 2013 and 2014 and June 30, 2015, among the DES Assets Acquired from the MOF, we held equity interests in 250, 218, 201 and 196 DES Companies, respectively, with a carrying amount of RMB16,959.5 million, RMB17,222.2 million, RMB20,082.6 million and RMB22,358.9 million, respectively.

We calculate the value of our Listed DES Assets based on their trading prices. As of June 30, 2015, the carrying amount of the top 20 Listed DES Assets as ranked by carrying amount as of June 30, 2015 was RMB15,052.4 million, representing 99.8% of the carrying amount of our Listed DES Assets. The table below sets forth certain details of our top 20 Listed DES Assets as of June 30, 2015 by carrying amount as of June 30, 2015.

| Ranking | Investee Company | Shareholding | Industry |
|---|---|---|---|
| 1 | AVIC Aviation Engine Corp PLC | 5.9% | Industrials |
| 2 | China Shipbuilding Industry Company Limited | 1.3% | Industrials |
| 3 | Qinghai Salt Lake Industry Co., Ltd. | 2.1% | Materials |
| 4 | Hangzhou Hangyang Co., Ltd. | 13.2% | Industrials |
| 5 | China First Heavy Industries Co., Ltd. | 0.9% | Industrials |
| 6 | Northeast Pharmaceutical Group Co., Ltd. | 11.8% | Others |
| 7 | AviChina Industry & Technology Company Limited | 1.8% | Industrials |
| 8 | Shaanxi Qinchuan Machinery Development Co., Ltd. | 5.2% | Industrials |
| 9 | Guizhou Panjiang Refined Coal Co., Ltd. | 2.0% | Energy |
| 10 | Shandong New Beiyang Information Technology Co., Ltd. | 4.1% | Information technology |
| 11 | China XD Electric Co., Ltd. | 0.5% | Industrials |
| 12 | Chongqing Machinery & Electric Co., Ltd. | 5.3% | Industrials |
| 13 | Hangzhou Advance Gearbox Group Co., Ltd. | 5.0% | Industrials |
| 14 | Dongfang Electric Corporation Limited | 0.3% | Industrials |
| 15 | Henan Dayou Energy Co., Ltd. | 0.6% | Energy |
| 16 | Shaanxi Construction Machinery Co., Ltd. | 4.0% | Industrials |
| 17 | Guangxia (Yinchuan) Industry Co., Ltd. | 0.3% | Others |
| 18 | Tianjin Guangyu Development Co., Ltd. | 0.3% | Others |
| 19 | Kailuan Energy Chemical Co., Ltd. | 0.1% | Materials |
| 20 | Yanbian Shixian Bailu Papermaking Co., Ltd. | 0.1% | Materials |

Our Unlisted DES Assets are measured at acquisition cost less identified impairment losses. To help investors to better understand the value of our Unlisted DES Assets, we engaged the valuation specialist, Jones Lang LaSalle, to provide a calculated value report on the Major Unlisted DES Assets.

As of June 30, 2015, with respect to 34 Unlisted DES Assets of the top 40 Unlisted DES Assets in terms of carrying amount, we obtained the information needed for the Value Calculation from the relevant DES Companies and public sources and provided Jones Lang LaSalle with such information for it to perform the Value Calculation. With respect to our equity interests in the remaining six unlisted DES Companies (the "Excluded DES Companies"), we could not obtain all the information needed for Value Calculation due to restriction from the Protection of State Secret Laws. As a result, the equity interests we hold in the Excluded DES Companies were not included in the Calculated Value Report issued by Jones Lang LaSalle. The equity interests we hold in the Excluded DES Companies and the income contributed by these equity interests only account for an insignificant amount of the total assets and total income of the Group. As of June 30, 2015, the carrying amount of the equity interests we hold in the Excluded DES Companies was RMB1,142.2 million, accounting for 4.3% of the carrying amount of all DES Assets and 0.2% of the total assets of the Group. For the year ended December 31, 2014, the income we derived from the Excluded DES Companies was RMB21.9 million, accounting for 0.04% of the total income of the Group. We engaged the valuation specialist, Jones Lang LaSalle, to provide a calculated value report on the Major Unlisted DES Assets ranked by carrying amount as of June 30, 2015. As of June 30, 2015, the carrying amount of Unlisted DES Assets included in the calculated value report amounted to RMB8,132.1 million, accounting for 70.6% of the total carrying amount of our Unlisted DES Assets. As of the same date, the calculated value of Unlisted DES Assets included in the calculated value report amounted to RMB20,084 million. Such calculated value is not fair value appraised in accordance IFRS and you should not place undue reliance on it. For more information, see "Appendix III—Calculated Value Report." Our Unlisted DES Assets are mainly from the industrials, material, energy and information technology sectors. The table below sets forth the carrying amounts and calculated value of our Major Unlisted DES Assets, by sector, as of June 30, 2015.

| | As of June 30, 2015 | |
|---|---|---|
| | Carrying amount(1) | Calculated value |
| | (in millions of RMB) | |
| Five companies in the sector of industrials | 1,130.6 | 1,377 |
| Fourteen companies in the sector of materials | 4,325.2 | 11,872 |
| Five companies in the sector of energy | 838.0 | 1,067 |
| Four companies in the sector of information technology | 677.3 | 2,420 |
| Six companies in other sectors | 1,161.0 | 3,348 |
| **Total** | **8,132.1** | **20,084** |

(1) The acquisition cost of the Major Unlisted DES Assets was RMB8,340.1 million.

The table below sets forth certain details of our Major Unlisted DES Assets by carrying amount as of June 30, 2015.

| Ranking | Investee Company | Shareholding | Industry |
|---|---|---|---|
| 1 | Baotou Iron & Steel (Group) Co., Ltd. | 17.0% | Materials |
| 2 | Southwest Aluminium (Group) Co., Ltd. | 50.5% | Materials |
| 3 | Guangxi China Tin Group Co., Ltd. | 13.2% | Materials |
| 4 | Tsusugi Ka (Tianjin) industrial investment fund partnership ( LLP ) | 44.5% | Others |
| 5 | Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. | 8.0% | Materials |

| Ranking | Investee Company | Shareholding | Industry |
|---|---|---|---|
| 6 | Dahua Group Co., Ltd. | 18.0% | Materials |
| 7 | Taiyuan Heavy Machinery (Group) Manufacture Co., Ltd. | 29.1% | Industrials |
| 8 | Beijing Beizhong Steam Turbine Generator Co., Ltd. | 69.4% | Industrials |
| 9 | Beijing Huade Hydraulic Industrial Group Co., Ltd. | 68.4% | Industrials |
| 10 | China Hualu Group Co., Ltd. | 19.5% | Others |
| 11 | Xining Special Steel (Group) Co., Ltd. | 14.6% | Materials |
| 12 | Beijing Sevenstar Huadian Science & Technology Group Co., Ltd. | 45.2% | Information technology |
| 13 | Yima Coal Group Co., Ltd. | 6.2% | Energy |
| 14 | Xinyu Iron & Steel Group Co., Ltd. | 23.7% | Materials |
| 15 | Guizhou Kailin Group Co., Ltd. | 2.7% | Materials |
| 16 | Najing Yuejin Automotive Co., Ltd. | 10.0% | Others |
| 17 | Guizhou Shuicheng Coal Mining (Group) Co., Ltd. | 1.7% | Energy |
| 18 | Chongqing Nantong Mining Co., Ltd. | 5.0% | Energy |
| 19 | Northern Heavy Industries Group Co., Ltd. | 10.1% | Industrials |
| 20 | Panda Electronics Group Co., Ltd. | 36.8% | Information technology |
| 21 | Daye Nonferrous Metals Co., Ltd. | 4.7% | Materials |
| 22 | Beijing BDK Electronics Co., Ltd. | 56.9% | Information technology |
| 23 | Beijing Light Industry Xuehua Electronic Co., Ltd. | 38.5% | Others |
| 24 | Fujian Nanping Aluminium Co., Ltd. | 33.4% | Materials |
| 25 | Beijing Peony Electronic Group Co., Ltd. | 88.6% | Information technology |
| 26 | Harbin Turbine Company Limited | 27.0% | Industrials |
| 27 | Shougang Shuicheng Iron & Steel (Group) Co., Ltd. | 16.2% | Materials |
| 28 | Shangtex Holding Co., Ltd. | 7.2% | Others |
| 29 | Jizhong Energy Fengfeng Group Co., Ltd. | 5.3% | Energy |
| 30 | Wuyang Iron & Steel Co., Ltd. | 8.3% | Materials |
| 31 | Fushun Mining Group Industry and Trade Co., Ltd. | 9.5% | Energy |
| 32 | Yunnan Tin Group Co., Ltd. | 14.3% | Materials |
| 33 | Zunyi Titanium Co., Ltd. | 24.5% | Materials |
| 34 | Tiger Forest & Paper Group Co., Ltd. | 5.6% | Others |

The table below sets forth a breakdown of our Unlisted DES Companies by carrying amount of our Unlisted DES Assets as of June 30, 2015.

| | As of June 30, 2015 |
|---|---|
| **Number of DES Companies** | |
| Below RMB50 million | 142 |
| RMB50 million to RMB100 million | 18 |
| RMB100 million to RMB200 million | 17 |
| Over RMB200 million | 18 |
| **Total** | **195** |

*Our DES Asset portfolio*

Some of our DES Companies are the leaders in their respective sectors and have competitive advantages in areas such as technology, production capacities and resources. In terms of carrying amount, our DES Companies are mainly in the industrials, materials, energy and information technology sectors. Most of our DES Companies have multiple business lines, extensive industrial chains and strong market positions, as well as significant potential for value appreciation.

The table below sets forth the composition of our DES Assets by sector as of the date indicated.

| | As of June 30, 2015 | |
|---|---|---|
| | Number of Companies | Percentage of total |
| **Number of DES Companies** | | |
| Industrials | 60 | 27.1% |
| Materials | 71 | 32.1% |
| Energy | 16 | 7.2% |
| Information technology | 27 | 12.2% |
| Others | 47 | 21.4% |
| **Total** | **221** | **100.0%** |
| | Amount | Percentage of total |
| **Carrying amount of DES Assets (in millions of RMB)** | | |
| Industrials | 15,001.7 | 56.4% |
| Materials | 6,065.3 | 22.8% |
| Energy | 1,780.0 | 6.7% |
| Information technology | 1,316.3 | 4.9% |
| Others | 2,431.8 | 9.2% |
| **Total** | **26,595.1** | **100.0%** |

The table below sets forth the composition of the DES Assets Acquired from the MOF by sector as of the date indicated.

| | As of the Date of Acquisition | | As of December 31, 2012 | | As of December 31, 2013 | | As of December 31, 2014 | | As of June 30, 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of Companies | % of total | Number of Companies | % of total | Number of Companies | % of total | Number of Companies | % of total | Number of Companies | % of total |
| **Number of DES Companies** | | | | | | | | | | |
| Industrials | 72 | 25.6% | 62 | 24.8% | 55 | 25.2% | 53 | 26.4% | 53 | 27.0% |
| Materials | 85 | 30.2% | 80 | 32.0% | 73 | 33.5% | 67 | 33.3% | 65 | 33.2% |
| Energy | 31 | 11.0% | 23 | 9.2% | 15 | 6.9% | 14 | 7.0% | 14 | 7.1% |
| Information technology | 35 | 12.5% | 35 | 14.0% | 29 | 13.3% | 26 | 12.9% | 25 | 12.8% |
| Others | 58 | 20.7% | 50 | 20.0% | 46 | 21.1% | 41 | 20.4% | 39 | 19.9% |
| **Total** | **281** | **100.0%** | **250** | **100.0%** | **218** | **100.0%** | **201** | **100.0%** | **196** | **100.0%** |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Carrying amount of DES Assets (in millions of RMB)** | | | | | | | | | | |
| Industrials | 6,644.6 | 38.5% | 6,503.7 | 38.3% | 7,383.2 | 42.9% | 10,379.4 | 51.7% | 13,078.0 | 58.5% |
| Materials | 5,541.4 | 32.1% | 5,289.2 | 31.2% | 5,171.2 | 30.0% | 5,228.5 | 26.0% | 4,997.7 | 22.4% |
| Energy | 1,292.2 | 7.5% | 1,472.8 | 8.7% | 1,092.0 | 6.3% | 1,068.8 | 5.3% | 1,025.7 | 4.6% |
| Information technology | 1,258.8 | 7.3% | 1,242.5 | 7.3% | 1,161.1 | 6.7% | 1,058.8 | 5.3% | 871.0 | 3.9% |
| Others | 2,519.2 | 14.6% | 2,451.4 | 14.5% | 2,414.8 | 14.1% | 2,347.0 | 11.7% | 2,386.5 | 10.6% |
| **Total** | **17,256.2** | **100.0%** | **16,959.6** | **100.0%** | **17,222.3** | **100.0%** | **20,082.5** | **100.0%** | **22,358.9** | **100.0%** |

During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we disposed equity interests in 31, 32, 17 and 5 DES Companies among the DES Assets Acquired from the MOF, respectively.

*(1) Industrials sector*

As of June 30, 2015, we held a 13.2% equity interest in Hangzhou Hangyang Co., Ltd., the largest enterprise for the design and production of air separation equipment in Asia, a 0.9% equity interest in China First Heavy Industries Co., Ltd., the largest manufacturer of metallurgic complete equipment, nuclear electric forgings and heavy pressure containers in China, and a 0.5% equity interest in China XD Electric Co., Ltd., the largest research and development, production, and testing enterprise for high-voltage, ultra-high voltage and special high-voltage electricity transmission and distribution complete equipment in China.

| Company name | Shareholding percentage (as of June 30, 2015) | Strengths |
|---|---|---|
| Hangzhou Hangyang Co., Ltd. | 13.2% | The largest enterprise for the design and production of air separation equipment in Asia |
| China First Heavy Industries Co., Ltd. | 0.9% | The largest manufacturer of full range of metallurgic equipment, nuclear power forgings and heavy pressure containers in China |
| China XD Electric Co., Ltd. | 0.5% | The largest research and development, production, and testing enterprise for high voltage, super high voltage and ultra high voltage electricity transmission and distribution equipment in China |

*(2) Materials sector*

Our DES Asset portfolio includes leading enterprises in metal, mining and other raw materials industries. As of June 30, 2015, we held a 17.0% equity interest in Baotou Iron and Steel (Group) Co., Ltd., which owns the largest reserve of rare earth in the world; a 50.5% equity interest in Southwest Aluminum (Group) Co., Ltd., the largest aluminum producer in China; a 13.2% equity interest in Guangxi China Tin Group Co., Ltd., which owns the largest reserve of indium in the world, a third of China's total tin reserves and China's second largest zinc reserve; and 2.7% equity interest in Guizhou Kailin Group Co., Ltd., the largest underground phosphate ore mining enterprise in China.

| Company name | Shareholding percentage (as of June 30, 2015) | Strengths |
|---|---|---|
| Baotou Iron & Steel (Group) Co., Ltd. | 17.0% | The largest rare earth industrial base in the world and an important iron and steel industrial base in China, with the largest reserve of rare earth and second largest reserve of niobium in the world |
| Southwest Aluminum (Group) Co., Ltd. | 50.5% | The extra large aluminum processing enterprise with the strongest comprehensive strength in China |
| Guangxi China Tin Group Co., Ltd. | 13.2% | Holding the largest reserve of indium in the word, a third of total reserve of tin and the second largest reserve of zinc in China. |
| Guizhou Kailin Group Co., Ltd. | 2.7% | The largest underground phosphate ore mining and pentaerythritol production enterprise in China with the second largest production capacity for high-concentration phosphate compound fertilizer in the industry |

*(3) Energy sector*

Our DES Asset portfolio includes leading enterprises in the energy sector engaging in the production of coal and other important energy resources. As of June 30, 2015, we held a 5.3% equity interest in Jizhong Energy Fengfeng Group Co., Ltd., which ranks 304th among the top 500 international enterprises, 43rd among the top 500 PRC enterprises and third among the top 100 PRC coal enterprises in 2014; a 5.0% equity interest in Chongqing Nantong Mining Co., Ltd., one of the top 100 PRC coal enterprises; and a 6.2% equity interest in Yima Coal Industry Group Co., Ltd., a extra large state-owned coal enterprise in China.

| Company name | Shareholding percentage (as of June 30, 2015) | Strengths |
|---|---|---|
| Jizhong Energy Fengfeng Group Co., Ltd. | 5.3% | Ranking 304th among the Top 500 International Enterprises, 43rd among the Top 500 PRC Enterprises and third among the Top 100 PRC Coal Enterprises in 2014 |
| Chongqing Nantong Mining Co., Ltd. | 5.0% | One of the Top 100 PRC Coal Enterprises, and the largest coking coal and steam coal production base in Chongqing |
| Yima Coal Group Co., Ltd. | 6.2% | Ranking 23rd of the Top 100 Coal Enterprises of China and 305th of the Top 500 Enterprises in China in 2013 |

*(4) Information technology sector*

Our DES Asset portfolio includes leading enterprises in the information technology sector with core technology advantages. As of June 30, 2015, we held a 36.8% equity interest in Panda Electronics Group Co., Ltd., a leading electronics enterprise in China.

| Company name | Shareholding percentage (as of June 30, 2015) | Strengths |
|---|---|---|
| Panda Electronics Group Co., Ltd. | 36.8% | Ranked among the Top 500 Industrial Enterprises in China for 24 years consecutively, ranked highly among the Top 100 Electronic Information Enterprises and Top 100 Software Enterprises in China |

*Routine management of DES Assets*

We do not participate in the daily operations of our DES Companies. We exercise our rights as a shareholder by attending the shareholders' general meetings, meetings of board of directors and meetings of board of supervisors (the "Three Meetings") of the DES Companies. The routine management of our DES Assets is handled by our designated project managers and shareholder, director and supervisor representatives (the "Designated Representatives"). We appoint a project manager for each DES Asset who is responsible for collecting and reporting relevant information and data and supervising the implementation of the resolutions passed at the Three Meetings. During routine management, our project managers focus on: (i) the major development trends of the companies; (ii) the value enhancement potential of our DES Assets; and (iii) any matters that may affect our shareholder interests or rights. Our Designated Representatives raise proposals and exercise voting rights at the Three Meetings. In accordance with the characteristics of each DES Company, we enhance the value of our DES Assets through various methods, minimizing the risks and maximizing the return of our DES Asset management business.

*Differentiated management of DES Companies*

Leveraging our extensive experiences accumulated over the years, we employ differentiated management and disposal strategies characterized by "One Company One Policy" for our DES Companies according to their respective characteristics, in order to enhance the liquidity and market value of our DES Assets.

We employ differentiated operational and management strategies for our DES Assets and formulate specific operational plans for each DES Company based on the type of assets in order to improve the management of DES Assets. We formulate management targets, operational strategies and disposal plans according to the specific condition of each project. We assist our DES Companies to improve governance structure, enhance decision-making efficiency, restructure assets, and expand through mergers and acquisitions and introduction of additional investments. Through these supports, we help these DES Companies to enhance their equity value.

We orderly and reasonably facilitate value enhancement and realization of DES Assets in stages depending on the types of DES Assets. We pay close attention to China's national industry structure policy and macro-economic policy, and seek restructuring and mergers and acquisitions opportunities for DES Companies. We actively exchange the equity interests in unlisted DES

Companies into shares of listed affiliates of these DES Companies and increase the proportion of Listed DES Assets to our total DES Assets, in order to enhance the liquidity of our DES Assets and increase restructuring income from the DES Asset management business. We proactively exit from industries with intense competition and dispose of equities interests in DES Companies with low asset quality, profitability, appreciation potential or liquidity. We also leverage our strength in comprehensive financial services, enhance internal business synergies, improve the market value management of our DES Asset portfolio, strengthen the management of our DES Assets and improve the overall operating income from our DES asset management business.

*Value enhancement of DES Assets*

We adopt the following approaches in relation to our DES Companies in order to improve the securitization ratio of our DES Asset portfolio and enhance the value of our DES Assets:

- Seizing the opportunities brought by enterprise restructuring and industry consolidation, we facilitate the restructuring of DES Companies and their listed affiliates to acquire shares of listed companies and improve the liquidity and appreciation potential of our DES Assets;
- Participating actively in the reorganization process of DES Companies intending to reorganize and list their shares, and swap the equity interests in DES Companies into equity interests in companies to be listed;
- Building upon the industry leaders in our DES Asset portfolio, we promote cross-region industry consolidation, establish competitive companies with high asset quality and promote their listing;
- For DES Companies with excessive debts but competitive advantages, we seek to expand their production capacities, increase their profitability and improve our equity quality through debt restructuring and equity financing; and
- Through flexible equity exchanges, we exchange the equity interests in DES Companies into equity interests in financial institutions controlled by central government-owned enterprises and local governments, other quality enterprises, local asset management companies and overseas companies.

Our securitization ratio, calculated by dividing the carrying amount of Listed DES Assets by the total carrying amount of DES Assets, increased from 40.6% as of December 31, 2012 to 56.7% as of June 30, 2015. Moreover, we closely monitor the operating conditions and cash flows of DES Companies. For DES Companies that are capable of distributing dividends, we support and encourage the distribution of dividends as a shareholder in order to secure regular cash inflows throughout the period of our equity interest.

*Comprehensive financial services provided to DES Companies*

Our DES Companies include many large-scale DES Companies with high quality assets and significant regional or national influence. These DES Companies typically have a large number of affiliated enterprises and have extensive needs in a broad array of financial products and services. Through active management of our DES Asset portfolio, we are able to promptly identify the financial needs of DES Companies and their affiliated enterprises. By providing DES Companies and their affiliated enterprises with customized financial solutions through our financial subsidiaries, we are able to support the development and value enhancement of our DES Companies and increase the income from DES Assets.

*Exit strategies in relation to DES Assets*

The major exit strategies for our equity interests in unlisted DES Companies include share purchases by original shareholders, de facto controlling shareholder or state-owned investors, repurchases through reduction of capital by DES Companies, and public transfer or transfer to other potential transferees through equity exchange. When we dispose of our equity interests in unlisted DES Companies, we engage external professional institutions to audit and appraise such DES Assets for the determination of a reasonable price for the equity interests to be disposed. Our major exit strategy for our equity interests in listed DES Companies is to reduce our shareholdings through the secondary market at the appropriate time.

*Income from DES Asset management business*

We derive income from our DES Asset management business from: (i) disposal income, which is the income from transfer of our equity interests in DES Companies; (ii) restructuring income, which is the income we recognize 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 our financial services subsidiaries. In addition, through our DES Companies we form reliable and win-win cooperative relationships with local governments where our 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 our disposal of DES Assets by asset types as of the dates and for the periods indicated.

| | As of and for the year ended December 31, | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | (in millions of RMB, except number of companies and percentages) | | |
| **Number of DES Companies disposed** | **17** | **44** | **29** |
| Unlisted | 17 | 39 | 20 |
| Listed | 0 | 5 | 9 |
| **Acquisition cost of DES Assets disposed** | **595.6** | **751.4** | **2,790.5** |
| Unlisted | 595.6 | 643.5 | 1,372.9 |
| Listed | — | 107.9 | 1,417.6 |
| **Net gain on DES Assets disposed** | **1,159.8** | **3,158.6** | **2,477.1** |
| Unlisted | 1,159.8 | 3,051.6 | 1,814.1 |
| Including: Exchange of shares | 317.7 | 878.5 | 766.8 |
| Listed | — | 107.0 | 663.0 |
| **Exit multiple of DES Assets disposed**(1) | **2.9x** | **5.2x** | **1.9x** |
| Unlisted | 2.9x | 5.7x | 2.3x |
| Listed | — | 2.0x | 1.5x |
| **Dividend Income from DES Companies** | **262.1** | **357.4** | **234.3** |
| Unlisted | 141.4 | 264.6 | 160.0 |
| Listed | 120.7 | 92.8 | 74.3 |

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

From January 1, 2012 to June 30, 2015, our cumulative net gain on DES Assets disposed was RMB10,811.0 million and the average exit multiple was 2.8 times.

The table below sets forth certain details of our disposal of DES Assets by sector as of the dates and for the periods indicated.

| | As of and for the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | |
| | (in millions of RMB, except percentages and number of companies) | | | | | |
| **Number of DES Companies disposed** | | | | | | |
| Industrials | 5 | 29.4% | 12 | 27.3% | 8 | 27.6% |
| Materials | 3 | 17.6% | 8 | 18.2% | 8 | 27.6% |
| Energy | 5 | 29.4% | 9 | 20.5% | 3 | 10.3% |
| Information technology | — | — | 7 | 15.9% | 4 | 13.8% |
| Others | 4 | 23.6% | 8 | 18.1% | 6 | 20.7% |
| **Total** | **17** | **100.0%** | **44** | **100.0%** | **29** | **100.0%** |
| **Acquisition cost of DES Assets disposed** | | | | | | |
| Industrials | 68.9 | 11.6% | 159.1 | 21.2% | 2,061.3 | 73.9% |
| Materials | 176.4 | 29.6% | 65.7 | 8.7% | 292.2 | 10.5% |
| Energy | 214.1 | 35.9% | 316.8 | 42.2% | 26.3 | 0.9% |
| Information technology | — | — | 81.2 | 10.8% | 172.6 | 6.2% |
| Others | 136.2 | 22.9% | 128.6 | 17.1% | 238.1 | 8.5% |
| **Total** | **595.6** | **100.0%** | **751.4** | **100.0%** | **2,790.5** | **100.0%** |
| **Net gain on DES Assets disposed** | | | | | | |
| Industrials | 156.0 | 13.5% | 1,090.2 | 34.5% | 1,054.7 | 42.6% |
| Materials | 643.4 | 55.5% | 1,152.7 | 36.5% | 418.1 | 16.9% |
| Energy | 330.3 | 28.5% | 558.4 | 17.7% | 63.9 | 2.6% |
| Information technology | — | — | 225.3 | 7.1% | 526.6 | 21.3% |
| Others | 30.1 | 2.5% | 132.0 | 4.2% | 413.8 | 16.6% |
| **Total** | **1,159.8** | **100.0%** | **3,158.6** | **100.0%** | **2,477.1** | **100.0%** |

### *Custody and agency services for distressed assets*

Through our custody and agency services for distressed assets, we act on behalf of principals to operate, manage, dispose, liquidate or restructure distressed assets or distressed companies. We also provide agency, consulting and advisory services related to distressed asset management. The table below sets forth the basic operating information of our custody and agency services for distressed assets for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Newly added assets under management | 6,374.6 | 14,022.6 | 6,008.9 | 73.5 |
| Disposed assets under management | 6,618.0 | 56,511.5 | 8,355.5 | 3,091.4 |
| Balance of assets under management | 79,577.8 | 37,088.8 | 34,742.2 | 31,724.2 |
| Income from assets under management | 415.1 | 454.6 | 452.2 | 156.2 |

Our custody and agency services for distressed assets business include (i) entrusted operation, management and disposal of distressed assets, (ii) custody, liquidation and restructuring of distressed companies and (iii) distressed asset management related consulting and advisory services. Our entrusted operation, management and disposal of distressed assets business is commissioned by government agencies including the MOF, PBOC, state-owned assets supervision and administration authorities, financial institutions and corporations to provide operation, management and disposal services for distressed assets. Our custody, liquidation and restructuring of distressed companies business include custody, liquidation and restructuring of distressed financial institutions approved by financial regulatory authorities, and custody, liquidation and restructuring of distressed companies. Our income from entrusted operation, management and disposal of distressed assets business and custody, liquidation and restructuring of distressed companies business is primarily derived from commission based on the services provided and the results achieved. Our distressed asset management related consulting and advisory services include consulting and advisory services related to the acquisition, operation and disposal of distressed assets.

Custody and agency services for distressed assets business is an important component of our distressed asset management business and of strategic importance to the sustainable development of our business. Leveraging our extensive experience in distressed asset management, through our entrusted operation, management and disposal of distressed assets business, we have expanded our business scope, diversified the sources of our distressed assets, built and maintained robust business relationships with our clients (especially with government and bank clients). In addition, we provide customized financial solutions to our clients to increase the overall returns for the Group. Our custody and agency services for distressed asset business involves many distressed companies with various financial licenses. In the course of custody and liquidation for these distressed financial enterprises and restructuring of related distressed assets, we retained quality assets of these distressed financial enterprises through selective strategic investments, mergers and acquisitions and restructuring, obtained scarce financial licenses and restructured them into our financial service subsidiaries. As a result, we have gradually established our multi-licensed and comprehensive financial services platform. See "History and Corporate Structure" for more details regarding the establishment of our financial services subsidiaries.

***Distressed asset-based special situations investment***

Our 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 we have identified during the course of our distressed asset management business. Through debt restructuring, asset restructuring, business restructuring and management restructuring, we then improve 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.

Our distressed asset-based special situations investment business focuses on the short to medium term financing needs of enterprise and provides financing services. Our special situations mezzanine investment business invests in enterprises with financing needs for reorganization and reconstruction, expansion of production capacity and mergers and acquisitions through convertible bonds, detachable bonds or other debt-equity hybrid financing instruments. Our special situations equity investment business mainly invests in growth enterprises to be listed or other enterprises with definite exit channels. Our special situations debt investment business invests and trades in government bonds, financial bonds, subordinated bonds, enterprise bonds, convertible corporate bonds and corporate bonds in the inter-bank bond markets and securities exchanges for absolute gains. Our special situations fund formation and management business manages a number of private equity investment funds and mezzanine capital investment funds. Our special situations entrusted asset management business is commissioned by financial institutions and enterprises to manage, invest and dispose of assets.

We primarily conduct our distressed asset-based special situations investment business through Huarong Rongde. Leveraging the brand names, technologies, business network and customer base of the Company and international financial institutions such as Deutsche Bank and Clearwater Capital, Huarong Rongde acts as a professional investment adviser, offers its clients customized investment services and achieved rapid business growth. In 2012, 2013 and 2014, the net profit per capita of Huarong Rongde, calculated by dividing the net profit by the total number of employees of Huarong Rongde, was RMB12.8 million, RMB12.9 million and RMB14.0 million, respectively.

The table below sets forth the basic operating information of Huarong Rongde.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB, except percentages and multiples) | | | |
| Total assets | 10,461.7 | 13,102.0 | 21,515.7 | 23,359.7 |
| Third party assets under management | 1,690.8 | 5,238.0 | 9,089.7 | 10,685.9 |
| Income | 1,568.2 | 1,920.4 | 2,600.1 | 1,504.9 |
| Net profit | 616.1 | 708.7 | 979.7 | 529.5 |
| ROAA(1) | 7.2% | 6.0% | 5.7% | 4.7% |
| ROAE(1) | 22.5% | 22.1% | 25.6% | 25.5% |
| Total assets to total equity multiple | 3.5x | 3.8x | 3.9x | 3.6x |
| Cost-to-income ratio | 24.3% | 23.6% | 17.5% | 23.9% |

(1) For illustration, the annualized figure for each of the ROAA and ROAE for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return for the six months ended June 30, 2015 by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

***Distressed assets-based property development business***

Our distressed assets-based property development business restructures, invests in and develops high quality property projects acquired in the course of our distressed asset management business and generates profits from appreciation in the value of the related assets. Through our property development business, we discover 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.

We conduct our distressed assets-based property development business through Huarong Real Estate. Leveraging our acquisition, management and disposal capabilities for distressed assets as well as Huarong Real Estate's expertise in real estate, we innovatively conduct our distressed assets-based property development business and have established a real estate business portfolio comprising the real estate financing business, property development and management business and property-related distressed asset management business.

With respect to the real estate financing business, the Company, its financial services subsidiaries and Huarong Real Estate participate in property development projects which meet our investment standards at the early stage by providing customers with integrated real estate financial products that satisfy diversified needs. They also set the take-over and restructuring conditions in the transaction structure and facilitate the transformation from a real estate financing project to a property development project when the pre-set conditions are met. As to exit channels, we can generate profit from project development through the sales of developed properties based on the professional development ability of Huarong Real Estate, or hold and operate high quality properties and transform them into a real estate financing project through asset-backed securitization, thus creating a virtuous cycle of business.

With respect to the property development and management business, we support the property-related business of the Group by leveraging the expertise and professional team of Huarong Real Estate. In the course of investments in real estate through equity or debt instruments by the Group, Huarong Real Estate provides feasibility study and consulting services, project management and post-investment supervision and management services, which strengthen the risk management of property-related projects from the beginning to facilitate the sound development of investment projects. If there is a risk alert for an investment project, we intervene in the development process of the investment project through the professional teams of Huarong Real Estate, in order to regulate and optimize the cost, engineering and marketing and reduce project risks.

With respect to property-related distressed asset management business, the Head Office and Company Branches may develop relevant distressed asset businesses in cooperation with Huarong Real Estate. Huarong Real Estate explores the value of existing property-related assets within distressed asset packages and commences property development when appropriate, in order to maximize the income from disposal of property-related assets and profit of the Group. In the event that the debtors cannot repay their debts, we will protect the overall interests of the Group through acquisition, restructuring and follow-on development, by leveraging the real estate platform of Huarong Real Estate.

Our property development projects are primarily located in the Pearl River Delta and Bohai Rim, and involve various types of properties, including residential, office and commercial properties, as well as hotels. We also conduct primary land development and participate in the urban development, land consolidation and infrastructure construction, operation and management. In 2012, 2013, 2014 and the six months ended June 30, 2015, income of Huarong Real Estate amounted to RMB18.1 million, RMB1,292.6 million, RMB2,628.5 million and RMB1,116.2 million, respectively, including income from property development business of nil, RMB1,268.8 million, RMB2,487.1 million and RMB881.1 million, respectively. As of June 30, 2015, the total site area and total planned gross floor area of property projects under development by Huarong Real Estate were approximately 1.0 million sq.m. and approximately 3.8 million sq.m., respectively. The property development projects of Huarong Real Estate mainly include Huarong Qinhai Bay Garden Project, China Huarong Building Project and Huarong Blue Ocean Project. In addition, Huarong Real Estate is also developing Zhuozhou Being-Shijiazhuang Passenger Transportation Railway Station New Area Primary Land Development Project, a primary land development project, with a total planned site area of approximately 5.7 million sq.m., among which total gross floor area for municipal infrastructure construction of approximately 1.8 million sq.m.

### Financial services business

By leveraging our multiple financial licenses, we provide our clients with flexible, customized and diversified financing channels and financial products through a comprehensive financial services platform composed of Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Futures. This creates a comprehensive financial service system which covers the different business life cycles and the entire value chain of clients. Utilizing our industry experience and expertise, we design and provide extensive and customized financial products and services catering to the needs of different client groups as well as their diversified needs at different stages of the business lifecycle and their development stages. In 2012, 2013 and 2014, and for the six months ended June 30, 2015, income from our financial services business accounted for 43.9%, 37.0%, 35.1% and 32.0% of our total income, respectively. The table below sets forth the key financial data of the business lines of our financial services business during the periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| **Securities and futures** | | | | |
| Income | 813.5 | 1,575.5 | 3,799.6 | 4,204.3 |
| Profit before tax | 225.9 | 397.0 | 1,145.7 | 1,639.2 |
| Total assets | 7,159.2 | 22,440.4 | 43,041.0 | 66,004.7 |
| Shareholders' Equity | 4,505.7 | 5,371.6 | 7,303.2 | 8,540.2 |
| **Financial leasing** | | | | |
| Income | 3,851.6 | 4,478.2 | 5,218.5 | 2,826.9 |
| Profit before tax | 1,343.6 | 1,629.2 | 1,719.8 | 890.1 |
| Total assets | 53,051.3 | 62,144.0 | 72,098.7 | 81,076.6 |
| Shareholders' Equity | 5,445.9 | 6,338.1 | 7,329.5 | 9,358.7 |
| **Banking** | | | | |
| Income | 6,771.8 | 7,738.9 | 8,897.1 | 5,089.9 |
| Profit before tax | 1,458.9 | 2,038.8 | 2,658.3 | 1,565.1 |
| Total assets | 131,594.9 | 148,107.7 | 165,326.1 | 182,561.6 |
| Shareholders' Equity | 6,678.7 | 9,468.4 | 11,090.9 | 11,649.8 |

Our financial services subsidiaries were established based on our restructuring of distressed financial institutions. Our own and entrusted distressed enterprise restructuring businesses involve a large number of distressed financial institutions with various financial licenses. For example, in our comprehensive risk disposal project of the Delong Group, we conducted custody operation, suspension and rectification, closing and liquidation or restructuring and disposition for 13 financial institutions (including securities companies, trust companies, financial leasing companies, city commercial banks and insurance companies). During the process of restructuring the Delong Group and other distressed financial institutions, we selectively retained quality assets and obtained financial licenses. We restructured such entities into our financial services subsidiaries and supported their development by enriching and improving their products and service offerings, in order to enhance their overall business and profitability, as well as their market competitiveness. Over time, this has contributed to the formation of our comprehensive financial services platform.

The financial services business is an integral component of our comprehensive asset management platform. As an important channel for cross-selling with the Company and generating synergies, our financial services subsidiaries provide our clients with a diverse range of products and services, and satisfy their financial service needs at different stages of development. Our financial services subsidiaries also provide us with technical support and extensive product portfolio, broaden the business tools available to our distressed asset management operations, and increase the efficiency and return with which we dispose of our distressed assets. We will further consolidate the Group's resources by promoting the interaction between our comprehensive financial services business and our distressed asset management platform. By doing so, we believe we can continue to generate synergies among different financial service businesses and improve the overall profitability of the Group.

***Securities and futures***

We conduct our securities business through Huarong Securities. Our securities business mainly includes proprietary trading, securities brokerage and wealth management, investment banking and asset management businesses. We also conduct futures and direct investment businesses through Huarong Futures and 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. Huarong Securities has been rated Grade A of Category A or AA Grade by the CSRC for five consecutive years from 2011 to 2015. In 2012, 2013, 2014, and the six months ended June 30, 2015, revenue of Huarong Securities amounted to RMB813.5 million, RMB1,575.5 million, RMB3,799.6 million and RMB4,204.3 million, respectively, and its profit before tax was RMB225.9 million, RMB397.0 million, RMB1,145.7 million and RMB1,639.2 million, respectively. Through continuous improvement of operational efficiency, exploration and innovation, Huarong Securities has achieved significant growth in profitability. In addition, its regulatory indicators are at levels better than regulatory requirements and we have maintained a prudent risk control level during the Track Record Period. The table below sets forth certain key financial and business indicators of Huarong Securities as of the dates and for the periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, | Regulatory requirements |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | |
| | (percentages) | | | | |
| **Profitability indicators**(1) | | | | | |
| Net profit margin(2) | 19.9% | 19.4% | 22.8% | 29.3% | — |
| ROAE(3)(6) | 3.6% | 6.3% | 13.6% | 32.2% | — |
| ROAA(4)(6) | 2.3% | 2.1% | 2.6% | 4.5% | — |
| Cost-to-income ratio | 68.5% | 55.3% | 37.2% | 29.4% | — |
| **Risk control indicators**(5) | | | | | |
| Net assets to total risks ratio | 1,142.7% | 1,010.8% | 741.4% | 771.9% | No less than 100% |
| Net capital to net assets ratio | 75.4% | 105.0% | 95.4% | 109.6% | No less than 40% |
| Net capital to liabilities ratio | 1,585.3% | 128.6% | 51.4% | 51.5% | No less than 8% |
| Net assets to liabilities ratio | 2,102.8% | 122.4% | 53.9% | 47.0% | No less than 20% |
| Equity securities and derivatives of proprietary trading to net capital ratio | 27.4% | 67.6% | 63.0% | 65.0% | No more than 100% |
| Fixed income securities of proprietary trading to net capital ratio | 69.7% | 18.4% | 93.2% | 65.3% | No more than 500% |

(1) Profitability indicators are calculated based on 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 parent divided by average owners' equity.
(4) ROAA equals net profit divided by average total assets.
(5) Risk control indicators are calculated based on unconsolidated financial information of Huarong Securities.
(6) For illustration, the annualized figure for each of the ROAE and ROAA for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return for the six months ended June 30, 2015 by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

The table below sets forth the breakdown of our revenue from securities and futures business by business line for the periods indicated.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Proprietary trading | 284.3 | 34.9% | 563.2 | 35.7% | 2,197.8 | 57.8% | 1,968.9 | 46.8% |
| Securities brokerage and wealth management | 379.9 | 46.7% | 673.2 | 42.7% | 1,212.0 | 31.9% | 1,517.3 | 36.1% |
| Investment banking | 30.9 | 3.8% | 60.7 | 3.9% | 146.9 | 3.9% | 51.2 | 1.2% |
| Asset management | 64.0 | 7.9% | 206.1 | 13.1% | 137.0 | 3.6% | 548.4 | 13.0% |
| Others | 54.4 | 6.7% | 72.3 | 4.6% | 105.9 | 2.8% | 118.5 | 2.9% |
| **Total** | **813.5** | **100.0%** | **1,575.5** | **100.0%** | **3,799.6** | **100.0%** | **4,204.3** | **100.0%** |

*Proprietary trading*

Huarong Securities conducts its proprietary trading business mainly by utilizing its own funds or legally raised funds to invest in shares in the secondary market, placements of additional shares of listed companies and fixed-income investments on its own account. Huarong Securities is entitled to all revenue and assumes all risks from its proprietary trading business.

Huarong Securities also engages in direct investment business through Huarong Tianze. Huarong Tianze makes use of its own capital or establishes direct investment funds for equity investments or debt investments in enterprises, invests in other investment funds related to equity investments and debt investments, and provides its clients with financial advisory services related to equity and debt investments.

In 2012, 2013, 2014, and the six months ended June 30, 2015, the income of Huarong Securities from its proprietary trading business was RMB284.3 million, RMB563.2 million, RMB2,197.8 million and RMB1,968.9 million, respectively. The significant increase in revenue from proprietary trading business of Huarong Securities is primarily due to Huarong Securities effectively seizing market opportunities, diversifying investment income, and fully leveraging funds raised through exchanges and inter-bank markets, realizing attractive returns through structured investments.

*Securities brokerage and wealth management*

The brokerage and wealth management business of Huarong Securities mainly provides trading services in markets including the main boards of Shanghai Stock Exchange and Shenzhen Stock Exchange, GEM board and SME board of Shenzhen Stock Exchange and the NEEQ for diversified products such as stocks (A and B shares, Southbound Trading Stocks, stocks of companies listed in the STAQ and NET systems and delisted companies, and stocks of listed companies), bonds (treasury bonds, local government bonds, corporate bonds, enterprise debentures, convertible bonds, and convertible bonds with warrants), exchange-quoted bond repurchase, funds, warrants and stock options. It also provides a wide range of investment and business services such as investment consultancy, margin financing and securities lending, securities repurchase and stock incentive schemes of listed companies. Huarong Securities also provides clients with professional and comprehensive wealth management services through its integrated and open-ended wealth management platform and account system.

"Jin Fu Rong" (金福融), the wealth management brand of Huarong Securities, offers asset allocation and financing products and services, equity-based products and services, cash management and fixed-income products. The wealth management business of Huarong Securities continues to expand. Huarong Securities has developed the system of "Huarong Gold" (華融金) investment advisory services, which allows it to customize personalized investment proposals and asset allocation schemes for clients.

In January 2015, Huarong Securities became one of the first batch of securities companies to receive the qualification for participating in stock futures brokerage and proprietary trading on the Shanghai Stock Exchange. In 2012, 2013, 2014, and for the six months ended June 30, 2015, income from the securities brokerage and wealth management business of Huarong Securities was RMB379.9 million, RMB673.2 million, RMB1,212.0 million and RMB1,517.3 million, respectively.

Huarong Futures, a subsidiary of Huarong Securities, mainly engages in futures brokerage and asset management businesses. The futures brokerage business includes commodity futures brokerage and financial futures brokerage services, which provide standard futures contract trading of all listed commodity futures (such as agricultural products, metals, industrial products and energy) and financial futures (such as interest rate futures and stock index futures). It provides comprehensive services such as trading, settlement, delivery, information and consultancy and training to clients. The asset management business of Huarong Futures provides services to single clients and specific client groups. Huarong Futures is a member of the China Financial Futures Exchange, Shanghai Futures Exchange, Zhengzhou Commodity Exchange and Dalian Commodity Exchange.

*Investment banking*

The investment banking business of Huarong Securities mainly includes sponsoring and underwriting shares and bonds, advisory service for mergers and acquisitions and restructurings, comprehensive financial advisory services and financing advisory service. Leveraging the client network of China Huarong and its 58 business outlets across the PRC, Huarong Securities has developed an extensive client base. Huarong Securities is qualified to act as the lead underwriter for asset-backed securities, financial bonds and corporate bonds offerings, to underwrite and sponsor projects approved by CSRC and to act as the lead underwriter for enterprise bonds offerings approved by the NDRC. Huarong Securities was among the first batch of securities companies to obtain the qualification of market-maker in the NEEQ in China in 2014. In 2012, 2013, 2014, and for the six months ended June 30, 2015, income from the investment banking business of Huarong Securities was RMB30.9 million, RMB60.7 million, RMB146.9 million and RMB51.2 million, respectively.

Huarong Securities is ranked highly among the securities companies in the industry in businesses including corporate bond underwriting and the asset-backed securities underwriting. According to operational data statistics for securities companies published by the Securities Association of China, the 2014 net income (on a consolidated basis) from financial advisory services of Huarong Securities ranked No. 6 in the PRC. According to WIND Info, in the PRC securities industry, Huarong Securities ranked seventh in terms of the amount of corporate bonds for which it acted as the lead underwriter and tenth in terms of the amounts underwritten for asset-backed securities in 2014. Huarong Securities was elected the 2014 China Bond Market Outstanding Member and awarded the No. 1 Progress Prize for Bond Business according to the "2014 List of China Bond Market Outstanding Members" published by China Central Depositary & Clearing Co., Ltd.

*Asset management*

The asset management business of Huarong Securities mainly includes targeted asset management business, collective asset management business and specific asset management business. For its targeted asset management business, Huarong Securities establishes targeted asset management schemes for individual clients and invests in client approved projects, with all risks assumed by the client. For its collective asset management business, Huarong Securities establishes collective schemes to raise funds and make investments. Under the collective asset management business, Huarong Securities mainly invests in (i) non-standardized projects with an objective to serve financing needs of the real economy and (ii) standard securities such as shares and bonds listed and traded on securities exchanges. For the specific asset management business, Huarong Securities sets specific investment targets according to the special requirements and asset base of the clients and provide asset management services through segregated accounts. Under the specific asset management business, Huarong Securities primarily invests in equity, bonds and other property rights which are not tradable through security exchanges. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the asset under management of Huarong Securities was RMB15,381.4 million, RMB66,626.0 million, RMB79,184.6 million and RMB106,975.9 million, respectively, representing a CAGR of 126.9% from 2012 to 2014. In 2012, 2013, 2014, and for the six months ended June 30, 2015, the income from Huarong Securities' asset management business was RMB64.0 million, RMB206.1 million, RMB137.0 million and RMB548.4 million, respectively.

The asset management business of Huarong Securities is widely recognized for its expertise and competitive advantages in the industry. In 2014, Huarong Securities issued 83 asset management schemes, and had a total number of 185 existing asset management schemes as of December 31, 2014. According to the Asset Management Association of China, the assets under management of collective asset management schemes of Huarong Securities was RMB25,849 million as of December 31, 2014, representing a market share of 3.9% and ranking fifth in the industry. According to the ranking of the asset management businesses of securities companies in 2013 organized by the asset management research center of the 21st Century Business Herald, Huarong Securities ranked fourth in terms of comprehensive competitiveness and ranked first in term of product capability. The asset management department of Huarong Securities was named the Best Asset Management Department for PRC Securities Companies and the Best Asset Management Team for PRC Securities Companies by Money Weekly in 2010 and 2012, respectively. Huarong Securities was awarded "Best Securities Company for Asset Management of the Year" in the 12th Financial and Economic Fengyun List (財經風雲榜) in 2014.

Huarong Securities also conducts mutual fund management business. In December 2013, Huarong Securities obtained a license to carry out mutual fund management business, and became the first securities company approved by CSRC to conduct securities investment mutual fund management business through a primary division. The securities investment mutual fund management business of Huarong Securities engages in fund raising, fund sales and fund management, providing investors with various investment and wealth management products such as cash management, equity and fixed-income products. In September 2014, Huarong Securities issued Huarong Cash Income Money Market

Fund, which was the first mutual fund product issued by a primary division of a securities company in China. In April 2015, Huarong Securities issued the Huarong Xinrui Flexible Allocation Hybrid Securities Investment Fund.

### *Financial leasing*

We operate our financial leasing business through Huarong Financial Leasing. Huarong Financial Leasing is a financial institution licensed by the CBRC to primarily engage in financial leasing business, and is one of the earliest financial leasing companies in China. "Huarong Financial Leasing" has become one of the most renowned brands in the PRC financial leasing industry. As of December 31, 2014, Huarong Financial Leasing had total assets of RMB72,098.7 million, net assets of RMB7,329.5 million and ROAE of 19.3%, ranking the eighth, the seventh and the first among the 26 financial leasing companies in China, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net finance lease receivables of Huarong Financial Leasing was RMB48,439.0 million, RMB56,379.5 million, RMB64,393.1 million and RMB73,836.4 million, respectively, representing a CAGR of 15.3% from 2012 to 2014; and in 2012, 2013 and 2014 and for the six months ended June 30, 2015 the net profit of Huarong Financial Leasing was RMB1,006.4 million, RMB1,206.3 million, RMB1,318.0 million and RMB667.0 million, respectively, representing a CAGR of 14.4% from 2012 to 2014. In January 2015, the registered capital of Huarong Financial Leasing increased from RMB2,500.0 million to RMB5,000.0 million. According to the 2015 World Leasing Yearbook, as of the end of 2013, the market penetration rate of the leasing industry in the PRC was 3.1%, significantly lower than that of other major economies, such as 31.0% in the United Kingdom and 22.0% in the United States. The PRC leasing industry is still at the early stage of its development and has significant growth potential.

Huarong Financial Leasing has recorded solid operational performance, effective cost management, outstanding asset quality and excellent profitability in the Track Record Period. The table below sets forth certain key financial and operation indicators of Huarong Financial Leasing as of the dates and for the periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (Percentage) | | | |
| **Profitability indicators** | | | | |
| ROAA[(1)(9)] | 2.1% | 2.1% | 2.0% | 1.7% |
| ROAE[(2)(9)] | 19.9% | 20.5% | 19.3% | 16.0% |
| Net interest spread[(3)(9)] | 3.6% | 3.8% | 3.0% | 3.0% |
| Net interest margin[(4)(9)] | 3.8% | 3.9% | 3.3% | 3.5% |
| Cost-to-income ratio[(5)] | 21.8% | 22.1% | 17.4% | 15.3% |
| **Asset quality indicators** | | | | |
| Non-performing asset ratio[(6)] | 1.0% | 1.0% | 1.1% | 1.0% |
| Provision coverage ratio[(7)] | 159.1% | 144.1% | 132.7% | 161.5% |
| **Capital adequacy indicators** | | | | |
| Core capital adequacy ratio[(8)] | 10.2% | 10.2% | 10.3% | 11.5% |
| Capital adequacy ratio[(8)] | 10.8% | 10.5% | 10.6% | 12.0% |

(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.
(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.
(9) For illustration, the annualized figure for each of the ROAA, ROAE, net interest spread and net interest margin for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return rate by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

The table below sets forth a breakdown of our income from the financial leasing business based on business lines for the periods indicated.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Sale and leaseback | 3,224.6 | 83.7% | 3,620.0 | 80.8% | 4,190.7 | 80.3% | 2,285.7 | 80.9% |
| Direct leasing | 568.1 | 14.7% | 703.5 | 15.7% | 963.5 | 18.5% | 505.8 | 17.9% |
| Others | 58.9 | 1.6% | 154.7 | 3.5% | 64.3 | 1.2% | 35.4 | 1.2% |
| **Total** | **3,851.6** | **100.0%** | **4,478.2** | **100.0%** | **5,218.5** | **100.0%** | **2,826.9** | **100.0%** |

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. Sale and leaseback is a form of financial leasing under which the lessee sells its own fixed assets to Huarong Financial Leasing and simultaneously enters into a financial leasing agreement with Huarong Financial Leasing to lease back such fixed assets. In respect to direct leasing, Huarong Financial Leasing, based on the lessees' application, purchases equipment under the lease on terms agreed by the lessees from suppliers designated by the lessees, and then transfers the right to possess, use and profit from the equipment under the lease to the lessees in exchange for lease payments from the lessees. Operating leasing is characterized by the provision of a short-term rights to use the leased items. In the course of the operating leasing, the lessee shall have the rights to use the equipment in exchange for a lease payment. Huarong Financial Leasing retains the ownership of equipment that is the subject of an operating lease.

Huarong Financial Leasing has vigorously developed the business of direct leasing and operating leasing, with income from direct leasing as a percentage of its total income increasing from 14.7% in 2012 to 18.5% in 2014. Huarong Financial Leasing has emphasized the development of the manufacturer leasing business within its direct leasing business line. Huarong Financial Leasing has established strategic cooperation relationships with equipment manufacturers who are in pursuit of expanding sales, but are unable to undertake a large amount of credit sales or hire-purchase to their customers. The equipment manufacturers recommend their customers to Huarong Financial Leasing, which pays the consideration for the equipment and provides financial leasing services for the recommended purchasers. With respect to its operating leasing business, Huarong Financial Leasing emphasizes the development of vessel and engineering machinery leasing business. The development of direct leasing and the operating leasing businesses is of significant importance to changing the profit model, enhancing long-term profitability and strengthening comprehensive competitiveness for Huarong Financial Leasing and has effectively enhanced its development potential.

Huarong Financial Leasing provides customized, professionalized and serialized products and highly effective and convenient financial leasing services for its clients, such as specialized manufacturer leasing products targeting the financing demands of small and medium enterprises. By analyzing the features of various clients and screening the payment capacity of clients, Huarong Financial Leasing has independently developed and set up the first internal rating system in the industry for the scientific rating of clients and indebtedness. This system uses specific measurement tools for quantifying risks, coupled with a leading risk pricing mechanism to ensure strong profitability.

As of June 30, 2015, we conducted our financial leasing business in 30 provinces in China. Our clients are mainly from industries such as manufacturing, water resources, environment and public facilities management, transportation, warehousing and postal services. In particular, through providing integrated comprehensive and flexible financial leasing products to clients in industries such as manufacturing, public transportation, environmental protection and energy, healthcare and shipping, Huarong Financial Leasing serves the real economy, contributes to livelihood projects, promotes green leasing and supports the development of the marine economy. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of finance lease receivables from the so-called pan-livelihood industries, including healthcare, environment protection and public transportation industries, was RMB20,101.7 million, RMB25,590.1 million, RMB30,435.0 million and RMB39,609.0 million, accounting for 41.5%, 45.4%, 47.3% and 53.6%, respectively, of the total balance of finance lease receivables. The table below sets forth the components of our balance of finance lease receivables by industry as of the dates indicated.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Manufacturing | 22,251.1 | 45.9% | 20,943.7 | 37.1% | 21,776.4 | 33.8% | 23,444.3 | 31.7% |
| Water resources, environment and public facility management | 3,348.4 | 6.9% | 9,028.3 | 16.0% | 13,353.9 | 20.7% | 18,520.0 | 25.1% |
| Transportation, warehousing and postal services | 6,790.1 | 14.0% | 6,533.8 | 11.6% | 7,725.2 | 12.0% | 9,279.0 | 12.6% |
| Construction | 734.5 | 1.5% | 1,247.6 | 2.2% | 1,718.9 | 2.7% | 1,755.4 | 2.4% |
| Mining | 607.3 | 1.3% | 1,606.1 | 2.8% | 1,421.8 | 2.2% | 1,239.0 | 1.7% |
| Leasing and business services | 826.3 | 1.7% | 2,343.9 | 4.2% | 3,030.9 | 4.7% | 3,062.7 | 4.1% |
| Real estate | 380.8 | 0.8% | 97.6 | 0.2% | 302.4 | 0.5% | 272.2 | 0.4% |
| Others | 13,500.5 | 27.9% | 14,578.5 | 25.9% | 15,063.6 | 23.4% | 16,263.8 | 22.0% |
| **Total** | **48,439.0** | **100.0%** | **56,379.5** | **100.0%** | **64,393.1** | **100.0%** | **73,836.4** | **100.0%** |

In the Chinese market, our financial leasing business focuses on identifying and developing high quality clients including large, ultra-large and industry-leading enterprises as well as listed companies. We have established an extensive and diversified client base. In the meantime, we have also developed financial leasing business in industries conforming to the national industrial policy and the macroeconomic regulation and control policy and strengthened cooperation with key industries and major enterprises, in order to increase the proportion of high quality clients and enhance client loyalty.

In the Zhejiang market, our financial leasing business focuses on developing and maintaining small and medium enterprises clients with growth potential. According to the needs of small and medium enterprises, we continue to innovatively develop leasing products and provide support in terms of human resources, funding and operation procedures. In recent years, the number of small and medium enterprise clients of our financial leasing business has grown rapidly, and the amount of income has experienced constant increase.

Huarong Financial Leasing mainly finances its financial leasing transactions with bank loans, borrowings from banks and other financial institutions and bond issuance. Huarong Financial Leasing was the first financial leasing company to issue financial bonds in the PRC. In May 2010, it issued three-year fixed rate financial bonds in the amount of RMB500 million and five-year fixed rate financial bonds in the amount of RMB500 million. In June 2015, Huarong Financial Leasing issued three-year floating rate financial bonds in the amount of RMB1,000 million. Huarong Financial Leasing is among the first batch of non-bank financial institutions approved by the CBRC to engage in the securitization of leased assets. Huarong Financial Leasing completed its first leased assets securitization project in December 2014 and issued asset-backed securities in the amount of RMB644 million in the interbank bond market.

***Banking***

We conduct our banking business in China through Huarong Xiangjiang Bank. Huarong Xiangjiang Bank is a regional bank with strong comprehensive capabilities and market competitiveness. It ranked 32nd among the top 100 enterprises in Hunan in 2014. As of December 31, 2012, 2013 and 2014, and June 30, 2015, total assets of Huarong Xiangjiang Bank was RMB131,594.9 million, RMB148,107.7 million, RMB165,326.1 million and RMB182,561.6 million, respectively; total loans was RMB37,967.2 million, RMB47,195.1 million, RMB60,765.0 million and RMB71,018.7 million, respectively; total deposits was RMB70,051.8 million, RMB87,925.7 million, RMB117,402.0 million and RMB136,473.6 million, respectively. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, net profit attributable to the parent company was RMB1,122.9 million, RMB1,543.1 million, RMB2,037.1 million and RMB1,158.8 million, respectively.

During the Track Record Period, Huarong Xiangjiang Bank maintained rapid growth of its assets and significant improvement in its profitability. From 2012 to 2014, the CAGR of total assets of Huarong Xiangjiang Bank was 12.1%. From 2012 to 2014, the CAGR of profit for the year of Huarong Xiangjiang Bank was 34.3%.

During the Track Record Period, Huarong Xiangjiang Bank maintained high asset quality, good risk resistance capability and adequate capital levels. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the NPL ratio of Huarong Xiangjiang Bank was 0.23%, 0.38%, 0.78% and 0.94%, respectively. Its provision to NPL ratio was 457.9%, 376.2%, 250.1% and 223.1%, respectively. As of December 31, 2012, its core capital adequacy ratio and capital adequacy ratio, both calculated according to the Administrative Measures for Capital Adequacy Ratio of Commercial Banks promulgated by CBRC, were 9.4% and 11.8%, respectively. As of December 31, 2013 and 2014, and June 30, 2015, its core tier-1 capital adequacy ratio, calculated according to the Administrative

Measures for Capital Management of Commercial Banks (Provisional) promulgated by CBRC, was 9.9%, 9.3% and 9.2%, respectively, and its capital adequacy ratio, calculated according to the same regulation, was 11.9%, 10.9% and 12.8%, respectively. In 2014, 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.

Huarong Xiangjiang Bank finds its roots in the local economy, focuses on small banks, projects, clients, enterprises and products and aims to develop as a boutique, professional and unique bank. Its business model is characterized as: "small, boutique, professional, innovative and unique". Huarong Xiangjiang Bank focuses on serving the local economy, small and micro enterprises, rural areas, agriculture and farmers and the livelihood of the population. From 2012 to 2014, CAGRs of retail loans, loans to small and micro enterprises and retail deposits was 48.2%, 92.5% and 19.2%, respectively. Huarong Xiangjiang Bank has developed competitive advantages in retail businesses and small and micro businesses. With its specialized business model, compelling performance and quality services, Huarong Xiangjiang Bank has become one of the most reputable city commercial banks in Hunan and received a number of awards, including the Excellent Financial Services Team for Small and Micro Enterprises among Banking Financial Institutions in China awarded by the Changsha Central Branch of PBOC to the Small and Micro Enterprises Business Department of the head office of Huarong Xiangjiang Bank in 2012.

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

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| **Profitability indicators** | | | | |
| ROAA(1)(12) | 1.0% | 1.1% | 1.3% | 1.3% |
| ROAE(2)(12) | 19.2% | 19.2% | 19.9% | 20.5% |
| Net interest spread(3)(12) | 2.5% | 2.5% | 2.9% | 2.9% |
| Net interest margin (4)(12) | 2.5% | 2.5% | 3.0% | 3.0% |
| Cost-to-income ratio(5) | 47.6% | 44.8% | 39.5% | 35.4% |
| **Asset quality indicators** | | | | |
| Non-performing loan ratio(6) | 0.23% | 0.38% | 0.78% | 0.94% |
| Provision to non-performing loan coverage ratio(7) | 457.9% | 376.2% | 250.1% | 223.1% |
| Provision to total loan ratio(8) | 1.1% | 1.4% | 2.0% | 2.1% |
| **Capital adequacy indicators** | | | | |
| Core capital adequacy ratio(9) | 9.4% | — | — | — |
| Core tier-1 capital adequacy ratio(9) | — | 9.9% | 9.3% | 9.2% |
| Capital adequacy ratio(9) | 11.8% | 11.9% | 10.9% | 12.8% |
| **Other indicators** | | | | |
| Loan to deposit ratio(10) | 54.2% | 53.7% | 51.8% | 52.0% |
| Liquidity ratio(11) | 38.4% | 36.3% | 40.0% | 43.2% |

(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 interested 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 non-performing loan divided by total loan.
(7) Provision to non-performing loan coverage ratio equals asset impairment provisions divided by non-performing loans.
(8) Provision to total loan ratio equals asset impairment provisions divided by total loans.
(9) Core capital adequacy ratio and capital adequacy ratio are calculated according to CBRC regulations. In 2013, the core tier-1 capital adequacy ratio and the capital adequacy ratio were calculated according to the latest guideline promulgated by the CBRC. In 2012, the core capital adequacy ratio and the capital adequacy ratio were calculated according to the Administrative Measures for Capital Adequacy Ratio of Commercial Banks.
(10) Loan to deposit ratio equals total loans and advanced divided by total deposits.
(11) Liquidity ratio calculated according to CBRC regulations.
(12) For illustration, the annualized figure for each of the ROAA, ROAE, net interest spread and net interest margin for the six months ended June 30, 2015 as illustrated in the table above was calculated by multiplying the actual return rate for the six months ended June 30, 2015 by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

*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 fee and commission based services, for corporate banking clients under the brand of “Cai Zhi Rong” (財智融). As of December 31, 2012, 2013 and 2014, and June 30, 2015, corporate loans of Huarong Xiangjiang Bank was RMB32,630.1 million, RMB38,610.2 million, RMB49,043.3 million and RMB56,716.9 million, representing 85.9%, 81.8%, 80.7% and 79.9%, respectively, of its total loans. Corporate deposits was RMB41,715.9 million, RMB48,701.9 million, RMB65,997.9 million and RMB77,037.5 million, representing 59.6%, 55.4%, 56.2% and 56.4%, respectively, of its total deposits.

Huarong Xiangjiang Bank has proactively developed its business model for serving small and micro enterprises and has established a financial product system that covers the full business life cycle of small and micro enterprises. Huarong Xiangjiang Bank provides liquidity credit services, loans for fixed assets and domestic trade financing services for small and micro enterprises. It has also introduced “Geili Loans” (給力貸), a series of products tailored to small and micro enterprises. “Geili Loans” include various featured financing products such as portfolio loans, cross-guarantee loans, property loans, industrial property mortgage loans, quick loans, credit loans, unsecured loans and modularized industrial solutions. These products have different requirements as to security measures, such as asset portfolio guarantees, high value collateral, weak guarantees as well as unsecured loans. The loan products offered by Huarong Xiangjiang Bank can meet the financing needs of all types of small and micro enterprises. The products of “Geili Loans” and “Zuhe Loans” (組合貸) were granted the title of Distinctive Financial Services for Small and Micro Enterprises among Banking Financial Institutions in China by the CBRC.

Meanwhile, Huarong Xiangjiang Bank has established standardized and formalized procedures for the operation and management of our services to small and micro enterprises, based on the characteristics of small and micro enterprises, and established a modularized batch credit approval mechanism with advanced approval and parallel operation. By adjusting our channel development, product design, streamlined procedures and organizational structure, Huarong Xiangjiang Bank has introduced financial services solutions in batch for small and micro enterprises including core enterprises platform, government credit platform, business circles and zones platform as well as unions and associations platform. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of loans to small and micro enterprises of Huarong Xiangjiang Bank was RMB3,295.5 million, RMB5,782.3 million, RMB12,213.2 million and RMB14,667.5 million, respectively, representing 10.1%, 15.0%, 24.9% and 35.2% of its total corporate loans, respectively.

*Retail banking business*

Huarong Xiangjiang Bank provides diversified products and services to retail banking clients, such as retail loans, retail deposits, bank cards as well as fee and commission based services. The retail banking business of Huarong Xiangjiang Bank has experienced significant growth in recent years. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of retail loans of Huarong Xiangjiang Bank was RMB5,337.0 million, RMB8,584.8 million, RMB11,721.7 million and RMB14,301.8 million, respectively, representing 14.1%, 18.2%, 19.3% and 20.1% of its total loans, respectively; the balance of retail deposits of Huarong Xiangjiang Bank was RMB20,505.4 million, RMB25,351.6 million, RMB29,145.2 million and RMB33,975.8 million, respectively, representing 29.3%, 28.8%, 24.8% and 24.9% of its total deposits, respectively.

Huarong Xiangjiang Bank offers various innovative products and services under its retail banking business, such as "Rongyi Loans" (融易貸), "Rongzhi Wealth Management" (融智理財) and "Rongtong Financing" (融通天下). In particular, "Rongyi Loans" provide personal loan products for consumption, investment and business operations. "Rongzhi Wealth Management" provides services such as wealth management, third-party custody and management as well as agency services for insurance, trust and precious metal. E-banking products provided under the "Rongtong Financing" brand include Huarong cards, business cards, online banking, mobile banking, text message banking and Alipay cards. 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, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Loans for production and operations | 3,144.4 | 58.9% | 4,509.0 | 52.5% | 6,488.7 | 55.4% | 6,905.8 | 48.3% |
| Residential property loans | 1,144.8 | 21.5% | 2,283.1 | 26.6% | 3,926.7 | 33.5% | 5,271.1 | 36.9% |
| Others | 1,047.8 | 19.6% | 1,792.7 | 20.9% | 1,306.3 | 11.1% | 2,124.9 | 14.8% |
| **Total** | **5,337.0** | **100.0%** | **8,584.8** | **100.0%** | **11,721.7** | **100.0%** | **14,301.8** | **100.0%** |

*Financial market business*

The financial market business of Huarong Xiangjiang Bank primarily include (i) short-term borrowings and loans from and to other domestic banks and non-bank financial institutions; and (ii) repurchases and reverse repurchases of securities with other domestic banks and non-bank financial institutions. The underlying securities of repurchase and reverse repurchase transactions consist primarily of bonds issued by the PRC central government and policy banks, as well as bank acceptance bills. 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, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Deposits with financial institutions, placements with financial institutions and balance of financial assets purchased under resale agreements | 42,824.5 | 45,188.5 | 26,001.7 | 24,398.6 |
| Deposits from financial institutions, placements from financial institutions and balance of financial assets sold under repurchase agreements | 52,068.4 | 46,789.5 | 32,009.4 | 25,521.3 |

*Distribution network*

As of June 30, 2015, Huarong Xiangjiang Bank's business network covers all of Hunan Province, with 14 branches across Changsha City, Xiangtan City, Zhuzhou City, Hengyang City, Yueyang City, Shaoyang City, Chenzhou City, Changde City, Huaihua City, Yiyang City, Loudi City, Yongzhou City, Zhangjiajie City and Xiangxi Autonomous Prefecture, one banking operations outlet at its head office and 219 business outlets. It also controls Xiangxiang Town and Village Bank.

**Asset Management and Investment Business**

Benefiting from capital, customer and technical advantages accumulated from our distressed asset management business and financial services business, our asset management and investment business includes asset management, financial investments, international business and other businesses. It primarily generates commission and fee income, as well as investment income. Our asset management and investment business enhances the overall profitability of our 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 our distressed asset management business and serves as an important platform for providing our clients with a comprehensive array of diversified asset management, investment and financing services. Leveraging: (i) our asset management capability and the project resources accumulated from our distressed asset management business; and (ii) the diversified financial channels, customer resources and sales and marketing channels provided by our financial services subsidiaries, we are able to effectively conduct third-party asset management business and continuously explore an "asset-light" and "capital-light" profit model. We can do this while simultaneously reducing our credit and liquidity risks. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the total assets of our asset management and investment business was RMB22,559.5 million, RMB22,189.1 million, RMB42,100.8 million and RMB84,331.4 million, respectively, representing 7.2%, 5.4%, 7.0% and 11.5%, respectively, of our total assets. In 2012, 2013, 2014, and the six months ended June 30, 2015, the total income from our asset management and investment business was RMB4,206.3 million, RMB4,326.5 million, RMB5,049.7 million and RMB5,081.6 million, respectively, representing 16.1%, 11.6%, 9.9% and 13.4%, respectively, of our total income.

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

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| **Asset management** | | | | |
| ***Trust*** | | | | |
| Outstanding trust AUM as of the end of period | 70,010.2 | 97,050.3 | 145,001.5 | 179,103.2 |
| Total trust income for the period | 1,678.9 | 1,959.5 | 2,073.7 | 913.7 |
| Including: Trust commission and fee income for the period | 1,512.5 | 1,769.3 | 1,505.9 | 646.7 |
| Profit before tax for the period | 874.2 | 1,078.8 | 979.8 | 405.6 |
| ***Private fund*** | | | | |
| Total committed capital as of the end of period | 4,890.2 | 9,538.2 | 14,034.1 | 36,909.3 |
| Total income for the period | 86.0 | 144.6 | 267.7 | 419.8 |
| **Financial investments** | | | | |
| Balance of financial investments as of the end of period(1) | 10,185.7 | 8,196.5 | 12,244.1 | 20,134.9 |
| Investment income from financial investments for the period(2) | 1,082.2 | 1,274.2 | 1,109.9 | 611.1 |
| **International business** | | | | |
| Total assets as of the end of period | — | 1,188.0 | 13,389.0 | 35,758.4 |
| Total income for the period | — | 82.2 | 714.9 | 2,412.3 |
| Profit before tax for the period | — | 48.1 | 384.5 | 1,415.1 |
| **Other businesses** | | | | |
| Total income for the period | 1,359.2 | 866.0 | 883.5 | 724.7 |

(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 Accountants’ 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 Accountants’ Report attributable to the asset management and investment segment of the Company.

### *Asset management business*

We satisfy our clients’ customized wealth management needs through our third-party asset management business. Our asset management business mainly includes our trust business and private fund business.

*Trust business*

We conduct our trust business primarily through Huarong Trust. Our trust business 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. With its diversified business structure and broad range of product types, Huarong Trust continuously improves its professional capabilities in product design and provides its clients with customized trust products. Huarong Trust was among the first batch of trust companies in the PRC trust industry to introduce collective trusts for small and medium enterprises, and to offer general purpose trusts and other innovative trust products. It has also developed a series of financial services solutions for high-net-worth individual and institutional clients, which enable it to provide comprehensive trust services covering the whole process of investment and financing. 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.

Huarong Trust is widely recognized in the industry and has received the following awards during the Track Record Period:

- the Excellent Wealth Management Center for the Year award from the 2014 China Trust Summit and the Seventh China Excellent Trust Company Contest organized by Securities Times;
- the Best Brand Award from the Third and the Second Lead China Financial Industry Annual Awards jointly organized by the PBC School of Finance of Tsinghua University and JRJ.com in 2014 and 2013, respectively;
- ranked the sixth in the 2013 Trust Company Comprehensive Financial Strength Ranking by the China Trustee Association;
- the Excellent Wealth Management Center award in the 2013 Wealth Management Forum and the Sixth China Excellent Trust Company Contest jointly organized by Securities Times and New Fortune magazine;
- the Excellent Financial Services Brand award of the "Golden Tripod Awards" in the 2013 China International Financial Exhibition;
- the Golden Bull Collective Trust Company Award in the 2012 "Golden Bull Financial Products" contest jointly organized by China Securities Journal and jnlc.com; and
- the Gold Medal Growth Trust Company for the Year award of the Golden Pixiu Awards in the Third China Gold Medal Wealth Management TOP Ten Overall Ranking organized by Financial Money in 2012.

Benefiting from industry development opportunities, and Huarong Trust's active marketing strategy and conservative risk management capability, we steadily developed our trust business. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our outstanding trust AUM was RMB70,010.2 million, RMB97,050.3 million, RMB145,001.5 million and RMB179,103.2 million, respectively, representing a CAGR of 43.9% from 2012 to 2014. As of December 31, 2012, 2013 and 2014, and June 30, 2015, we managed 181, 240, 331 and 391 existing trust projects, respectively. In 2012, 2013, 2014 and the six months ended June 30, 2015, the commission and fee income generated from Huarong Trust's trust business was RMB1,512.5 million, RMB1,769.3 million, RMB1,505.9 million and RMB646.7 million, respectively.

According to the product nature, our trust products can be divided into fund trusts and property rights trusts. Fund trusts refer to trusts where the trustor, based on its confidence in Huarong Trust, entrusts its lawfully owned fund to Huarong Trust for management, application and disposal according to the principal's wishes in its name, for the benefit of the beneficiary or particular purposes. Based on client type, our fund trust products can be classified as individual trust schemes and collective trust schemes. An individual trust scheme is a trust where the trustor is an individual entity, and the trustee individually manages and disposes of each client's trust property, and is based on a one-on-one engagement by each client of the trustee. A collective trust scheme is a trust where the trustee manages and disposes of a number of clients' trust properties as a whole. Property right trusts refer to trusts where the trustor entrusts the ownership of its tangible properties, intangible properties or other rights to Huarong Trust for management and application on its behalf, so as to fulfill the principal's special goals and benefits. The table below sets forth the breakdown of the balance of our trust products by product nature and client type as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Collective fund trust schemes | 46,722.9 | 46,371.5 | 64,971.7 | 91,057.7 |
| Individual fund trust schemes | 21,629.4 | 45,119.3 | 72,269.4 | 79,543.5 |
| Property right trust schemes | 1,658.0 | 5,559.5 | 7,760.4 | 8,502.1 |
| **Total** | **70,010.2** | **97,050.3** | **145,001.5** | **179,103.2** |

Our trust products can also be classified into financing, investment and non-discretionary products by investment approaches. Through our financing trust products, we extend trust loans to borrowers in order to fulfill their funding needs. In addition, we act as an investment manager to invest trust properties and provide investment trust products such as private equity investment trust products and securities investments trust products. Furthermore, we also provide non-discretionary trust products and act in accordance with specific terms of the entrustment. The table below sets forth the breakdown of our trust products, by investment approach, as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Financing | 59,188.7 | 76,908.8 | 108,437.8 | 120,559.9 |
| Investment | 10,772.0 | 19,857.0 | 32,056.9 | 38,851.8 |
| Non-discretionary | 49.5 | 284.5 | 4,506.8 | 19,691.5 |
| **Total** | **70,010.2** | **97,050.3** | **145,001.5** | **179,103.2** |

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

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Industry and commerce | 30,585.7 | 34,888.5 | 43,469.6 | 43,321.4 |
| Financial institutions | 3,412.0 | 12,100.7 | 33,457.3 | 43,717.3 |
| Securities investment | 8,372.0 | 14,560.8 | 23,405.8 | 37,676.2 |
| Infrastructure | 16,904.5 | 18,398.6 | 21,952.9 | 25,920.1 |
| Real estate | 6,762.5 | 9,425.6 | 18,237.6 | 25,109.9 |
| Others | 3,973.5 | 7,676.1 | 4,478.3 | 3,358.3 |
| **Total** | **70,010.2** | **97,050.3** | **145,001.5** | **179,103.2** |

*Private fund business*

Our private fund business covers equity investment, equity investment management, fixed income investment and investment advisory services. We actively seek investment opportunities arising from the restructure, reorganization and listing of high quality state-owned enterprises in accordance with PRC industrial policies and the directions of PRC economic development and industrial restructuring, focusing on enterprise restructure, pillar industries' development, industry integration, economic structure adjustments and industry upgrades. Meanwhile, we explore investment opportunities of high-growth private enterprises and focus on top enterprises at their mature stage, leading enterprises at their growing stage, industrial cluster enterprises with growth potential and high quality enterprises working with industrial clusters. We conduct our private fund business mainly through Huarong Yufu.

Our private fund business has several competitive advantages, including extensive client resources, nationwide network layout, comprehensive financial services capabilities and an experienced and professional team. We have established close cooperation with our portfolio companies, evidenced in both the capital support and comprehensive financial services we provide for them. This enables us to tap into potential growth value of those enterprises, provide targeted value-added services, promote continuous development, maximize their enterprise value, achieve value appreciation for our equity investments and ultimately create value for our shareholders. In 2014, Huarong Yufu was granted the registration certificate of private fund manager by the Asset Management Association of China, and became a financial institution, recognized by CSRC, which can conduct a full range of private fund management business (including private securities investment, equity investment and venture capital).

As of June 30, 2015, Huarong Yufu managed a total of 23 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 we manage 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 our private fund business.

| | As of and for the year ended December 31, 2014 | As of and for the six months ended June 30, 2015 |
|---|---|---|
| | (in millions of RMB, except numbers of funds) | |
| Number of funds managed[1] | 17 | 23 |
| Total committed capital | 14,034.1 | 36,909.3 |
| Total paid-in capital | 13,793.0 | 35,583.9 |
| Total income for the period | 267.7 | 419.8 |

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

### *Financial investment business*

Our financial investment business mainly refers to fixed income investments and equity investments conducted by the Company. In addition, we also take full advantage of the features of fixed income investments and equity investments, and make mezzanine investments in enterprises that are ready for IPO. This allows us to not only earn stable returns through fixed income investments, but also have greater upside potential through conversion rights or warrants. Our mezzanine investment projects are managed as either fixed income investment or equity investment, based on the nature of the investment. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of our financial investments was RMB10,185.7 million, RMB8,196.5 million, RMB12,244.1 million and RMB20,134.9 million, respectively. In 2012, 2013, 2014, and the six months ended June 30, 2015, income from our financial investment business was RMB1,082.2 million, RMB1,274.2 million, RMB1,109.9 million and RMB611.1 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, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | (in millions of RMB, except percentages) | | | | | | | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Fixed income investments | 7,636.4 | 75.0% | 6,889.7 | 84.1% | 10,798.9 | 88.2% | 18,376.0 | 91.3% |
| Equity investments | 2,549.3 | 25.0% | 1,306.8 | 15.9% | 1,445.2 | 11.8% | 1,758.9 | 8.7% |
| **Total** | **10,185.7** | **100.0%** | **8,196.5** | **100.0%** | **12,244.1** | **100.0%** | **20,134.9** | **100.0%** |

*Fixed income investment*

Our fixed income investment business aims to receive fixed return and utilizes our 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. We mainly provide financing to borrowers through trust plans established by independent third parties, limited liability partnerships and dedicated asset management plans. As of December 31, 2012, 2013 and 2014, and June 30, 2015, the balance of our fixed income financial investment was RMB7,636.4 million, RMB6,889.7 million, RMB10,798.9 million and RMB18,376.0 million, respectively.

*Equity investments*

We utilize our own funds to invest in stocks of unlisted and listed enterprises and other equity interests. We make equity investments in unlisted enterprises which are qualified for listing and have clear listing plans, or participate in strategic placings of enterprises at offering stage. We make equity investments in listed companies mainly through participating in their placings or private placements. Our investment in other equity interests include investments in wealth management products of securities companies and interests in limited partnership entities. Our equity investments focus on the energy industry and the machinery manufacturing industry. We accelerate the consolidation and reorganization of such enterprises through our 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, 2012, 2013 and 2014, and June 30, 2015, the balance of our equity financial investments was RMB2,549.3 million, RMB1,306.8 million, RMB1,445.2 million and RMB1,758.9 million, respectively.

***International business***

We conduct our 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 investments 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, 2013 and 2014, and June 30, 2015, the assets of Huarong International was RMB1,188.0 million, RMB13,389.0 million and RMB35,758.4 million, respectively. In 2013 and 2014, and for the six months ended June 30, 2015, the income of Huarong International was RMB82.2 million, RMB714.9 million and RMB2,412.3 million, respectively.

In addition, in order to further enhance the capabilities of Huarong International, develop overseas business and promote the coupling and synergy of domestic and overseas businesses, Huarong International entered into a subscription agreement in January 2015, and two supplemental subscription agreements (together with the subscription agreement, the "Subscription Agreements") in March and May 2015, respectively, with Simsen International, providing that Huarong International would subscribe 1,702.3 million new shares (the "Subscription Shares") of Simsen International at the subscription price of HK$0.275 (the "Subscription Price") per subscription share. The aggregate subscription consideration amounts to HK$468.2 million (the "Subscription Consideration"). Such new shares represent 51.93% of the entire issued share capital of Simsen International as enlarged by the issuance of the new shares (the "Subscription"). The Subscription Price was arrived at after arm's length negotiations between the Group and Simsen International with reference to (i) the unaudited net asset per share of approximately HK$0.153 as at October 31, 2014 (assuming that a distribution is completed and convertible notes are fully converted); (ii) the volume of the Subscription Shares; (iii) the recognizable brand name, extensive network, solid financial prowess and well-qualified professionals of the Group; (iv) the financial, operational, managerial and brand-promotional supports for Simsen International from the Group; (v) future development plans of the Group regarding Simsen International; (vi) a non-competition undertaking given to Simsen International by the Group; (vii) a contemplated fund injection to Simsen International from the Group; (viii) synergies to be brought by the Group into Simsen International; and (ix) expected prospects of Simsen International after completion of the Subscription. According to the published annual report of Simsen International, for the financial years ended April 30, 2013, 2014 and 2015, an annual loss of HK$56.9 million, an annual profit of HK$45.2 million and an annual profit of HK$32.5 million were recorded for Simsen International, respectively.

As of the Latest Practicable Date, Simsen International is principally engaged in the business of providing broking and dealing of securities, futures and options contracts, margin financing, advisory on corporate finance, asset management and insurance consultancy services, broking and dealing of bullion and foreign exchange contracts and loan financing. After the Subscription, Huarong International will have access to Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) licenses issued under the Securities and Futures Ordinance. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Simsen International and its ultimate beneficial owners is independent of the Company and its connected persons, and the Subscription is in compliance with the best interests of the Company and its shareholders. The Group has made an application to the SFC for a whitewash waiver in respect of the Group's obligation to make a mandatory general offer to the shareholders of Simsen International in respect of the shares and securities issued by Simsen International not already owned or agreed to be acquired by the Group as a result of the Subscription in accordance with the Code on Takeovers and Mergers. On July 23, 2015, the SFC granted the whitewash waiver to the Group subject to, among other things, the approval of the Subscription and the whitewash waiver by the independent shareholders of Simsen International at the special general meeting. On July 24, 2015 the independent shareholders at the special general meeting of Simsen International approved the Subscription and the whitewash waiver. Completion of the Subscription took place in August 2015 after the conditions of the Subscription have been fulfilled.

The Listing Committee of the Stock Exchange approved the listing of, and permission to deal in, the Subscription Shares.

### *Other businesses*

We also provide consulting and advisory services related to our asset management and investment business, as well as property leasing and management services. In 2012, 2013, 2014, and for the six months ended June 30, 2015, the income from our other business was RMB1,359.2 million, RMB866.0 million, RMB883.5 million and RMB724.7 million, respectively.

## BUSINESS SYNERGIES

### Overview

Our main businesses are distressed asset management, financial services and asset management and investment. Our key strategy is to fully leverage the overall strengths of the Group, maximize the brand value of China Huarong, improve our resource utilization efficiency and enhance profitability by promoting the synergistic cooperation, segment coupling and co-development of these three major business segments. The synergies among the three segments also help us provide customized financial solutions to clients at different development stages. We are able to establish an integrated financial services value chain covering companies across all capital structures and all business life cycles through our diversified, synergetic and efficient service methods. Leveraging our diversified financial products and service methods, we provide financing across a company's capital structure, from senior debt, mezzanine debt, and subordinated debt to equity investment. We tailor-make customized financial products and services to enterprises at different stages of their business life cycles including early stage, growth stage, and maturity stage. We established a synergistic mechanism by leveraging our corporate culture of collaboration and cooperation, our synergistic management system and our profit distribution, incentive and appraisal guidelines based on market principles. Our synergistic mechanism takes our diversified business platforms as its core, resource sharing as its means and providing excellent client services and maximizing the value of the Group as its aims. With our synergistic mechanism, we are able to facilitate clear positioning, resource sharing and complementary development and coordination between the Head Office, Company Branches and subsidiaries of the Group.

We have preliminarily formed a comprehensive financial services development platform led by a strategy, guided by rules, embodied by products and supported by information platform, all of which focus on promoting synergies. As far as our synergistic strategy is concerned, we have identified the role of our Head Office as the "one body" and our Company Branches and subsidiaries as the "two wings" in our comprehensive financial services system, as well as the main business and expansion strategy of our business units and formed a complementary and synergistic comprehensive financial industry value chain. As for our synergistic rules, from the early-stage combination marketing, due diligence, launch decision-making, duties and risk-sharing of each institution to post-management of projects, we provide comprehensive and effective guidance to promote the orderly development of synergies among our businesses. We base our synergistic products on the development needs of our clients across their full life cycles and provide clients with "one basket" of financial services, including comprehensive distressed asset management and comprehensive wealth management, through cross-selling. As for our synergistic information platform, we have provided information technology support for the various operational units of the Group to share clients and cooperate in business development.

We develop our synergies under the prerequisites of voluntariness, legality, regulatory compliance and market-orientation. We have a clear-cut synergistic strategy, which is to provide client-oriented and diversified and comprehensive services through effective allocation, integration and sharing of various resources of the Group to enhance the overall competitiveness and brand influence of the Group. We have enhanced the differentiated competitive advantages of the Group through our synergies, in order to realize comprehensive, coordinated and sustainable development of the Group. We have formulated guiding principles for the synergistic business development and operation guidelines for the synergistic business development between subsidiaries and Company Branches, to explicitly identify the basic principles, means, content, process, responsibilities and rights of both parties and requirements for business synergies. We have set up a management system as well as an appraisal and incentive mechanism for the business synergies of the Group to actively cultivate a culture of realizing maximum synergies of the Group. On the basis of their own appraisal and evaluation systems, our Company Branches and subsidiaries have established synergy appraisal and incentive mechanism to promote further synergies within the Group. As for organizational structure, we have set up special departments at our Head Office, Company Branches and subsidiaries to promote business synergies and regularly convene synergy meetings of the Group, to review the implementation of business synergies and formulate future goals and work policy.

**Synergies of strategies**

We have formulated an overall strategy that is suitable for the development of the Group from the perspective of a comprehensive financial industry value chain. Subject to the overall strategy of the Group, we have also identified clear-cut role and positioning of each operating unit and have directed the subsidiaries to formulate their development strategies in line with the strategy of the Head Office. Under the guidance of the comprehensive financial services framework of the Group and the overall strategy, the subsidiaries have formulated their respective medium term and long term strategies and business development strategies suitable to their needs, so as to establish a synergistic development strategy led by the Head Office and effectively connected to each operating unit. Guided by the overall and unified strategic policy and business tactics of the Group, our operating units have effectively achieved synergies of "product clusterization" and "performance high efficiency" with respect to products and business, synergies of "core client strategy" and "one body, two wings" with respect to our institutional network and customer base, and synergies of human resources, brand, capital and information systems with respect to our internal resources.

**Synergies of products and business**

Through the consolidation of the extensive product lines of the Group into product clusters, we organize various mature products, satisfy the personalized needs of clients efficiently and provide clients with "one stop" comprehensive financial services solutions, based on our comprehensive financial services value chain. Leveraging their regional management, financial licenses and professional strengths, the Company Branches and subsidiaries jointly design comprehensive financial services products according to clients' needs, combining various financial methods. We have set up general policies and operational guidance on development of synergetic operations between all Company Branches and subsidiaries. These policies and guidelines specify the form of cooperation, scope of business, type of business, project risk, income distribution, maintenance of client relationship and subsequent management for synergetic operations. To better develop synergistic products, front offices and business departments of Company Branches and subsidiaries of each business segment publish information regarding their product standards and synergetic product cases on the centralized synergetic information platform of the Group. This deepens the concepts and utilization models of product clusters, further enhances the synergy of product clusters and improves the quality and efficiency of our comprehensive services.

We strive to achieve synergies during every stage of project execution. During the early development stage of projects, leveraging the Group's national Company Branch network, our subsidiaries significantly expand the effective geographical coverage of their client bases and business networks and increase the depth of coverage for the existing clients of the Company Branches. The deep coverage and joint marketing from our various professional teams offer a comprehensive array of expertise and joint marketing efforts to help further strengthen our relationships with our clients.

During the medium-term execution stage of projects, the network between the Company Branches and subsidiaries as well as the cooperation of our personnel enhance the execution efficiency, reduce operational costs and improve risk management of projects. Company Branches also help our subsidiaries and other Company Branches to be more focused and specific in the due diligence investigation based on the deep understanding of existing clients established in previous projects. For risk management of synergistic projects, the risk management teams of our subsidiaries, Company Branches and the Group carry out joint investigations and independent review for each project based on their respective business focus, through which we realize a comprehensive and cross-checking risk monitoring scheme, and enhance the effectiveness of our risk management.

At the post-placement management stage of projects, in the process of the regular and continuous coverage of clients, Company Branches assist subsidiaries to carry out regular inspections and supervision by making full use of the local resources and information. This allows them to understand and identify problems in a timely manner and proactively communicate with subsidiaries to solve problems in order to ensure smooth and effective post-placement management to achieve whole-process of the projects.

We have generated considerable synergistic business opportunities and significant synergistic revenues. For 2012, 2013, 2014, and the six months ended June 30, 2015, through cooperation between: (i) Company Branches and subsidiaries, (ii) Company Branches and Company Branches, (iii) Company Branches and the business department of the Head Office, (iv) subsidiaries and subsidiaries, and (v) subsidiaries and the business department of the Head Office, we have provided financing in the amount of RMB48,068.2 million, RMB57,409.3 million, RMB58,781.6 million and RMB31,672.0 million, respectively, and achieved income of RMB5,442.2 million, RMB6,484.4 million, RMB8,596.9 million and RMB2,864.4 million, respectively. The subsidiaries that have contributed the largest investments through cooperation with other entities and departments of the Group are Huarong Trust, Huarong Financial Leasing and Huarong Securities; and the subsidiaries that have achieved the largest accumulated income are Huarong Trust, Huarong Financial Leasing and Huarong Rongde. The table below demonstrates the total financing provided and total income generated by the Head Office, Company Branches and subsidiaries from synergistic cooperation for the period including 2012, 2013, 2014, and the six months ended June 30, 2015.

| | **2012, 2013, 2014 and the six months ended June 30, 2015** | |
|---|---|---|
| | **(in millions of RMB)** | |
| | **Total financing** | **Total income** |
| Achieved through Synergistic Cooperation by Head Office | 9,527.2 | 961.9 |
| Achieved through Synergistic Cooperation by Company Branches | 57,672.6 | 11,995.4 |
| Achieved through Synergistic Cooperation by Subsidiaries | 128,731.3 | 10,430.4 |
| **Total** | **195,931.1** | **23,387.7** |

**Synergies of business network and clients**

We have established a business network of "one body, two wings", with the Head Office as the body and the 31 Company Branches across the country and eight principal subsidiaries with diversified operations as the two wings, providing comprehensive services (including securities, financial leasing, banking, futures, trust, asset management, investment and real estates), which together form the basis for sharing business resources of the Group. In addition, as of June 30, 2015, Huarong Xiangjiang Bank had 14 branches, one banking operation department at its head office and 219 business outlets and Huarong Securities had 58 business outlets. Huarong International, our overseas business platform, capitalizes on the concentration of investment institutions and efficient information flow in the Hong Kong market to capture investment opportunities, gain globalized commercial resources for the Group and share information with the Company Branches, maximizing the benefits of synergistic development. Through such business network and client resource sharing system, we can systematically and efficiently achieve the synergistic effect for the clients of the Group. In respect of the DES enterprises in which we hold equity interests, we identify their needs for financial services on a timely basis and provide them with customized financial solutions.

Under the "core client strategy", we always deeply cultivate relationships with our core clients, including governments at various levels, large enterprises, large groups and large financial institutions, on a selective basis. During the course of our operations over the past 16 years, we have carefully nurtured and established robust relationships with government authorities, developed long-term strategic partnerships with large corporations and financial institutions and accumulated an extensive client base. Through information technology measures, the Group adopts centralized and standardized application and maintenance of such relationships and resources, which achieved centralized management and platform-style sharing of client resources and provides strong client resources support for our business expansion and synergistic multi-business development.

As of June 30, 2015, we had formed business cooperation relationships with 30 governments on the province, autonomous region, and direct-controlled municipality level including Beijing, Shanghai, Hunan Province and Xinjiang Autonomous Region. As of June 30, 2015, we signed 18 strategic cooperation agreements with 15 provincial level governments. Our relationships with these governments may help us secure the business opportunities financed or referred by governments, and obtain more assistance from the governments in the course of our distressed asset management business, especially for complex restructuring projects relating to distressed entities. As of June 30, 2015, we had entered into strategic cooperation agreements with 89 enterprises including Sinopec and Hangyang Limited and 84 financial institutions including Industrial and Commercial Bank of China, Bank of Communications, China Life Group and China Merchants Group. These strategic cooperative agreements cover various areas, including the acquisition-and-disposal of distressed assets, asset and debt restructuring, the redeployment and securitization of financial and non-financial assets, credit and fund management, client and channel sharing, complementary products and services, business opportunity exchanges, asset custody and agency and the exchange of professional talent and expertise. Our subsidiaries and Company Branches also benefit from these strategic cooperation agreements and client resources. Through client referrals and sharing, our subsidiaries and Company Branches obtain more opportunities to develop cooperation with local governments below provincial and municipal level and local branches and sub-branches of other strategic partners.

In the course of their own business development, our subsidiaries have also developed important client bases, which become important sources of client synergies for subsidiaries. As of June 30, 2015, we had 3 million retail clients sourced from subsidiaries engaging in banking, securities, futures, trusts and other financial services. The increasing demand from these clients for diversified financial services, along with the economic growth of China, provides valuable opportunities for cross-selling among our financial services subsidiaries.

**Synergies of internal resources**

We always strive to maximize internal resources synergies, including human resources, brand, funding, capital and information systems in order to ensure the effective execution of our synergistic operational strategy.

With respect to human resources, we have cultivated and developed a large pool of talents covering businesses such as distressed asset management, securities, financial leasing, banking, trust and real estate through our distressed asset management business and diversified financial platform business. We actively optimize the allocation of talents, professional skills and information within the Group to enhance the quality of our services and our overall return. In addition, we implement various measures such as job rotation for senior management at the Head Office, Company Branches and subsidiaries to enhance the exchange and cooperation initiatives among senior management. Our professionals provide human resource support for the implementation of the synergistic operational strategies of the Group.

With respect to brand, we have implemented the centralized brand management and promotion of the brand of "China Huarong", with vigorous publicity for our brand image centering on "a professional asset manager and prominent provider of integrated financial services". This provides powerful brand support for the rapid development of our existing businesses and the development of new business areas. We have made use of various forms including media advertisements, outdoor advertisements and title sponsorship to display the unified visual brand image, enhance the popularity of the brand of "China Huarong", and show the outstanding professional level of the Group in the asset management business and its synergistic strengths in comprehensive financial services. Our various businesses use the unified brand of China Huarong to compete in the market, effectively share the influence of the "China Huarong" brand and express our positioning more clearly, so that clients will think of China Huarong in the first instance in the course of selecting relevant products and services. As a result, within a comparatively short period of time, we have enhanced the competitiveness of our products and services. The unified use of the China Huarong brand also further increased the market influence of China Huarong and reinforced the value and attraction of the brand of China Huarong. Meanwhile, our unified brand has also managed to infuse our brand culture into the operation bodies of our various businesses, enhance their brand awareness and quality, and strengthen the cohesion and appeal for our employees.

With respect to funding, we have optimized our financing structure and funding duration, as well as decreased financing costs through the Group's overall funding planning and the continuous enhancement of our fundraising abilities domestically and internationally. We have formed a comprehensive financing system comprised of diversified financing channels at the Group level, including central bank borrowings, bank borrowings, inter-bank borrowings, domestic financial bonds, overseas U.S. dollar bonds, insurance funds, strategic equity financing, such that we can centrally provide steady and low-cost financing sources to business lines of the Group for their sustainable development.

With respect to capital, we allocate our Group's capital reasonably, scientifically and effectively based on the level of return on equity for each subsidiary and its importance and synergy within the strategic structure of the Group. This allows us to optimize allocation of capital, so as to maximize profits in the best interests of the development of the Group. We have increased multiple times the capital of Huarong Trust, Huarong Financial Leasing and Huarong Xiangjiang Bank, our subsidiaries with high return on equity, in the cumulative amount of RMB1,000.0 million, RMB2,500.0 million and RMB1,281.0 million, respectively, during the Track Record Period. We have also increased the capital of Huarong Securities, which is strategically important to achieve our objectives to be a financial holding group, in the cumulative amount of RMB1,210.0 million during the Track Record Period, in order to consolidate its capital foundation for better seizing business development opportunities.

With respect to information systems, we continuously implement unified and integrated data application projects and modern financial procedures enterprise informatization projects. We have been able to continuously integrate various information sources such as clients, projects, assets, contracts and funds, through which we provide strong support for the effective performance of risk management, business operation, financial management, fund management, decision making and analysis of the Group. By facilitating the establishment and implementation of information systems, we continue to integrate various information sources and business procedures to strengthen our data governance and data management. We have established a proceduralized information application system which allows us to effectively share and use information resources, to increase our operating efficiency and business synergistic capabilities, as well as to reduce our operating cost.

## FUNDING SOURCES

Our distressed asset management business requires a substantial upfront capital investment during the early stages of a project, and gradually achieves returns during the middle and late stages. The operational cycle of the majority of our distressed asset management projects, from the acquisition of distressed assets to exiting the project and recovering cash, lasts 12 to 36 months. We therefore need to access external financing channels to meet our working capital needs. Meanwhile, in accordance with our strategic development plan, we intend to expand the scale of our purchases of distressed assets and expand and strengthen our distressed asset management business. As a result, our demands for capital will grow accordingly.

Since the commencement of our commercialized operations, we have continued to explore diversified, market-oriented and commercialized financing channels in line with our business characteristics to satisfy our working capital needs under our commercialized business development. We have continuously improved the duration structure of our assets and liabilities in order to mitigate the overall interest rate risk and exchange rate risk of the Group and obtain stable funding sources at low cost for the Group. We have implemented the following measures to make sure we have stable funding sources:

- Maintaining stable and long-term cooperative relationships with major domestic commercial banks and non-bank financial institutions, so as to secure stable and long-term funding and lower our cost of funding;
- Consistently expanding and establishing diversified, market-oriented and commercialized financing channels, in order to reduce the instability of our funding sources; and
- Establishing a comprehensive capital management system to control our gearing ratio, in order to effectively monitor and manage our fund flows and reduce liquidity risk.

We have established additional diversified, market-oriented and commercialized financing channels, such as:

**Debt Financing**

***Interbank market placements***

Interbank market placements are considered a short-term debt financing channel, and the longest term of our interbank market placements is less than three months. We are able to satisfy short-term funding needs and short-term liquidity requirements through methods such as interbank market placements and bond pledge and repurchase.

***Bank borrowings***

Bank borrowings are considered a medium-term debt financing channel, with terms ranging from four months to three years. Bank borrowings are an important and stable external funding source for us, which can be applied towards all funding requirements, such as for business expansion or daily operations. As of June 30, 2015, we maintained credit facilities with 55 banks with a total borrowing limit of RMB458,880.0 million. As of June 30, 2015, the amount we had actually drawn down from these banks was RMB155,710.0 million, representing 33.9% of the total borrowing limit.

***Bond Issuance***

Bonds are considered a long-term debt financing channel, with terms ranging from three to five years. This form of financing allows us to replenish our working capital, optimize our balance sheet structure and support the development of our distressed asset management business. In the PRC interbank bond market, we issued financial bonds in the aggregate amount of RMB12,000 million in November 2013, financial bonds in the aggregate amount of RMB20,000 million in December 2014 and financial bonds in the aggregate amount of RMB35,000 million in July 2015, which was the largest single issuance of ordinary financial bonds in the history of the interbank bond market in China as of the Latest Practicable Date. In overseas capital markets, we issued three-year U.S. dollar bonds in the amount of US$300 million and five-year U.S. dollar bonds in the amount of US$1,200 million through a subsidiary of Huarong International in July 2014. In January 2015, we established a medium term note program in the amount of US$5,000 million through a subsidiary of Huarong International, and had successfully issued US$3,200 million of notes under the program, which included US$600 million worth of three-year notes, US$1,200 million worth of five-year notes and US$1,400 million worth of ten-year notes. Based on our financial performance and unique Shareholder backing, we obtained issuer credit rating of A3, A- and A from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively, in 2014.

**Equity financing**

In August 2014, we received strategic investments from eight investors, including China Life Group, Warburg Pincus International, CITIC Securities International, Khazanah Nasional Bhd, CICC, COFCO, Fosun International and Goldman Sachs, in the aggregate amount of RMB14,540 million.

**Innovative financing**

We actively innovate in our funding sources and were among the first AMCs to use insurance funds as a financing channel. Insurance funds are long term financing and can effectively improve the duration structure of our assets and liabilities and further meet our demands to finance the rapid development of our business. In 2013, we first received insurance funds in the amount of RMB10,000 million. As of June 30, 2015, we received insurance funds in the cumulative amount of RMB55,500 million.

## BUSINESS NETWORK AND BRANCH ORGANIZATIONS

Our extensive business and branch network is a key driver of our development and supports the sharing of business resources of the Group. Leveraging our business and branch network, we provide a comprehensive array of services, including asset management, securities, trust, financial leasing, banking, mutual funds, futures, investment, real estate and private funds, with a strategic focus on distressed asset management.

As of June 30, 2015, we had established 31 Company Branches and eight principal subsidiaries across 30 provinces, autonomous regions, direct-controlled municipalities, cities specifically designated in the state plan and Hong Kong. We are the first AMC to establish a Company Branch in the Shanghai Free Trade Zone. With the resource advantage in the Shanghai Free Trade Zone, we accelerated our strategic transformation from a traditional business model to a more innovative business model, and from a business model dominated by domestic business to a business model balanced between domestic and overseas businesses.

The table below sets forth the geographic distribution of the 31 Company Branches of the Company as of June 30, 2015:

| Region | Company Branch |
|---|---|
| Northern China region | ● Beijing, Hebei, Tianjin, Shanxi and Inner Mongolia |
| Northeastern region | ● Liaoning (including Dalian), Jilin, Heilongjiang |
| Eastern China region | ● Shanghai (including Shanghai Free Trade Zone), Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian, Shandong |
| Central-and-southern region | ● Henan, Hubei, Hunan, Guangdong (including Shenzhen), Guangxi, Hainan |
| Southwestern region | ● Guizhou, Sichuan, Chongqing, Yunnan |
| Northwestern region | ● Shaanxi, Gansu, Xinjiang |

We have eight principal subsidiaries in Beijing, Zhejiang, Hunan, Xinjiang, Hainan, Guangdong and Hong Kong. Huarong Xiangjiang Bank has 14 branches, one banking operations outlet at its head office and 219 business outlets, covering the whole Hunan Province. Huarong Securities has 58 business outlets, eight branches in Beijing, Shanghai, Shenzhen, Hunan, Jiangxi, Shaanxi, Sichuan and Xinjiang and two investment banking outlets in Shanghai and Shenzhen, covering 24 provinces, autonomous regions and direct-controlled municipalities in China. With the extensive branch network of subsidiaries, we offer comprehensive and diversified financial services to our clients in China, further expand our business network and modify the strategy of our Group according to regional economic development and macroeconomic policy so as to strengthen the synergies among our branch organizations and enhance our comprehensive competitiveness. For example, led by Huarong International, we have formed a “coastal innovative business belt in Southern China” covering Shenzhen, Guangdong and Hainan.

The table below sets forth details of the regional distribution of our eight principal subsidiaries as of June 30, 2015:

| Subsidiaries | Branch organization |
|---|---|
| Huarong Securities | ● It was incorporated and is headquartered in Beijing, and has 58 business outlets, eight branches in Beijing, Shanghai, Shenzhen, Hunan, Jiangxi, Shaanxi, Sichuan and Xinjiang and two investment banking outlets in Shanghai and Shenzhen. It holds a controlling interest in Huarong Futures and Huarong Tianze |
| Huarong Financial Leasing | ● It was incorporated and is headquartered in Hangzhou, Zhejiang, has branches in Ningbo and Jinhua |
| Huarong Xiangjiang Bank | ● Its head office is located in Changsha, Hunan, and operates primarily in Hunan through 14 branches, one banking operations outlet at its head office and 219 business outlets |
| Huarong Trust | ● It was incorporated in Urumqi, Xinjiang Uyghur Autonomous Region, with its head office in Beijing |
| Huarong Futures | ● It was incorporated and is headquartered in Haikou, Hainan, with business outlets in Shenyang, Foshan, Hangzhou, Zhengzhou and Shanghai |
| Huarong Rongde | ● It was incorporated and is headquartered in Beijing |
| Huarong Real Estate | ● It was incorporated in Zhuhai, Guangdong, and is headquartered in Beijing, with subsidiaries in Guangdong, Guizhou, Hebei, Hunan and Shandong |
| Huarong International | ● It was incorporated and is headquartered in Hong Kong |

With a business network covering across China, we have formed a strategic structure of "one body, two wings", with our Head Office as the body and Company Branches and subsidiaries as the two wings. Adhering to the principle of mutual growth and double win through sharing of resources, advantages, risks, the Head Office, Company Branches and subsidiaries consolidate resources in respect of enterprises and clients to achieve economies of scope and economies of scale. Through our unique strategic structure, we promote coordination and collaboration among the Head Office, Company Branches and subsidiaries effectively to support the commercial transformation and sustainable development of the Group.

## INFORMATION TECHNOLOGY

We recognize the importance of information technology, and believe information technology is a key component required to support our business growth and internal control.

### Information Technology Governance

We have established a comprehensive information technology governance framework. We have established our information technology management committee at the senior management level. Our information technology management committee comprises the senior management of the Company, persons-in-charge of relevant departments and members with expertise in information technology. The information technology management committee is responsible for coordinating, leading and promoting the use of information technology within the Group. The information technology department of the Company is responsible for information technology management and provision of relevant services and support. The risk management department is responsible for the supervision and promotion of the management on information technology risk. The audit department is responsible for the audit and inspection of information technology risk. Under our management model, our own information technology team leads the development, operation and maintenance of our information technology system with technical support from third-party technical service providers. We own the intellectual property rights for all of our self-developed application systems and special modules customized for our systems.

**Information Technology Infrastructure and Information Security**

We have established a three-in-one (data, audio and graphics) communications network, which links the Company Branches and subsidiaries to our Head Office and is the core of the communication network. We have also developed a multi-layered enterprise network security technology system, including firewall and intrusion detection systems. Our communication network connects the Head Office with Company Branches and subsidiaries and has a number of security and interruption protection features. Meanwhile, we have also established a comprehensive cross-supervision system to effectively monitor and manage our network, storage, servers, application systems and data centers. In addition, our data center complies with the A-class data center standard under the Code of Design of Electronic Information Center recently issued by the PRC government, as well as the requirements of CBRC, and serves as a solid foundation for the consistent and stable operation of our overall information system. We have also formed a disaster recovery backup system and established a disaster recovery backup center, which effectively ensures the security of data through automatic data backup. In addition, we effectively ensure the validity, accessibility and integrity of the backup information through various means, including regular checks of the accuracy of the backup data, and regular drills of backup data recovery.

**Comprehensive Business Management and Business Synergy Information System**

We have established a comprehensive business application system and office application system to satisfy the needs of all departments of the Company in respect of risk management, business operation, financial management, capital management and decision making and analysis.

- *Project management system*. Our project management system implements all-round and streamlined management for the whole business lifecycle, covering key sessions including proposal, review, placement, daily management, post-placement inspection and recovery to effectively support the business operations of the Company.

- *Risk management information system*. Our risk management information system integrates the internal risk management information of the Group covering the Head Office as well as all Company Branches and subsidiaries. It forms a platform for risk classification, risk monitoring, risk report, compliance management, risk management and control, and anti-money laundering management.

- *Client information management system*. Our client information management system is the core of informationalized management of our client, which effectively manages and promotes marketing activities and enhances the quality and efficiency of client management through informationalized measures.

- *Asset information management system*. Our asset information management system is centered around the operation and management of debt assets and physical assets, enabling us to manage assets through their life cycle, from setting up accounts for assets, packaging of assets and interest accrual of assets to disposition of assets. It provides flexible search and summarization services for asset information and provides information support for dispositions, statistical analysis and decision-making of asset management.

- *Equity operation management system*. Our equity operation management system manages existing equity assets, and its primary functions include equity enterprise management, equity asset management, equity asset valuation, daily management and statistics and analysis of data.
- *Financial accounting system*. Our financial accounting system includes functions such as general ledger, fixed asset management, receivables and payables management, accounting affairs engine and financial asset management, which regulate, standardize and centralize the financial accounting of our Group. It is widely utilized at the Head Office, Company Branches and subsidiaries.
- *Management accounting system*. Our management accounting system supports the pricing of internal service transfers and costs sharing, and provides profit analysis in terms of institutions, business lines, products and projects, satisfying the requirements of prudent financial management.
- *Expense Management System*. Our expense management system manages the application, borrowing and reimbursement of management expenses and operating expenses, and meets budget control requirements during the reimbursement process.
- *Capital operation business management system*. Our capital operation business management system manages external financing, internal borrowings as well as short-term wealth management, enabling us to evaluate the internal capital cost accurately and to calculate our capital position in a timely manner.
- *Centralized data platform*. Our data platform integrates the information of the Company and subsidiaries with its centralized database structure, fulfilling the data requirements of the Company for information disclosure, financial management, risk management and external supervision.
- *Statement management platform*. Our statement management platform supports the preparation of statements for information disclosure, external supervision, management accounting and internal management reports and presents the results of financial data analysis of the Company.
- *Knowledge management system*. Our knowledge management system is responsible for the management of internal information distribution. It is an important system to facilitate the internal exchange of information and the sharing of knowledge, to promote the development of our corporate culture, as well as to strengthen the coherence of the Company.
- *Office management system*. Our office management system provides document management, archive management and meeting review management functions. For document management, it provides standard functions of preparation, transfer, reading and circulation of electronic documents for the Head Office, Company Branches and subsidiaries. Our archive management system covers the whole cycle of archive management, including the collection, consolidation, storage, verification, statistics, usage and destruction of files in written and electronic forms.
- *Human resource management system*. Our human resource management system enables the centralized management of human resource information. This system is applied by the Head Office, 31 Company Branches and several subsidiaries under the unified structure of human resource management system at the Head Office.

### Information Technology Research and Development, Operation and Maintenance Capabilities

We have the capabilities to conduct overall planning, demand analysis, structural design, software quality control, system deployment and operation maintenance in relation to our information systems. Through our continuous improvement of application development, operation maintenance and outsourcing management process, we have improved our software's quality and enhanced the system's operational stability.

### Information Technology Services

We are able to provide high quality information technology services. Based on the information technology service management system of the Group, which meets the standard of ISO 20000:2011, we have issued our Information Technology Service Standards covering all aspects of technology services of the Group. Through formulating technology service catalogues and service indicators, we have streamlined our technology services, constructed a service platform for information technology and established service monitoring, service reporting and service satisfaction investigation systems, upgrading the quality of information technology service of the Group. In 2014, we obtained the ISO 20000-1:2005 certification of information technology service management system issued by China Information Security Certification Center.

### Information Technology Risk Management

Our information technology risk management is an important part of our comprehensive risk management system. For details, see "Risk Management". We audit all of the information technology activities of the Group by taking information security and control measures through the existing ISO 27001:2005 information security management system and according to other regulatory requirements of CBRC. In addition, we have obtained the certification of information security and management system by China Information Security Certification Center every year since 2011.

### Informationalization Plans

We have formulated and published the Five-year Plan for the Construction of Information Technology Application of China Huarong (2014-2018) (《中國華融信息系統應用建設五年規劃(2014-2018年)》). As an important part of the Group's strategic plan, this five-year plan sets out the general system structure and management strategies for financial issues, risks, clients, businesses and data, as well as the implementation strategy for the construction of information technology in the next several years. In the course of this informationalization, we have carefully considered the needs of business synergies and resources sharing within the Group, and strive to promote the informationalization of the Group as a whole, the effective sharing of information among different systems and the coordination between information technology structures and business development, in order to support the Group to develop in a healthy and effective way.

## COMPETITION

We operate our distressed asset management, financial services and asset management and investment businesses primarily in China and face competition from other AMCs and other financial institutions in China. We compete with other market participants primarily in product and service offerings, service quality, pricing, client network, scale, risk management, information system, team capability and brand recognition.

For our distressed asset management business, we primarily compete with the other AMCs as well as local asset management companies in terms of, among others, product and service offerings, service quality, pricing and clients. Our major competitors are China Great Wall, China Orient and China Cinda. In addition, the establishment of local asset management companies has intensified the overall competition in the distressed assets market. However, according to the prevailing regulations, local asset management companies may only engage in debt restructuring and the transfer of distressed assets in batches, while transfer of debts by them is prohibited. As local asset management companies are not yet mature in terms of capital size, experience and business coverage, we believe their competition is unlikely to have any substantial impact on the four AMCs in the near future. In the long term, we believe the development of local asset management companies will further increase market vitality and the disposition efficiency of the PRC distressed asset management industry and support sound development of the industry. Facing these competition, we will strengthen our commercial operations by fully utilizing our own strengths, including adequate funding, professional teams, extensive experience, flexible disposition methods and our comprehensive industry chain. At present, we are the largest AMC in the PRC in terms of assets and are the most profitable AMC.

For our financial services business, we primarily compete with commercial banks, leasing companies and securities companies in the PRC. First of all, Huarong Securities, our securities business platform, mainly competes with domestic securities companies and joint venture securities companies. We will continue to leverage on Huarong Securities' advantage as a national comprehensive securities company and proactively develop innovative products in order to seize the opportunities arising from the reform of the capital markets. Secondly, our financial leasing business mainly competes with professional leasing companies and leasing businesses operated by various financial institutions. We insist on "serving SMEs and contributing to improve people's livelihood" and focus on supporting the development of public transportation, green energy, medical services and other industries highly related to people's livelihood and less likely to be affected by fluctuations in the economic cycle. Comparing with competitors, we grow steadily with high profitability. Thirdly, Huarong Xiangjiang Bank, which operates primarily in Hunan, faces competition from branches of large commercial banks and local city commercial banks in Hunan. Comparing with these competitors, our banking business has high quality of assets with a low NPL ratio and sufficient provision coverage. Moreover, we have constantly improved our capital base and proactively conducted innovation by fully capitalizing on the resources and brand advantages of the Group.

For our asset management and investment business, we primarily compete with other private and public funds, trust companies and wealth management companies. These market participants have extensive knowledge and experience in their own fields. In order to compete with them, we leverage our platform advantage to realize synergistic business development and increase investment income to drive the third-party asset management business and improve the overall profitability of the Group. At the same time, we satisfy our clients' needs for diversified asset management.

## EMPLOYEES

We had 7,253, 7,688, 8,352 and 8,721 employees as of December 31, 2012, 2013 and 2014, and June 30, 2015, respectively. As of June 30, 2015, out of the 8,721 employees, 2,281 were at the Company, and 6,440 at various subsidiaries. Our employees hold over 50 types of licenses/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.

The table below sets forth a breakdown of our employees, by function, as of June 30, 2015.

| | Number | % of total |
|---|---|---|
| Management | 543 | 6.2% |
| Front-office employees | 4,873 | 55.9% |
| Back-office supporting staff | 3,305 | 37.9% |
| **Total** | **8,721** | **100.0%** |

The table below sets forth a breakdown of our employees, by age, as of June 30, 2015.

| | Number | % of total |
|---|---|---|
| Aged 35 and below | 4,303 | 49.4% |
| Aged 36-45 | 2,389 | 27.4% |
| Aged 46-55 | 1,757 | 20.1% |
| Above 55 | 272 | 3.1% |
| **Total** | **8,721** | **100.0%** |

The table below sets forth a breakdown of our employees, by education level, as of June 30, 2015.

| | Number | % of total |
|---|---|---|
| Doctoral degree or doctoral candidate | 143 | 1.6% |
| Master degree or master candidate | 2,002 | 23.0% |
| Bachelor degree or undergraduate | 4,785 | 54.9% |
| Junior college and below | 1,791 | 20.5% |
| **Total** | **8,721** | **100.0%** |

We believe our employees are our most valuable asset and the key driver to our rapid development. We have adopted a comprehensive remuneration scheme and adequate promotion opportunities to safeguard the interests of our employees. We provide comprehensive social insurance to our employees, such as basic pension insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance, in accordance with the relevant laws and regulations of the PRC. In addition, we have formulated an incentive system linking the employee benefits with their performance. We evaluate the performance of employees on a regular basis.

We understand human resources are vital to our growth and business innovation. Based on our development strategy of being market-oriented, professional, diversified, comprehensive and internationalized, as well as the needs of our employees' career development, we have invested extensively in employee continuing training programs. Our trainings cover asset management, risk management, wealth management, innovation of financial products, finance and audit and laws and regulations as well as various kinds of integrated management training.

We proactively safeguard the rights and interests of our employees, and coordinate closely with management with respect to labor and human resources matters. Our operations have never been affected by any strike or significant labor dispute. We believe our management will continue to maintain good relationships with the labor union and our employees.

## PROPERTIES

### Head Office

Our Head Office is located at No. 8 Financial Street, Xicheng District, Beijing, China.

### Owned Properties

As of August 31, 2015, we owned 353 properties with an aggregate gross floor area of approximately 394,181.4 sq.m. in the PRC, primarily located in Beijing, Hunan and Chongqing.

The properties we owned in the PRC are primarily used as, amongst other things, offices and business operation premises for our branches and subsidiaries, the gross floor area for each of which ranges from approximately 20.0 sq.m. to 60,010.5 sq.m.

With respect to the 353 properties possessed and used by us in the PRC with an aggregate gross floor area of approximately 394,181.4 sq.m., the details of our ownership certificates are as follows:

- We have obtained Building Ownership Certificates for 316 properties with an aggregate gross floor area of approximately 259,763.1 sq.m., representing 65.9% of the total gross floor area of our owned properties. We have also obtained Land Use Right Certificates for the land where these properties are located through land assignment or capital contribution. We have been advised by King & Wood Mallesons, our PRC legal counsel, that we have legal ownership and land use right over the occupied areas of these properties and are entitled to possess, use, transfer, lease, mortgage or otherwise dispose of these properties.
- We have obtained Building Ownership Certificates of four properties with a total gross floor area of approximately 10,604.4 sq.m., representing 2.7% of the total gross floor area of our owned properties. We have obtained Land Use Right Certificates for the land where these properties are located through administrative allocation. We have been advised by King & Wood Mallesons, our PRC legal counsel, that given that we have obtained Land Use Right Certificates and Building Ownership Certificates for these properties, there are no substantive legal impediments preventing us from possessing or using these properties. However, we may not transfer, lease, mortgage or otherwise dispose of these properties before we obtain approvals from the land administrative authorities and settle the payment of relevant fees such as land grant premiums.
- We have obtained Building Ownership Certificates of 18 properties with an aggregate gross floor area of approximately 86,795.3 sq.m., representing 22.0% of the total gross floor area of our owned properties. However, we have not obtained Land Use Right Certificates for the land where these properties are located. We are actively negotiating with independent third parties for the acquisition of the land use rights for the land where these properties are located. With respect to five of these properties with an aggregate gross floor area of approximately 15,103.0 sq.m., we have entered into agreements with the owners of the relevant land use rights for the acquisition of these land use rights and the related title transfer procedures are being processed. We have been advised by King & Wood Mallesons, our PRC legal counsel, that (i) given that we have obtained Building Ownership Certificates for these 18 properties, there are no substantive legal impediments preventing us from possessing or using these properties; and (ii) we will be entitled to possess, use, transfer, lease, mortgage or otherwise dispose of these 18 properties after we

obtain Land Use Right Certificates for the land where these properties are located. However, we may not transfer, mortgage or otherwise dispose of these properties before we obtain Land Use Right Certificates for the land where these properties are located. As for certain parcels of land for which Land Use Right Certificates are under the names of third parties and where our properties are located, if the properties are disposed of as a result of the disposal of the occupied areas of the properties by the holders of the land use rights, we may lose the building ownership of the properties but shall be entitled to claim the proceeds from the disposed properties.

- We possess 15 properties with an aggregate gross floor area of approximately 37,018.6 sq.m., representing 9.4% of the total gross floor area of our owned properties, that we have neither obtained Building Ownership Certificates nor Land Use Right Certificates for the land where these properties are located. We are actively negotiating with independent third parties for the transfer of Building Ownership Certificates for these buildings and Land Use Right Certificates for the land where these properties are located. With respect to six of these properties, with an aggregate gross floor area of approximately 19,994.5 sq.m., we have entered into agreements with the owners of these properties and relevant land use rights for the transfer of the relevant building ownership and land use rights and the related title transfer procedures are being processed. These properties are not involved in any title disputes or disagreement and no claims have been made by any third parties with respect to these properties. We have been advised by King & Wood Mallesons, our PRC legal counsel, that the title defects of the building ownership and land use rights of these properties would not result in material adverse impacts on our business operations. We will be entitled to possess, use, transfer, lease, mortgage or otherwise dispose of these 16 properties after we obtain Building Ownership Certificates and Land Use Right Certificates for the land where these properties are located.

We have not obtained Building Ownership Certificates and/or Land Use Right Certificates for certain of our owned properties, primarily because certain land administrative authorities would not individually issue Land Use Right Certificates for certain properties of which we own Building Ownership Certificates.

To the best of our knowledge, there is no safety issue with respect to the above properties.

The properties with defective titles ("Properties with Defective Titles") are possessed and used by us in the PRC for, among other things, offices. We believe that if the properties did not have defects in their titles, the difference in land cost we would have to pay would not be material. The Directors are of the opinion that the Properties with Defective Titles are not, whether individually or collectively, crucial to our business and operations because: (i) the total gross floor area of the Properties with Defective Titles accounts for only a small portion of our owned properties, and is insignificant compared to our properties with valid titles; and (ii) as a financial institution, the Properties with Defective Titles will not have material impact on us in terms of our revenue and profit. Other than properties where we are unable to obtain the relevant certificates due to certain land administrative authorities not issuing Land Use Right Certificates individually, where developers for certain properties have not been cooperating with us in obtaining relevant certificates, or where we do not have appropriate underlying documents, we are in the process of applying for the relevant title certificates for the Properties with Defective Titles and are expected to be able to obtain the title certificates within a reasonable period of time. We would not assume any material legal liability arising from the Properties with Defective Titles. If we were forced to relocate from the Properties with Defective Titles, we would be able to find replacement within a reasonable period of time and we expect the relocation would neither incur material cost and expense nor materially affect our business operations and financial condition.

**Land Use Rights**

As of August 31, 2015, in addition to properties mentioned above and the relevant land use rights of the following construction in progress, we owned six parcels of land with a total site area of 246,393.7 sq.m.:

- We have obtained Land Use Right Certificate of three parcels of land with a site area of 103,927.3 sq.m. We have been advised by King & Wood Mallesons, our PRC legal counsel, that we have obtained land use rights of such parcels of land and are entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of these land parcels; and

- We have entered into land use right assignment contracts in respect of three parcels of land with a total site area of 142,466.4 sq.m. and paid the consideration set out therein. However, we have not yet obtained the Land Use Right Certificates. We have been advised by King & Wood Mallesons, our PRC legal counsel, that there are no substantive legal impediments for us to apply for those Land Use Right Certificates.

As of the Latest Practicable Date, none of the land parcels for which we hold the Land Use Right Certificates is deemed as idle land by the government authorities. During the Track Record Period, no regulatory authority has imposed any idle land fees or forfeited any parcel of land for which we hold Land Use Right Certificates.

**Construction in Progress**

As of June 30, 2015, we had ten projects under development, with an aggregate planned gross floor area of approximately 1,439,748.0 sq.m. We have obtained the land use rights for the parcels of land where the projects under development are located. We have been advised by King & Wood Mallesons, our PRC legal counsel, that we have obtained land use right and relevant approvals or permits in accordance with construction progress for the abovementioned construction in progress and the project construction is in compliance with relevant laws and regulations. There are no substantive legal impediments to obtain relevant Building Ownership Certificates after passing inspection upon completion of the construction.

**Leased Properties**

As of August 31, 2015, we leased from Independent Third Parties 459 properties in the PRC with an aggregate gross floor areas of approximately 255,697.6 sq.m., with the gross floor area of each property ranging from approximately 10.0 sq.m. to 10,526.3 sq.m.

Among the 459 properties we leased in the PRC with an aggregate gross floor area of approximately 255,697.6 sq.m.:

1. for 300 properties with an aggregate gross floor area of approximately 152,392.7 sq.m., the lessors have obtained Building Ownership Certificates or consent from owners

authorizing the lessors to lease or sublease the relevant properties. We have been advised by King & Wood Mallesons, our PRC legal counsel, that the leases are legal and valid;

2. for 57 properties with an aggregate gross floor area of approximately 55,931.4 sq.m., although the lessors have not provided us with the relevant Building Ownership Certificates, they have provided us with documentary evidence issued by local governments or the housing authorities of local governments at county or above level where the properties are located that the ownership of the properties belongs to them; or other documentary evidence that there are no substantive legal obstacles for the lessors to obtain the relevant Building Ownership Certificates; and

3. for 102 properties with an aggregate gross floor area of approximately 47,373.5 sq.m., the lessors have not provided us with the relevant property ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. The lessors of approximately 8,956.5 sq.m. of these properties have provided us with written confirmation letters and undertaken to indemnify us from losses arising from disputes or title defects on the property ownership of such leased properties that may affect our interests under the relevant lease agreements.

Among the above-mentioned 459 leased properties, we have registered the leases with relevant administrative authorities for 14 properties with an aggregate gross floor area of approximately 5,162.9 sq.m. We have not registered the lease agreements for the remaining 445 properties with an aggregate gross floor area of approximately 250,534.7 sq.m., primarily because certain lessors have not been cooperating with us in completing the registration procedures and certain local building administration authorities have not provided lease agreements registration services. Pursuant to the Regulations of the Lease of Commodity Properties (《商品房屋租賃管理辦法》), competent real estate administrative authorities can impose a fine up to RMB10,000 if the relevant parties fail to register their lease agreements. From January 1, 2012 to June 30, 2015, we were not fined by any administrative authorities for our failure to register the lease agreements. The Directors confirm that our business, financial condition, results of operations and prospects would not be materially affected by any potential fines or penalties that may be imposed by the administrative authorities for our failure to register the lease agreements.

We have been advised by King & Wood Mallesons, our PRC legal counsel, that (i) a lessor does not have the right to lease the properties if it does not have the ownership of the properties or the consent from the owner. In such case, if any third party raises an objection towards the ownership of or right to lease the properties, it may affect our leases of such properties. However, we may seek indemnification from the lessor based on the undertaking provided by the lessor; and that (ii) according to the relevant PRC laws, failure to register the lease agreements will not affect the validity of such lease agreements, but competent real estate administrative authorities may order parties to the lease agreements to complete the registration within a certain time limit and impose a fine from RMB1,000 up to RMB10,000 if the relevant parties fail to do so. As such, we are entitled to use the properties according to the lease agreements. However, we are subject to risk of being fined if we fail to register the lease agreements as required by competent real estate administrative authorities.

We confirm that if the title defects of such properties or the failure to register the lease agreements prevent us from continuing to lease any properties and the relevant subsidiaries or branches need to relocate, the relevant subsidiaries or branches can be relocated to other comparable alternative premises in the relevant regions without having a material adverse effect on our business and financial condition.

As of June 30, 2015, the book value of each of the properties under our property development business was less than 1% of our total assets and the total book value of the properties was not more than 10% of our total assets. In addition, the book value of properties of our non-property business was less than 15% of our total assets. Pursuant to Section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Chapter 32L of the laws of Hong Kong), we have not obtained the valuation report of our properties. We are of the opinion that our interests in the properties are not significant to our overall operations.

## INTELLECTUAL PROPERTY RIGHTS

We operate our businesses under "中國華融", "Huarong", "華融", "CHAMC", "China Huarong Asset Management Co., Ltd." and certain other brand names and logos. As of the Latest Practicable Date, we were the registered owner of 152 trade marks in the PRC and nine trade marks outside the PRC. As of the Latest Practicable Date, we owned 17 domain names, including www.chamc.com.cn. These websites are frequently used by our clients to access our information and conduct business with us. Details of our major intellectual property rights are set out in "Appendix VII—Statutory and General Information—II. Further information about our business—b. Intellectual property rights" to this prospectus.

As of June 30, 2015, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by other parties against us or vice versa during the Track Record Period.

## LEGAL AND REGULATORY PROCEEDINGS

### Overview

We may be involved in legal or regulatory proceedings or disputes in our ordinary course of business. As of the Latest Practicable Date, we were not aware of any legal or regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

Our operations in the PRC are subject to review and inspection by relevant governmental authorities, including the CBRC, MOF, PBOC, CSRC, SAFE, NAO and SAT. As of the Latest Practicable Date, we were not aware of any inspection or audit conducted by the CBRC, MOF and other regulatory authorities in the PRC that would have a material adverse effect on our business, financial conditions, results of operations or prospects. Pursuant to the Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial) (《金融資產管理公司併表監管指引(試行)》), the CBRC supervises and regulates the AMCs using a combination of off-site supervisions and on-site inspections. The CBRC may formulate and arrange for on-site inspecting plans based on the results of off-site supervisions as well as the risks, scale, organizational structure, and complexity of the AMCs' business operations.

In 2012, 2013, 2014 and the six months ended June 30, 2015, we had made provisions of RMB101.7 million, RMB178.0 million, RMB117.5 million and RMB110.1 million, respectively, for litigation known to us but still pending. The Directors are of the opinion that such provisions were sufficient.

**Business Qualifications**

As of the Latest Practicable Date, we had complied with the applicable regulatory requirements of the PRC in all material respects. We have also obtained all material qualifications and permits necessary for our operations in accordance with PRC laws and regulations.

Our international business platform Huarong International conducts its business in accordance with Hong Kong law. As of the Latest Practicable Date, Huarong International had complied with relevant regulatory requirements in Hong Kong in all material respects and had completed the acquisition of Simsen International, which had obtained necessary licenses for its business operations.

**Litigation and Arbitration**

As of June 30, 2015, except for the incidents where we recovered distressed debts by initiating litigation during the disposal of distressed assets, we were involved in 88 material unresolved litigation matters, in each of which the amount in dispute was more than RMB10 million, and among which:

- We were a plaintiff in 85 material unresolved litigation matters and the aggregate amount in dispute involved in such claims was approximately RMB4,488.7 million. Such proceedings were mainly related to disputes in loan agreements, entrusted loan agreements, trust loan agreements and acquisition of equity interests.
- We were a defendant in three material unresolved litigation matters and the aggregate amount in dispute involved in such claims was approximately RMB62.1 million. Such proceedings were mainly related to disputes in land use rights transfer agreements, debt transfer agreements and copyright infringement.

The Directors are of the view that our internal controls for legal matters are effective and adequate without material deficiency, and in the event of any unfavorable outcome resulting from the aforementioned litigation, such outcomes would not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

**Administrative Proceedings and Penalties**

As of the Latest Practicable Date, we were not aware of any ongoing material inspection on or investigation against us. During the Track Record Period and as of the Latest Practicable Date, none of the Directors was involved in any material administrative violations, proceedings or penalties.

During the Track Record Period, administrative penalties for 19 incidents were imposed on us by tax authorities in the PRC in the aggregate amount of approximately RMB77,082.56, primarily due to failures to, or delays, in tax payments.

In light of the fact that (i) the administrative penalties imposed on us were mainly warnings and insignificant fines and all the fines were paid in full; (ii) we had not received any material administrative penalties; (iii) the total amount of such administrative fines represented a small proportion of our total assets and net assets; and (iv) the number of branches penalized was insignificant compared to the total number of our branches, the Directors are of the opinion that the aforesaid administrative penalties, individually or in the aggregate, would not have a material adverse effect on our business, financial conditions and results of operations.

**Regulatory Inspections**

PRC regulators conduct certain regular or specific regulatory reviews or inspections on our compliance with laws, regulations, guidelines and regulatory requirements applicable to us or our businesses. During the Track Record Period and as of the Latest Practicable Date, we received regulatory inspections conducted by the MOF, CBRC, CSRC and PBOC and their respective local branches and received 82 regulatory opinions, inspection opinions or similar documents, covering our business operations, risk management, internal controls and corporate governance at the Head Office, Company Branch and subsidiary levels. Although no fines or penalties were imposed on us, such inspections had identified defects and non-compliance issues in our business operations, corporate governance, risk management and internal controls. Certain regulatory measures prescribed in the regulatory opinions may also affect our business operations. The table below sets forth the results of material regulatory inspections and regulatory opinions during the Track Record Period and as of the Latest Practicable Date:

| Regulatory Inspection and Opinions | Major Issues | Our Key Rectification Measures |
|---|---|---|
| In May 2015, the General Office of CBRC issued to the Company a bulletin with respect to the regulatory supervision status for the year of 2014. | The Company had the following issues: (1) the business expansion was at a fast pace and the existing capital might not meet the needs of the rapid growth in assets; (2) the liquidity risk management was under pressure; and (3) the information technology system might not adequately meet the needs of daily operation and management and risk management. | Since May 2015, the Company has taken the following rectification measures: (1) making reasonable planning for obtaining, using and structuring capital of the Company and appropriately reducing the pace of growth of the Company; refining the capital management measures and specifying compliance objectives on a quarterly basis in order to maintain capital above regulatory threshold level while ensuring flexibility of business development; (2) developing new market-oriented and diversified financing sources, including domestic and overseas bond issuances and insurance company financing plans, increasing the amount and proportion of funds with lower costs and longer terms and optimizing the term structure of liabilities; strengthening the analysis and monitoring of maturity mismatch, improving capital management during the whole project process, enhancing project collection efforts, accelerating project funding turnover, strengthening cash flow analysis and focusing in advance on any exposure to maturity mismatches and making appropriate arrangements; enhancing liquidity management by adopting innovative management measures, tightening liquidity risk management measures, strengthening centralized fund management and allocation, refining the monitoring, alert and reporting systems for liquidity risk, improving the stress testing system on liquidity, enhancing analysis and forecast capabilities for liquidity risk, focusing on the liquidity risk exposure of |

| Regulatory Inspection and Opinions | Major Issues | Our Key Rectification Measures |
|---|---|---|
| | | the Group and strengthening liquidity risk control of subsidiaries; and (3) proactively improving its financial information management application system and further enhancing the integration of the application system for financial and related information; further enhancing the risk management information system of the Group and building up a centralized data platform; proactively implementing centralized information management of the Group, enhancing the unified coding of customer information and the integration of business data of the Group and guiding and supporting the planning and development of information technology of subsidiaries; proactively conducting the consolidation of the data of the Group and defining the connection between data and strengthening the sources of data according to the requirement of information disclosure and connected transactions, in order to enhance the timeliness, accuracy and effectiveness of data. On June 15, 2015, the Company submitted to the CBRC a rectification report, stating its rectification status with respect to the above issues. As of the Latest Practicable Date, we have not received objections or follow-up opinions on the rectification report from the CBRC. |
| In December 2013, the CBRC Zhejiang Office issued an on-site inspection opinion to Huarong Financial Leasing. | Huarong Financial Leasing had the following issues: (1) there existed certain deficiencies in connection with the management foundation of the leasing business; (2) there existed certain weaknesses in internal controls; and (3) management for the leasing business was not entirely in place and the due diligence on some projects is insufficient and post-implementation management is relatively unrefined. | Since December 2013, Huarong Financial Leasing has taken the following rectification measures: (1) enhancing the management level of the leasing business, tightening up reviews and approvals, and strengthening on-site inspections for leasing projects; (2) strengthening identification and monitoring of asset risks, lowering the level of distressed assets, and establishing working leadership teams for risk mitigation; and (3) further emphasizing risk awareness, putting in place regular risk inspections, regularly conducting risk identification and review with respect to on-going leasing projects, and making timely rectifications. On February 19, 2014, Huarong Financial Leasing submitted to the CBRC Zhejiang Office a rectification report, stating its rectification status with respect to the above issues. As of the Latest Practicable Date, we have not received objections or follow-up opinions on the rectification report from the CBRC Zhejiang Office. |
| In March 2012, the CBRC Shanghai Office issued to China Huarong's Company Branch in Shanghai the regulatory supervision opinions for the year of 2011. | The Company Branch in Shanghai had the following issues: (1) that the extensive operation mode had not changed, and the concentration in the real estate industry was high; (2) that the formalities for | The Company Branch in Shanghai has taken the following rectification measures: (1) re-evaluating the limit on industry concentration and limit on client concentration, and further strengthening the management of concentration risks; (2) further enhancing compliance awareness, filing record of new |

| Regulatory Inspection and Opinions | Major Issues | Our Key Rectification Measures |
|---|---|---|
| | setting up new business were sometimes not completely followed, and record of new businesses set up had not been filed; and (3) that the fees charged for intermediary business should be further normalized. | business set up in a timely manner, and further tightening up review of the innovative business and product; and (3) tightening up review and approval over intermediary business fee charging; normalizing fee charging practice with respect to the intermediary business; making rectification for relevant projects and punishing the staff involved. |

In response to the requirements and suggestions of the regulatory authorities, we immediately conducted detailed investigations on each incident and adopted a series of remedial and rectification measures including strengthening the implementation of internal controls, improving corporate governance structures, enhancing the capabilities of business management and control, and implementing stringent financial reviews and monitoring measures. As of the Latest Practicable Date, the relevant deficiencies have been effectively improved and all non-compliance issues have been rectified. In addition, we filed rectification reports on our rectification progress to the relevant regulatory authorities pursuant to their requests and have not received any objection or follow-up suggestion from such regulatory authorities on our rectification reports as of the Latest Practicable Date.

Therefore, the Directors are of the view that our remedial measures and rectification plans were appropriate and effective, the aforementioned deficiencies or non-compliance situations identified in regulatory inspections have been rectified and such incidents, individually and in aggregate, would not have any material adverse effect on our business, financial condition and results of operations, and the risk management and internal controls measures in place after our rectification are effective and adequate.

**Reporting and Monitoring Employees' Non-compliance**

We have established internal procedures for reporting employee non-compliance to ensure that all incidents of employee non-compliance is reported to our Head Office in a timely manner. In addition, we are required to report to the CBRC material incidents of employee non-compliance. For material incidents of employee non-compliance, we report upwards internally, and then our Head Office reports such cases to the CBRC. During the Track Record Period, 83 of the Group's employees were subject to disciplinary actions as a result of their non-compliance with internal rules and policies of the Group, among which two employees were dismissed due to alleged criminal conducts, including alleged forgery of business contracts and alleged conduct involving economic crimes before joining the Group. After we discovered the alleged criminal conducts, we reported these two cases to local judicial authorities on a timely basis and actively followed up with the local judicial authorities regarding the status of these cases. As of the Latest Practicable Date, we have not received any further notice or communications from the local judicial authorities regarding these two cases.

None of the Directors or our senior management has been involved in any incident of employee non-compliance. The Directors consider that the aforementioned non-compliance incidents of individual employees would not have a material adverse effect on our business, financial condition or results of operation. We have enhanced our internal controls systems, launched internal systems for monitoring, preventing and addressing employee non-compliance incidents, such as a system of employee accountability, increased efforts in providing special training and the implementation of regular and specific inspections within our Group with respect to specific problems involved in non-compliance incidents. We will continue our efforts to improve and strengthen internal controls and risk management in order to prevent similar incidents from occurring in the future. In light of the above, the Directors are of the view that our risk management and internal control measures to ensure future compliance are effective and adequate.

Pursuant to Chapter 14A of the Listing Rules, the transactions we have entered into with our connected persons (as defined in the Listing Rules) after the listing of our H Shares on the Hong Kong Stock Exchange will constitute connected transactions for us. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

## EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set forth below are details of various continuing connected transactions between our subsidiary, Huarong Xiangjiang Bank, and certain of its directors, supervisors, chief executives and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of business of Huarong Xiangjiang Bank and are fully exempt from all the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## COMMERCIAL BANKING SERVICES AND PRODUCTS PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS—DEPOSIT TAKING

Huarong Xiangjiang Bank provides commercial banking services and products to its customers in the ordinary and usual course of business. Such services and products include the taking of deposits. Customers who place deposits with Huarong Xiangjiang Bank may include directors, supervisors, chief executives of Huarong Xiangjiang Bank, former directors of Huarong Xiangjiang Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that our connected persons will continue to place deposits with Huarong Xiangjiang Bank following the listing of our H Shares, which will be financial assistance received by Huarong Xiangjiang Bank from our connected persons and constitute continuing connected transactions for Huarong Xiangjiang Bank under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons with Huarong Xiangjiang Bank are on normal commercial terms with reference to prevailing market rates and will be exempt continuing connected transactions under Rule 14A.90 of the Listing Rules, namely financial assistance received by Huarong Xiangjiang Bank from a connected person in the form of deposits placed with Huarong Xiangjiang Bank on normal commercial terms (or on terms that are better to the listed issuer) and not secured by our assets, and thus will be fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## COMMERCIAL BANKING SERVICES AND PRODUCTS PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS—LOANS AND CREDIT FACILITIES

Huarong Xiangjiang Bank extends loans and credit facilities to its customers in the ordinary and usual course of business and on normal commercial terms with reference to prevailing market rates. Customers who utilize the above banking products and services of Huarong Xiangjiang Bank may include directors, supervisors, chief executives of Huarong Xiangjiang Bank, former directors of Huarong Xiangjiang Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that Huarong Xiangjiang Bank will continue to provide the above banking products and services to our connected persons following the listing of our H Shares, which will be financial assistance provided by Huarong Xiangjiang Bank to our connected persons and constitute continuing connected transactions for Huarong Xiangjiang Bank under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by Huarong Xiangjiang Bank to our connected persons are on normal commercial terms with reference to prevailing market rates and will be exempt continuing connected transactions under Rule 14A.87(1) of the Listing Rules, namely financial assistance provided by Huarong Xiangjiang Bank in its ordinary and usual course of business to a connected person on normal commercial terms (or on terms that are better to the listed issuer), and thus will be exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## COMMERCIAL BANKING SERVICES AND PRODUCTS PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS—OTHER BANKING SERVICES AND PRODUCTS

Huarong Xiangjiang Bank provides other commercial banking services and products (including credit/debit cards and wealth management products) to its customers at normal prescription fees, service fees and charges in the ordinary and usual course of business of Huarong Xiangjiang Bank and on normal commercial terms. Customers who utilize the above banking products and services may include directors, supervisors and chief executives of Huarong Xiangjiang Bank, former directors of Huarong Xiangjiang Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that Huarong Xiangjiang Bank will continue to provide the above banking products and services to our connected persons following the listing of our H Shares, which will constitute continuing connected transactions for Huarong Xiangjiang Bank under Chapter 14A of the Listing Rules.

These continuing connected transactions are the provision of other banking services and products to Huarong Xiangjiang Bank's connected persons in the ordinary and usual course of business and on normal commercial terms (or on terms that are better to the listed issuer) and are expected to fall within the de minimis transactions under Rule 14A.76(1) of the Listing Rules. As a result, these transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## OVERVIEW

Comprehensive risk management is our core competitive strength. We insist on prudent and sound risk management strategies. Through our continuous exploration and innovation, we have developed a unique risk management culture as well as established a risk management model and organizational structure that satisfy industry regulatory requirements, work well with the financial markets and enhance the control by our Head Office. We have also established a comprehensive risk management system that establishes robust and compliant operations, a clear risk appetite, a deliberate management system, and an effective performance assessment mechanism. Consequently, we have formed a strong basis to prevent and resolve various types of risks effectively, and to achieve steady operations and robust development.

Since our commercialization transition, we have established a risk management system with features unique to China Huarong:

- *Risk management culture and philosophy*. We adhere to a risk management culture and philosophy of "creating value through risk management and boosting profit through risk operation". We endeavor to incorporate this culture and philosophy into the operational management and business expansion activities of our operating entities and enhance the awareness of risk management among all employees. We do this through our risk appetite management mechanism, risk management policies and risk management procedures.

- *Risk appetite management mechanism.* We believe that among the Four AMCs, we were the first to establish a risk appetite management mechanism, launch policies and management measures relating to our risk appetite, and specify the bottom line of risk management and risk tolerance for the Group. We integrate our risk appetite into our operations via our corporate governance structure, risk management system and performance review system.

- *Comprehensive risk management framework*. Our risk management framework is a three-dimensional risk management system consisting of: (i) three hierarchies within our corporate governance structure, (ii) three tiers of professional teams specialized in risk management, and (iii) three lines of defense in our practical operations. Our risk management framework corresponds with the nature, scale and complexity degree of our business and covers each Company Branch, subsidiary, level, business area and region.

- *Chief risk officer and risk director mechanism*. We believe that among the Four AMCs, we took the lead in appointing chief risk officers and risk directors, reinforcing accountability of the person-in-charge of risk management, and continuously improving independent and vertical risk management systems.

- *Risk assessment and performance review*. We emphasize the application of economic capital in risk assessments and performance reviews. We have gradually improved the methods of risk assessment and performance evaluation by Company Branches and subsidiaries. We associate risk assessment with the deferred payment of salary and compensation and have established a performance review mechanism balancing returns, risks and capital. We have incorporated the cost of risk into the performance review of each Company Branch, subsidiary and person-in-charge.

- *The Group's risk control over subsidiaries.* We have integrated risk management by subsidiaries into the comprehensive risk management framework of the Group, such that we can improve the efficiency of synergistic operation of subsidiaries through the overall risk controls of the Group. This also allows us to manage and control risks from multiple levels and different perspectives, focus on sharing information and prevent and mitigate risks in synergy.

The overall objectives of our risk management are to:

- Adhere to the bottom line of risk, execute scientific development, and ensure a stable operation and sound development of the Group;
- Control the risk exposure within limits acceptable to the Group's development strategies and operational objectives; and
- Ensure the thorough implementation of major decisions and measures taken by the Group for the purpose of achieving its operational objectives, and ensure operational efficiency and effect.

The general principles of our risk management are:

- Consistency: to establish a comprehensive risk management system, and ensure the consistency between our risk management objectives and strategic development goals;
- Comprehensiveness: to cover all lines of business, units and regions, and identify, measure, monitor, control and report all types of risks;
- Participation: to establish a risk management culture and the corresponding mechanism that involves all personnel in risk management. Management personnel at different levels and all staff shall take part in risk management work of the Group and assume risk management responsibilities as part of their job duties;
- Independence: to maintain the risk management system independent of the business operations systems;
- Professionalism: to study and develop risk management techniques, methods and tools that fit the nature, scale and degree of complexity of our business, train a professional risk management team, and gradually achieve professional management of risks; and
- Continuity: to continuously examine and evaluate the changes in the internal and external operations and management environment and the competitive landscape, and their impact on the risk management of the Group and to promptly adjust and constantly improve risk management policies, rules and procedures.

## RISK MANAGEMENT CULTURE AND RISK APPETITE

Risk management culture refers to the philosophy, values and behavior rules which are formulated during our risk management activities and are acknowledged and complied with by our employees. We adhere to a risk management culture and philosophy of "creating value through risk management and boosting profit through risk operation" and endeavor to incorporate this culture and philosophy into our operations, management and business expansion activities by adopting a risk appetite management mechanism, risk management policies and risk management procedures. In the meantime, we keep innovating and improving our risk management organization structure, risk management policies and risk management procedures to strengthen and enhance the core values of our risk management, and make our risk management culture a key part of our corporate culture.

In order to fully elaborate our risk culture and philosophy and constantly enhance all employees' awareness of risk management, we have established certain risk management concepts in the Group, including "risk management is indispensable to the Group and is a top priority" and "risks are a hard restraint and are our top responsibility".

Our risk appetite refers to the category and level of risks that we are willing and able to assume. It is the bottom line of the Group's risk management, based on the external business environment, expectation of stakeholders, industry standards and our strategic development objectives. We believe that we were the first among the Four AMCs to establish a risk appetite management mechanism and launch policies and management measures relating to our risk appetite.

We formulate our risk appetite policies based on our risk tolerance and business strategies. Then we determine each operational management indicator in accordance with our risk appetite by integrating both qualitative and quantitative methods. Through the risk appetite management mechanism, we determine the risk bottom line and risk tolerance of the Group, which allows us to regulate risk appetite management and enhance the effectiveness, practicability and enforceability of our risk appetite policies.

We regularly update the Group's overall, as well as individual, risk appetite objectives, which are categorized by risk type, and formulate the key quantitative indicators of risk appetite. We also determine the management strategies and risk policy requirements for the implementation of our risk appetite, define the degree and level of risks that our Group is willing to undertake within the scope of the given capital allocation and risk tolerance capacity, and facilitate the thorough implementation of risk management strategies and objectives through the communication of our risk appetite. We analyze and specify the risk appetite control indicators for risk management and control and each of our business lines by way of limitation management, economic capital and performance review. Such risk control appetite indicators are incorporated and integrated into each of our business processes from top to bottom, and are continuously improved based on the feedback from the risk management and business lines from bottom to top.

As of the Latest Practicable Date, our overall risk appetite was as follows:

- The Group has a prudent and sound risk appetite. It seeks to transform the development methodology, improve the development quality, adjust the business structure, and adhere to the principles of operational compliance and sustainable development;
- With respect to our distressed asset management business, we take a medium degree of risk in order to achieve corresponding medium to high level returns;
- With respect to our financial services and asset management and investment businesses, we prudently categorize business risks, make use of comprehensive risk management and control measures, and obtain reasonable returns; and
- While balancing risks and returns, we maintain a reasonable capital adequacy level to defend against risks which face the Group, continuously comply with various regulatory requirements and pursue long-term sustainable development.

Guided by our overall risk appetite, we perform risk management in the three business segments of distressed asset management, financial services and asset management and investment based on their respective risk characteristics:

- In our distressed asset management business, we focus on solutions for project-specific risks and comprehensive risks, rigorously assess the value of collateral and pledges, and carry out differentiated assessments and reviews of projects involving different industries. In connection with the acquisition-and-disposal business, we prudently assess the value of an asset portfolio, avoid irrational bidding prices, and match acquisition cost with expected return. In connection with the acquisition-and-restructuring business, we take advantage of our professional and effective risk identification capability to focus on appraising the risk of an individual project, and use risk solutions to reduce project risks, accomplish a return premium outbalancing the risk exposure and achieve our target capital return;
- In our financial services business, we differentiate our guidance for subsidiaries in accordance with the characteristics of their business (e.g. securities, financial leasing, banking and futures businesses) and monitor their compliance with the risk management requirements of their respective regulatory authorities. We also pay attention to cross-selling opportunities derived from customers of our distressed asset management business, and further identify project opportunities and maximize return under our set risk appetite; and
- In our asset management and investment business, we balance the investment cost and return of a project and focus on the return capacity of, and security measures for, the investment project. We conduct differentiated management over different types of assets, and maintain and increase the value of assets on the basis of controllable risks and sufficient disclosure.

We have established a risk management system with the quantitative communication of risk appetite as a main thread and the risk-adjusted return assessments as a core method. We set up key risk indicators at Group level, which help to make a systemic measurement as well as management and control over the risks faced by all business units. Our economic capital refers to the capital that we need to absorb unexpected loss and maintain normal operations. We enforce capital management rules at the Group level, emphasize the use of economic capital in risk assessments and performance reviews. We also take a comprehensive view of the regulatory requirements of the industry, capital strength of the Group and risk appetite, so as to determine the overall risk level of the Group and the corresponding risk capital limits to prepare for unexpected loss. On that basis, we then allocate risk capital limits among different business units. This allows us to allocate economic capital dynamically according to the performance review of risk-adjusted returns of each business line and operational unit. We continuously optimize our business portfolio through the capital management system and risk pricing mechanism, make utmost efforts to ensure that returns match with risks, support the implementation of the Group's overall strategies, and facilitate a robust operation and healthy development of the Group with risks at a controllable level.

## RISK MANAGEMENT FRAMEWORK

We have established a comprehensive risk management framework that corresponds to the nature, scale and degree of complexity of our business. This framework covers each of our divisions, levels, business areas and regions. We have also set up a solid, professional and independent risk management framework with separate front, middle and back offices and a clear allocation of rights and obligations. This risk management framework comprises individual risk management frameworks of various levels including the Head Office, Company Branches and subsidiaries, specifies a mechanism of risk management responsibility and accountability, and gradually realizes the vertical management in our risk management system.

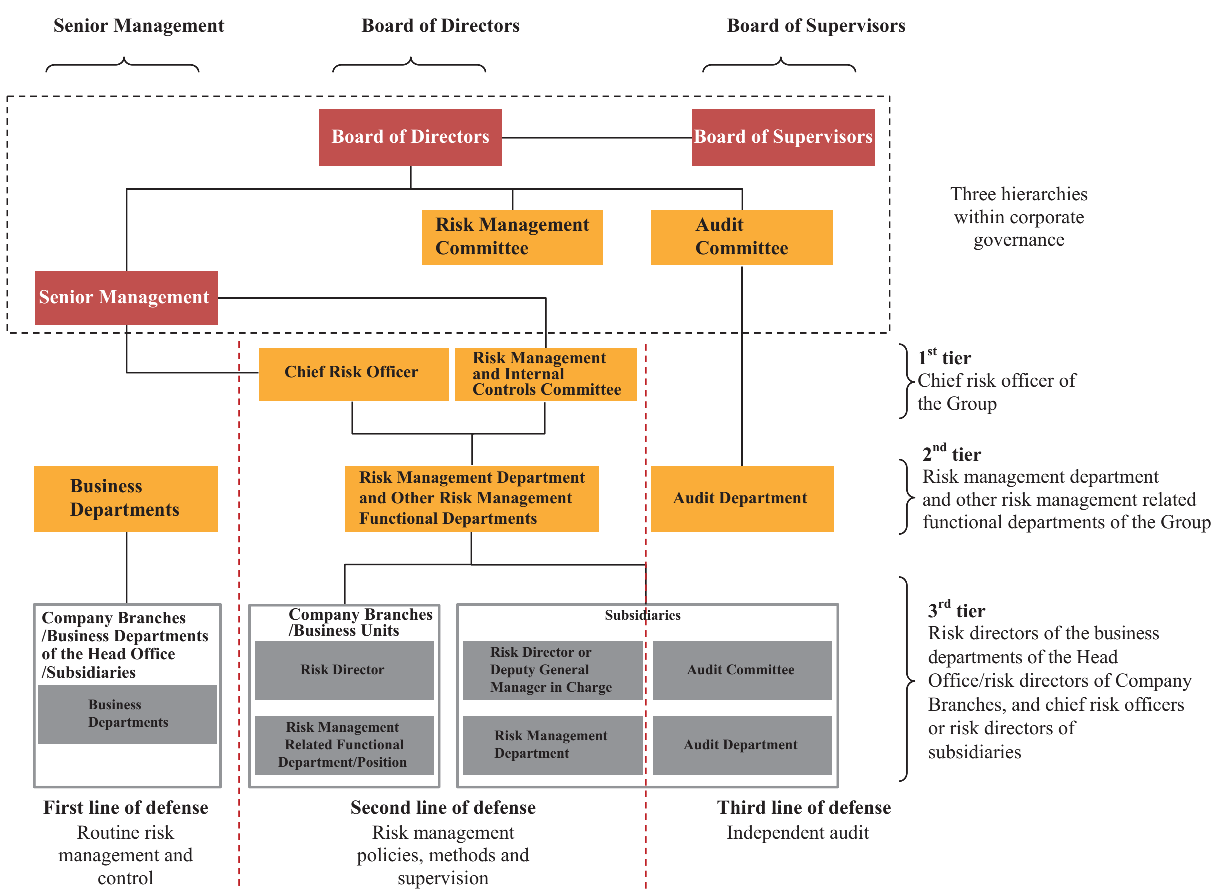
Our risk management framework is a three-dimensional risk management system consisting of three hierarchies within our corporate governance structure, three tiers of professional teams specialized in risk management and three lines of defense in our practical operations.

The three hierarchies of risk management within our corporate governance structure refer to (i) the Board, (ii) the senior management, and (iii) the Board of Supervisors. The Board is the highest authority in respect of our comprehensive risk management and is responsible for the formulation and improvement of the unified risk policies and the risk appetite of the Group. We have established a risk management committee under the Board, which is responsible for setting forth risk management objectives and policies. Senior management are responsible for applying the risk management policies provided by the Board to the detailed objectives and plans for the management and control of our major operating risks, developing risk mitigation tools suitable for our business, and ensuring thorough implementation of the Board's decisions. We have established a risk management and internal controls committee under the senior management, which manages, discusses and controls risks in our practical operations. The Board of Supervisors is responsible for supervising the effectiveness of our risk management and internal controls.

Our three tiers of professional teams specialized in risk management refer to (i) the chief risk officer of the Group; (ii) the risk management department and other departments of the Group involved in risk management; and (iii) 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. He assists the President to conduct supervision over, and make decisions in connection with, risk management divisions and risk management work, and reports on risk management status of the Group to the Board and senior management. As the leading department for comprehensive risk management, the risk management department of the Group facilitates the workings of the comprehensive risk management system under the leadership of the chief risk officer of the Group. Meanwhile, the other risk management related functional departments carry out daily management over different types of risks. We established the position of risk director and a risk management functional department in Company Branches, the position of risk director in the business department of the Head Office, and an independent risk management department in each subsidiary of the Group, so that we can accomplish independence, professionalism and centralization with respect to risk management. We have reinforced the accountability of the "person-in-charge" in connection with risk management and ensure that the "persons-in-charge" of Company Branches and subsidiaries assume ultimate responsibility for risk control. We believe that we were the first among the Four AMCs to set up a system of chief risk officers and risk directors. We have established the position of risk director in all of our 31 Company Branches, and a risk execution committee or risk execution and review committee under the board of directors in five of our subsidiaries, through which we have gradually established and improved an independent and vertical risk management system.

The three lines of defense in our practical operations refer to (i) routine risk management carried out by the business departments; (ii) risk management policy provision, method formulation and supervision carried out by the risk management department and other risk management related functional departments of the Group; and (iii) independent audits carried out by the audit department of the Group. The first line of defense of our risk management identifies, assesses, handles and reports risks from the business frontline and takes primary responsibility for risks we are exposed to. The second line of defense of our risk management manages risks types for which it is responsible, and provides guidelines for risk management and independent risk analyses. The third line of defense of our risk management provides for feedback on risk management procedures, risk responding measures, risk controlling measures and the actual implementation status, so as to further foster and improve the first and second lines of defense. We stipulate that the person-in-charge of a project assumes direct responsibility for risk management. Each of the departments of the Group, Company Branches and subsidiaries adheres to the principle of "diligence and professionalism" in risk management and perform their respective risk management responsibilities such that all employees participate in risk management with effective accountability.

The chart below demonstrates the organizational structure of our risk management framework.




## Three Hierarchies of Risk Management

The three hierarchies of risk management within our corporate governance structure refer to the Board, senior management and the Board of Supervisors.

**Board of Directors**

The Board is the highest decision-making authority of risk management of the Group and it is accountable to the shareholders' general meeting for the effectiveness of our comprehensive risk management. Major responsibilities of the Board include:

- reviewing and approving the overall risk management objectives, risk appetite and risk management strategies of the Company;
- reviewing and approving basic policies and rules of the Company for risk management, and plans for setting up risk management organizations and such organizations' duties;
- reviewing and approving risk management reports and solutions for major risks; and
- reviewing and approving the supervision, assessment and audit reports of risk management submitted by the internal audit department.

The Board may delegate some of its risk management duties to the risk management committee or audit committee of the Board.

***Risk Management Committee of the Board***

The risk management committee of the Board reports to the Board, and its major responsibilities include:

- reviewing and discussing risk management planning, risk management framework and basic risk management policies and rules of the Group, monitoring the implementation status and effectiveness of the risk appetite, risk management and internal control procedures of the Group, and providing suggestions to the Board accordingly;
- monitoring the establishment, ways of organizing, working procedures and effectiveness of the risk management department, and providing suggestions to the Board accordingly;
- reviewing and discussing plans for risk capital allocation and management objectives for the capital adequacy ratio of the Group; reviewing and verifying standards of asset categorization and risk provision policy, and submitting to the Board for review and discussion; reviewing and monitoring the implementation of capital planning, and providing for suggestions with respect to information disclosure on relevant capital adequacy ratio;
- reviewing, discussing and monitoring the implementation of the annual risk management objectives and plans submitted by senior management; monitoring the senior management's risk management with regard to the risks focused on by the Group, and providing suggestions to the Board accordingly; and
- evaluating the risk profile of the Group regularly, and providing advice on the enhancement of risk management and internal controls from the perspective of the Group and our overall business.

As of the Latest Practicable Date, the risk management committee of the Board consists of six directors. Ms. Dai Lijia is the committee chairwoman and Mr. Wang Keyue, Mr. Tian Yuming, Ms. Wang Cong, Mr. Wang Sidong and Mr. Wu Xiaoqiu are the committee members. For the profile of each of the above committee members, see "Directors, Supervisors and Senior Management".

***Audit Committee of the Board***

Major responsibilities of the audit committee of the Board include:

- supervising the internal controls rules and their implementation;
- supervising the inspection, assessment, rectification and implementation of internal controls;
- supervising and evaluating the internal audit work;
- supervising rectification of issues identified through auditing; and
- reviewing and discussing the internal audit rules and supervising their implementation.

As of the Latest Practicable Date, the audit committee consists of six directors. Mr. Tse Hau Yin is the committee chairman and Mr. Tian Yuming, Ms. Dai Lijia, Mr. Song Fengming, Mr. Wu Xiaoqiu and Mr. Liu Junmin are the committee members. For the profile of each of the above committee members, see "Directors, Supervisors and Senior Management".

**Senior Management**

The senior management is responsible for the implementation of the overall risk management objectives and risk appetite set by the Board. The senior management is the highest decision-making body for day-to-day operations, and it performs specific duties in connection with our comprehensive risk management. The President, as the person-in-charge for the operation and management of the Group generally, is responsible for the performance of the senior management's risk management responsibilities. Major responsibilities of the senior management include:

- improving the framework of the comprehensive risk management system of the Company;
- executing basic risk management policies and rules approved by the Board, reviewing and approving detailed risk management rules and risk management regulations of the Group, and supervising and ensuring the effective implementation of all such detailed rules and regulations;
- formulating procedures and standards for the identification, measurement, monitoring and control of risks;
- managing all types of risks, and monitoring and controlling risks involved in business activities of the Company so that they conform to the risk appetite and risk tolerance levels set by the Board; and
- submitting comprehensive risk management reports to the Board and promptly reporting to the Board on material risks.

***Risk Management and Internal Controls Committee***

We have set up a risk management and internal controls committee under our senior management, which is the working unit for the risk management function of senior management. Major responsibilities of the risk management and internal controls committee include:

- reviewing and formulating comprehensive risk management policies, regulations, plans and framework according to the risk appetite of the Company;

- reviewing, discussing and improving various risk management systems, and guiding and monitoring the operation of these systems;
- auditing the comprehensive risk management framework of the Group and promoting the implementation of the risk management framework of the Group;
- reviewing and discussing risk management matters that are to be reviewed and reported on by the senior management as requested by the Board and its risk management committee;
- reviewing and discussing relevant proposals to be submitted to the risk management committee of the Board for approval; and
- reviewing and discussing self-assessment reports on internal controls to be submitted to the audit committee of the Board for review.

**Board of Supervisors**

The Board of Supervisors is the supervisory organization for our risk management. It supervises the performance of the Board and senior management with respect to comprehensive risk management work and oversees the decision making in business operations, risk management and internal controls.

**Three Tiers of Risk Management**

Our three tiers of professional teams specialized in risk management refer to (i) the chief risk officer of the Group; (ii) the risk management department and other risk management related functional departments of the Group; and (iii) the risk directors of the business departments of the Head Office, risk directors of Company Branches, and the chief risk officers or risk directors of the subsidiaries.

**Chief Risk Officer**

We have set up the position of chief risk officer to assist the President in supervising and making decisions in relation to risk management, and in reporting the risk management status of the Group to the Board and senior management. Major responsibilities of the chief risk officer include:

- organizing and coordinating the comprehensive risk management of the Company;
- structuring and improving the overall risk management framework of the Group;
- formulating and supervising the implementation of risk management policies, regulations and measures according to our risk management objectives and risk appetite;
- developing tools, procedures and reporting systems for risk management, monitoring the risk management status of the Company, and reporting the risk management status to the Board and senior management and providing suggestions; and
- promoting a comprehensive risk management culture in the Group and enhancing risk management capabilities.

As at the Latest Practicable Date, our chief risk officer is Mr. Yang Guobing. For the profile of Mr. Yang Guobing, see "Directors, Supervisors and Senior Management".

**Risk Management Department and Other Risk Management Related Functional Departments of the Group**

***Risk Management Department of the Group***

The risk management department of the Group, as the leading division for the comprehensive risk management, promotes the establishment of a comprehensive risk management system. Major responsibilities of the risk management department of the Group include:

- collecting information and preparing reports on various types of risks of the Group;
- taking the lead in managing the general policy and tools of risk control, and guiding and supervising the performance of risk management duties;
- inspecting and guiding the comprehensive risk management and assessing the results of risk management related work; and
- taking the lead in managing with respect to credit risks, market risks, operational risks, concentration risks and risks arising from inside trading and connected transactions; determining specific management measures for different types of risks for which it takes the lead in managing, developing risk management tools, supervising the application of these tools, and carrying out risk identification, measurement, monitoring, control and reporting.

***Other Risk Management Related Functional Departments of the Group***

We have set up specific functional departments in respect of various types of risks at the Head Office. Under the leadership of senior management, these functional departments take charge of the daily management of various risk and carry out management, inspection and supervision over risk management of the Head Office, Company Branches and subsidiaries. Such other risk management related functional departments of the Group mainly include:

- The planning and finance department of the Group is responsible for managing risks of capital inadequacy, monitoring the status of capital usage by the Group in order to discover any capital shortage promptly, formulating capital plans to effectively manage capital of the Group, and taking the lead in managing the assets and liabilities of the Group;
- The financial market department of the Group is responsible for daily liquidity management, formulating policies and regulations for liquidity risk management, researching and developing management tools for liquidity risks, optimizing management procedures, monitoring liquidity risks, issuing liquidity risk management reports and managing the transaction risks in connection with the interbank market; and
- The business review department and business evaluation department review and manage, from their professional perspectives, credit risks, market risks and operational risks involved in our daily operation.

In addition, the Office of the Board, legal department, research and development department and information technology department of the Group are responsible for the management of reputational risks, compliance risks, strategic risks and information technology risks, respectively, formulating relevant risk management policies and rules, and monitoring and reporting the relevant risks.

**Risk Director of the Business Departments of the Head Office, Risk Directors of Company Branches and Chief Risk Officers or Risk Directors of Subsidiaries**

***Business Departments of the Head Office***

We have set up the position of risk director and other independent risk management positions in the business departments of the Head Office so as to ensure the independence, professionalism and centralization of risk management.

***Company Branches***

Our Company Branches have appointed risk directors and set up functional departments of risk management to maintain independent, professional and centralized risk management over various types of risks.

*Risk Directors*

The risk director of a Company Branch independently performs the duties of business risk review, fund placement approval in accordance with the unified risk management policies of the Group, and reports to both the Head Office and the person-in-charge of the relevant Company Branch. As of the Latest Practicable Date, we have set up the position of risk director in all 31 Company Branches.

*Risk Management Related Functional Departments or Positions*

Company Branches have risk management related functional departments or positions covering risk management, later stage management, legal affairs, business review and business evaluation. Such functional departments or positions carry out relevant risk management tasks, ensure thorough implementation of the Group's risk management policies and procedures to achieve a centralized management and control of risks of the Company Branches.

***Subsidiaries***

Under the framework of our unified risk appetite and the risk management policies and rules of the Group, our subsidiaries carry out risk management independently through their corporate governance structure. A subsidiary specifies risk management responsibilities of its board of directors and senior management with reference to the risk management requirements of the Group and its own situation. Following the example of the Group, a subsidiary implements the mechanism of chief risk officer, and improves its risk management organizational structure. As of the Latest Practicable Date, we have set up a risk execution committee under the board of directors of Huarong Rongde, Huarong Real Estate, Huarong Trust and Huarong Securities, as well as a risk execution and review committee under the board of directors of Huarong Financial Leasing, and appointed a risk director or a chief risk officer at each of Huarong Real Estate, Huarong Trust, Huarong Securities and Huarong Futures.

**Three Lines of Defense of Risk Management**

The three lines of defense in our risk management operations refer to (i) routine risk management carried out by the business departments; (ii) risk management policy provision, method formulation and supervision carried out by the risk management department and other risk management related functional departments of the Group; and (iii) independent audits carried out by the audit department of the Group. All departments and operational units of the Group adhere to the principle of "diligence and professionalism" in risk management and the performance of their respective risk management responsibilities.

**The first line of defense**

As the first line of defense for risk management, our business departments are responsible for identifying risks in the course of business operations, complying with and implementing risk management policies and rules and undertaking the primary responsibility of risk identification and risk control. Our business departments identify risks in our business operations by specifying detailed customer standards and product standards, managing the legality and effectiveness of risk mitigation methods, tracking changes in business risks in a timely manner, and promptly communicating with the risk management related functional departments to report on risk management information.

**The second line of defense**

Independent from the first line of defense, the risk management department and other risk management related functional departments of the Group constitute the second line of defense of risk management. They manage the respective types of risks that they take charge of. They take the lead in formulating and supervising the implementation of risk management policies and rules, formulating guidelines and independent analyses of risk management and providing risk reports.

**The third line of defense**

Independent from the first and second lines of defense, the audit department of the Group constitutes the third line of defense. Under guidance from the Board, the audit department evaluates the sufficiency and effectiveness of risk management, capital management and internal controls performed by senior management, makes inspections and furnishes suggestions for improvement, and supervises the implementation of improvement methods to ensure the efficiency and orderliness of such procedures and controls.

## POLICIES AND RULES ON RISK MANAGEMENT

**External Regulations of Risk Management**

External regulations governing our risk management mainly include the Measures for the Regulation of Financial Asset Management Companies, Off-site Supervision Information System for Financial Asset Management Companies (Provisional), Guidelines on Supervision of Statement Consolidation of Financial Asset Management Companies (Trial), the Basic Internal Control Norms for Enterprises, and the Measures on the Internal Control of Financial Asset Management Companies. For details of such external regulations, see "Regulatory Environment".

We have actively taken the following actions to ensure our risk management satisfies regulatory requirements of the Measures for the Regulation of Financial Asset Management Companies:

- We have further strengthened the comprehensive risk management system by formulating and starting to implement the five-year plan for our comprehensive risk management system from 2014 to 2018, coordinating and arranging risk management system work for the next few years, determining the focus of work and the objectives for each of the next few years, and establishing a management mechanism for the implementation of the five-year plan. The risk management and internal controls committee under the senior management is directly responsible for the implementation of the five-year plan and the risk management department of the Group is responsible for the implementation and coordination of routine work to accomplish the five-year plan;

- We have further refined the risk management system of the Group. We have integrated subsidiaries into the risk management framework of the Group under the management and control by the Group, and formed a risk management and control structure of the Group covering risks at the three levels of the Company, subsidiaries and the Group;
- We have engaged in researching and developing a consolidated risk view based on our data warehouse and data mart. By building an information-based platform, we have improved the quantified level and quality of risk management and further enhanced the integrated management and informatization of the Group; and
- We formulated the Provisional Measures for Management of Internal Transactions within the Group to regulate internal transactions of the Group and prevent risk infection, and started building an internal transaction information management system to further enhance the management and control over internal transactions within the Group.

We began to implement the guidelines and requirements of the CBRC on financial statement consolidation in 2012. We have started setting up and operating a supervision information system on a statement consolidation basis. We keep improving the underlying environment, regulation system and management mechanism with respect to statement consolidation supervision by reinforcing means such as corporate governance, group management and control and risk assessment, in order to effectively implement statement consolidation supervision.

- We have preliminarily formed an indicator system of risk management for the Group. We have enriched the level of risk monitoring and built information reporting channels for risk indicators of subsidiaries, so as to get regular information on subsidiaries such as financial data, business data, industry regulatory indicators and relevant indicators of statement consolidation supervision. We have also established a risk management indicator system covering internal management requirements of the Group and regulatory requirements, covering the three levels of the Company, subsidiaries and the Group, and comprising 59 indicators in relation to capital adequacy, leverage ratio, large risk exposure and liquidity. By emphasizing the application of economic capital in resource allocation and performance assessment, the Group has enhanced its internal management based on the quantitative results of such indicator systems.
- We have built up a regulation system covering the main requirements of financial statement consolidation supervision. According to the requirements of financial statement consolation supervision, we have formulated multiple management measures relating to internal transactions, connected transactions, capital management and liquidity management and established a management mechanism for statement consolidation supervision. We have applied rules on economic capital caps to guide the Company Branches to transform their development modes, and to boost the healthy development of our subsidiaries.
- We keep improving the basis of statement consolidation supervision. In respect of risk governance structures, we have established a comprehensive risk management framework corresponding to the management and control of a financial holding group. In respect of risk control, we emphasize the assessment of risk positions, divide the duties of comprehensive risk management, and define risk policies and management rules. In respect of system establishment, we have built up a full-business supervision information system and a full-process risk supervision information system, and also formulated the Trial Measures for Management of Information Disclosure and other regulations.

**Internal Regulations on Risk Management**

We have established a system of comprehensive risk management policies and regulations in line with the risk appetite of the Group. This is based on the principle of multiple-tier management and accords with applicable regulatory requirements and comprehensive risk management requirements. This system covers all major types of risks of the Group's concern and is amended and refined on a timely basis in response to factors such as the Group's development, technology updates and market changes, in order to form a long-term and effective risk management mechanism.

Our system of risk management policies and regulations is divided into three categories based on characteristics, namely basic risk management policies, risk management regulations and detailed risk management rules.

- Basic risk management policies are the guiding documents for risk management of the Group. These policies are long-term policies for the achievement of our risk management objectives. They influence the direction and activities of the overall risk operation of the Group, and have a guiding effect on risk management of the Group. Our basic risk management policies include the Risk Appetite Policies and Basic Rules and Procedures on Risk Management.
- Risk management regulations are the specific action plans for each type of risks based on our basic risk management policies, including management measures for each type of risk and regulations on risk management procedures. These regulations are the action plans and basic rules for risk management. We have formulated risk management regulations corresponding to each type of risk that the Group should focus on and these regulations cover allocation of risk management responsibilities for each type of risk as well as methods and rules for the identification, measurement, monitoring, control and reporting of risk management. Our risk management regulations include the Management Measures for Customer Credit Risks and Management Measures for Risk Categories of Fixed Income Assets.
- Detailed risk management rules are the detailed implementation measures and operational methods for risk management formulated by each department of the Group, Company Branch and subsidiary in the course of their business operations and based on the basic risk management policies and risk management regulations. Such rules include specific operational procedures, detailed rules, work manuals and work guidelines, setting out detailed methods and steps for handling risk management matters and providing for guidance on the effective implementation of risk management by operational units at all levels. Our detailed risk management rules include the Manual for Connected Transaction Products and Management Measures on Authorization.

Depending on the coverage of influence and the target of application, various departments take the lead in formulating our risk management policies and regulations, which will be reviewed for approval through multiple levels of authorization. The risk management department of the Group takes the lead in drafting and formulating basic risk management policies of the Group, which will be reviewed for approval and whose implementation will be supervised by the Board and its risk management committee. The risk management related functional departments take the lead in drafting and formulating risk management regulations, which will be reviewed for approval and whose implementation will be supervised by the senior management, provided that important regulations will be subject to review and discussion by the risk management committee of the Board. Risk management related functional departments, business departments or Company Branches are responsible for drafting and formulating detailed risk management rules, which will be reviewed for approval and whose implementation will be supervised by the senior management or management of relevant Company Branches.

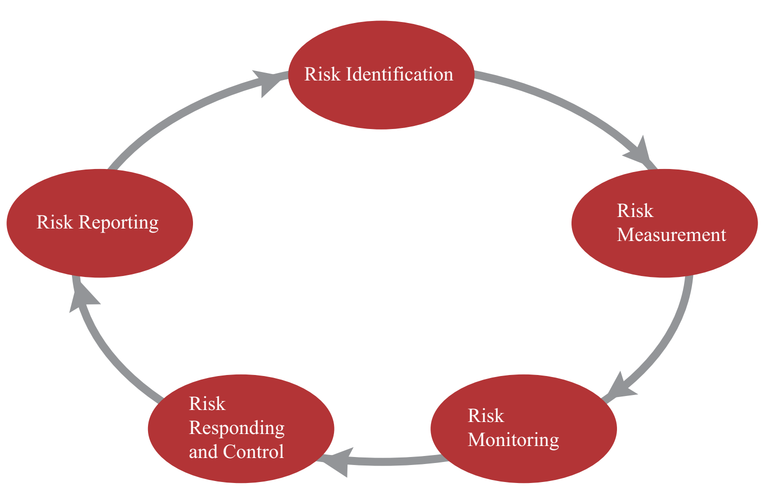
When developing new products and commencing new businesses, our business departments will identify and assess the risks involved. Relevant functional departments will refine relevant risk management policies, regulations or rules in order to ensure effective risk management and control over these new products and businesses. We have set up maintenance and management mechanisms for our risk management policies and regulations, and a mechanism for the formulation, implementation, feedback, evaluation and adjustment of risk management policies and regulations. Our senior management actively promote the implementation and execution of our risk management policy system, and the risk management related functional departments take the lead in maintaining and managing risk management policies and regulations.

## RISK MANAGEMENT PROCESS

Our risk management process involves the whole process of our risk management activities, including identification, measurement, monitoring, responding and control and reporting of risks. We have established a working system and business process for risk management according to the requirements of comprehensive risk management and types of risks. We have achieved full-process management for all types of risks to enhance the overall risk management standard of the Group. Our risk management process is able to achieve our established risk management objectives and is effectively applied to all business lines and segments, Company Branches and subsidiaries of the Group.

In the meantime, we have set up refined risk supervision and accountability mechanism, and put in practice risk responsibilities and requirements for each level including the Board, senior management, department-in-charge, each operating unit, and relevant person-in-charge. Through supervision over the risk management status by the Board of Supervision, Risk Management Committee under the Board, internal audit department, risk management department, we have set up reasonable risk evaluation weights and performance review indicators for risk assessment. We specify responsibility allocation and accountability procedures with respect to project risk losses, which allow us to attribute a responsibility to a specific individual or department on risk management work.

The chart below demonstrates our specific risk management process.



**Risk Identification**

Risk identification is the process where relevant personnel identify various types of risks and factors causing such risks, systematically categorize such risks and find out the causes of such risks in the course of daily operations of the Group. Based on the identification of existing risks, we closely monitor the transformation between various types of risks and the migration between various levels of a given risk.

Using procedural management and control as the basic tool of our internal control, we have identified 33 procedures which basically cover all businesses and management activities of the Group, and conducted regular risk identification work on the basis of these 33 procedures. Risk identification targets each section of each procedure and specifies the intended internal controls objective for such procedure, thereby identifying existing risk factors. We then assess the risk in terms of its possibility of occurrence and degree of significance. Based on the risk assessment result, we categorize risks into different levels from the least to the most significant ones, and establish regulations, policies and procedures for each level correspondingly. We determine risk responding and control strategies for different types of risks, and adopt various internal controls measures to prevent and control such risks.

Each of the risk management functional departments of the Group takes the lead in organizing the risk identification work as to the risks falling in the scope of its responsibilities, provides definition, identification standard and method for each type of risk, and sorts out and categorize the risks identified.

**Risk Measurement**

Risk measurement is the process where the possibility and degree of impact of an identified risk is measured on the basis of regulatory requirements and actual self situation after the risk type is determined through risk identification, so as to achieve measurement of different types of risks and the overall risk position. Set forth below are the main risk measurement tools adopted by us:

- *Credit risk*: We have gradually adopted an internal rating based approach to carry out risk measurement on credit risks. We have developed a customer scorecard and rating model in line with the conditions of the Group and effectively applied such model to our business practice. Through continuous data collection and accumulation, we have gradually established a credit risk measurement system (with quantitative analysis as the major method and qualitative analysis as the ancillary method), and established and refined the relevant information systems.

- *Market risk*: We gradually conduct analysis on market risks using quantitative measures such as gap analysis, duration analysis, sensitivity analysis, and gradually monitor the changes in market risk exposure and transaction volume limit.

- *Liquidity risk*: We quantify liquidity risks through cash flow gap analysis and duration analysis and gradually adopt scenario analysis and stress tests to analyze and monitor liquidity risks.

- *Operational risk*: We gradually carry out collection of reports and data in relation to loss events caused by operational risks, which lays the foundation for quantitative analysis of the degree of loss caused by operational risks.

- *Concentration risk, internal and connected transaction risk and capital inadequacy risk*: We have set relevant indicators to quantify these risks.
- *Strategic risk, reputation risk and compliance risk*: We assess the effect caused by these risk events mainly by way of qualitative management.

We formulate our risk measurement on the basis of collection and compilation of risk data, and we have established maintenance mechanisms for risk data in order to ensure the data quality. We have gradually developed a consolidated risk view based on our data warehouse and data mart, which covers major categories of risk such as credit risk, market risk and operational risk. In addition, we have set definitions and standards of data which have been implemented within the Group.

**Risk Monitoring**

Risk monitoring is the establishment and continual improvement of risk monitoring indicators. We also ensure that monitoring and analysis are conducted through appropriate monitoring tools and information systems. We judge the risk management condition and carry out risk warning and control on a timely basis by monitoring the changes and development trends of various quantifiable key risk indicators and non-quantifiable risk factors, and the effectiveness and results of the implementation of risk management measures.

The risk management department of the Group is responsible for monitoring the risks of the Group, setting multi-dimensional risk monitoring indicators, overseeing the compliance situation of all departments and Company Branches in light of such indicators, and identifying risks in a timely and effective manner. Each risk management related functional department of the Group is responsible for continually monitoring the implementation of risk management for the type of risks it takes the lead in managing, formulating and refining the risk alert indicators and action plans, gradually achieving risk monitoring and warning in advance, and properly organizing and conducting on-site inspections. Each operational unit is responsible for the daily monitoring of risk situations of such unit.

**Risk Responding and Control**

Risk responding and control is to formulate appropriate risk responding and control strategies with respect to the features of various types of risks on the basis of accurate evaluation and monitoring of risks, while taking into consideration of the balance of cost and return.

We have set up a strict authorization mechanism that adjusts dynamically. By analyzing the macro-economic situation prospectively and taking into consideration policy guidance and market environment changes, we adjust the scope of authorization with respect to different businesses in a timely way, so as to fully leverage the overall guiding function of authorization. In the meantime, we regularly evaluate the authorization situation, business development situation and risk mitigation situation in each business unit, and narrow the scope of authorization for a business unit in which project risks significantly increase. We have formulated stringent management procedures and contingency mechanisms to cater for unusual situations such as where risk limits are exceeded.

We mainly use the following five tools to deal with risk responding and control:

- Risk assumption: when a risk falls within the scope of our risk appetite, we do not take action on the possibility of risk occurrence or the impact of risk, but rather we take initiatives to assume the risk and compensate the loss with internal resources;

- Risk evasion: when a risk falls outside the scope of our risk appetite, we withdraw from the relevant business activities to avoid the impact of risk;
- Risk mitigation: we use risk mitigation measures to reduce the frequency of loss or the impact of risk;
- Risk diversification: we adopt risk diversification measures including diversified investments to reduce the frequency of loss or the impact of risk; and
- Risk transfer: we transfer risks to independent third party institutions partially or entirely by using techniques or tools to avoid disastrous loss.

**Risk Reporting**

Risk reporting is an important tool to guide our risk management and to reflect and analyzes all types of risks at different levels of the Group. We have set up and refined a risk reporting system to specify the reporting duty and the type, channel, timing, format and content of a report in light of different types of risks. The risk reporting system also specifies the receiver, procedure and frequency of a report, so as to fulfill diversified risk management needs of different risk management levels and functional departments.

We implement a full-coverage system for regular risk reporting for the Group and set specific content requirements for reports by Company Branches and subsidiaries based on the respective entity's scope of business, business characteristics and major risks. Branch Companies and subsidiaries are required to submit quarterly risk reports in relation to their operating business unit to the Head Office, and the risk management department of the Group will prepare a quarterly Group risk report. The Group risk report reflects the credit risk, market risk, liquidity risk and operational risk of the Group, analyzes the current conditions of operational risks, and reflects the existing and potential operational risks.

The risk management department of the Group also prepares monthly risk reports. Such reports mainly report on the general progress of projects, capital recovery progress, categorization and distribution of projects and off-site inspection of projects by the risk management department in the current month. They will also highlight risks relating to procedural control, operation, post-project management and data quality of projects discovered during the inspection and supervise the risk management of projects carried out by all business units.

For material risk incidents which may arise in our operating activities and result in loss to us, we have established a provisional reporting system in order to ensure we generate timely and effective solutions to such incidents and reduce potential loss which we might be confronted with. Material risk incidents are those involving a large scale of assets and may have an extensive impact in spite of any mitigation measures or legal steps timely taken.

When a risk incident is determined as a material risk incident, the person-in-charge of the relevant Company Branch is required to submit a written report to the risk management department of the Group within three working days of such determination, promptly report to the senior management of the Group and set up a special team to handle the incident. The handling plan for a material risk incident must be approved by the Group.

## RISK MANAGEMENT INFORMATION SYSTEM

We have established a risk management information system adapted to our approach to comprehensive risk management, which provides technical support for the risk management of our

Group. Our risk management information system plays a constructive role in strengthening the risk management within the Group, promoting separation of our front, middle and back offices, refining procedural management and enhancing risk monitoring levels.

Through the dissemination of information, we have enhanced business risk prevention and controls, regulated all segments and procedures, and preliminarily set up risk management and control information system that reinforces checks and balances. During the course of business procedures, our risk management information system is able to achieve a seamless integration of project risk review, implementation status review, risk monitoring, risk asset categorization, post-investment risk management and risk incident advanced warning and alert. The system also has the capacity to measure risks and generate statistics of risks of different business lines. The alert and reporting functions of the risk management information system ensure real-time and accurate monitoring of risks and control across key points, and such system facilitates the optimization of risk management procedures and internal controls mechanism.

Our risk management information system is grounded in project data and uses quantitative risk categorization and evaluation as standard. Utilizing risk data monitor platform and the different perspectives of customer, industry, business model, business scale, form of guarantee and type of collateral, the risk management information system is able to generate statistic analyses of commercialized business review, project implementation and risk management status, and dynamically reflects the overall and details status of business. We improved our comprehensive analysis, dynamically management and routine prevention of risks through technical means. In the meantime, we have established an internal controls information system that covers risks, business review, legal affairs, audit, assessment and other functions. With risk management as the main focus, this framework has effectively connected relevant information systems of legal affairs, assessment and audit and promoted the dissemination and sharing of information throughout the internal controls and management structure.

## RISK CONTROL ON SUBSIDIARIES BY THE GROUP

Risk management and control on subsidiaries by the Group is an indispensable aspect of our comprehensive risk management system. Based on all business segments, we have integrated the risk management of each subsidiary into the overall risk management framework of the Group, and through the corporate governance structure of each subsidiary, we have an appropriate degree of control over our subsidiaries. In the meantime, we supervise the self-discipline of a subsidiary, pay attention to fostering the internal driving force of a subsidiary with respect to risk management, and effectively embed the risk appetite of the Group in a subsidiary.

We have formulated a group-wide capital management system and established a management system for subsidiaries. We promote the Group's risk appetite and utilize risk-adjusted return assessments. We estimate risks and the corresponding capital requirements at the Group level and compare economic gains of each subsidiary to ensure fair and reasonable capital allocation. We formulate the risk appetite indicators for each type of material risk based on macroeconomic trends, risk positions of peers and the actual risk management status of the Group. With the guidance of the Group's risk appetite and taking into consideration its business, each subsidiary sets up its risk limits, warning lines and target values for different business lines, operation units, products and projects from aspects of regulatory restrain and self restrain, and formulates its own specific risk appetite parameters, sets effective and controllable risk bottom line indicators, and transmits such risk bottom line to business operations.

Our subsidiaries face risks of different types and significance due to their wide span of industries, rapid growth and high complexity of business. We conduct comprehensive management over each business hierarchy and each type of risk of the Group. Starting from customer entry, later stage project management, risk handling and other aspects, we take advantage of our risk control capacity in connection with the entire project process and provide subsidiaries with guidance for their business operations throughout the process.

We have adopted the following measures during the centralized management and control of various types of risks involved in the businesses of the subsidiaries:

- *Establish governance structures for risk management of subsidiaries.* Each subsidiary of the Group has set up and refined its own risk management governance structure with reference to the risk management organizational structure of the Group. The Group takes proper management and control over risks of the subsidiaries through the Boards of the subsidiaries and the risk management committees of such Boards.
- *Formulate risk management policy of subsidiaries.* Each subsidiary of the Group has formulated and refined a risk management policy system that fits with its own business characteristics, according to the risk appetite and the basic risk management framework of the Group. This approach enhances the consistency and effectiveness of risk management within the Group.
- *Properly differentiate risk management of subsidiaries.* We conduct differentiated management of risks of different subsidiaries while taking into consideration a specific subsidiary's impact on the risk of the Group and its own capacity for risk resistance. Using tools such as policies and rules, capital allocation, limit management and assessment criteria, we improve the effectiveness of control over subsidiaries.
- *Establish a management structure of financial statement consolidation.* In accordance with the requirements of financial statement consolidation management, we have established and improved the structure of financial statement consolidation management, refined the management mechanism for financial statement consolidation with respect to risks of the Group, and improved the corresponding system for risk identification, measurement, monitoring, control and reporting.
- *Establish mechanism on review and approval of material matters within a subsidiary*. Based on the governance structure of a subsidiary, we have established mechanism on review and approval of material matters within the subsidiary. Such mechanism specify the scope of authorization for a subsidiary with respect to management of human resources, salary, finance and audit matters, and regulate internal decisions and external execution processes relating to material matters of a subsidiary. In all cases, this is subject to the precondition of compliance with laws and regulations.
- *Conduct centralized monitoring of risks of the Group.* We have built a risk management indicator system covering the three hierarchies of the Company, the subsidiaries and the Group. We have established a risk reporting channel for subsidiaries, and achieved regular collection of customer and business information of the Group. Through the application of a management mechanism on customer centralization limits and customer risk limits within the Group, we quantify the scale of customer credit risk exposure across the Group and provide application tools for risk measurement.

- *Establish a risk reporting routine of the Group.* We have established a risk reporting routine covering all levels and units of the Group and a double-line reporting mechanism. Units of all levels are required to fulfill reporting obligations and report risk information in a timely and accurate way to the Head Office in accordance with the path, frequency, type and content requirement, and disclose the risk information, as required.

- *Establish a risk assessment and performance review mechanism that balances return, risk and capital.* We have gradually improved the management measures of risk assessment, performance evaluation and risk-associated assessments with deferred payment of salary and compensation. We have also established a performance review mechanism for subsidiaries, which balances return, risk and capital, and incorporates the factor of risk cost into the performance review of the subsidiaries and persons-in-charge.

- *Establish a risk isolation and firewall mechanism.* We have gradually established and refined a mechanism of risk isolation and firewall between the Head Office and the subsidiaries, as well as among subsidiaries. We take steps to isolate business, funds, staff, information and other aspects, so as to control and effectively reduce the negative impact of such risks on the Group.

- *Establish a risk management information system of the Group*. We have gradually refined a risk management information system of the Group and achieved effective monitoring of major risk information at the Group level. We regularly analyze and evaluate the risk condition, risk level and trend of risk changes from the perspective of products and customers.

Through the effective information sharing and governance mechanisms within the Group, we have instilled the risk management philosophy gained from our distressed asset management business, accumulated risk management experience, and refined risk management system, into all subsidiaries. This has enabled them to build a strict risk management system corresponding to their own business features and to allow them to effectively conduct risk management. We take the following key measures to promote our approach to risk management:

- Enhance subsidiaries' risk management capacities through decentralization and transmission of risk appetite. We have set the risk appetite indicators of the Group and by applying the relevant risk management policies, we guide the subsidiaries to refine their own risk management systems. We require the subsidiaries to issue their risk appetite statement annually to specify the overall risk appetite, risk tolerance level and key risk appetite indicators for major risks such as credit risk and market risk to serve as the core objectives of risk management.

- Enhance guidance on special points and share research results. We continually monitor risk conditions and conduct research on industries, regional economics and policies to provide guidance on risk management to subsidiaries. The Group regularly publishes monthly risk newsletters and risk reports, and promptly publishes risk alerts.

- Enhance risk control capacities of subsidiaries through transmission of policies. We apply uniform limits on risks and concentration, and identify customer risks from various dimensions to integrate our risk monitoring, risk control of subsidiaries and Company Branches. This allows subsidiaries to adjust their customer structure, thereby enhancing the risk control capacities of our subsidiaries.

## MANAGEMENT OF MAJOR RISKS

We are primarily exposed to four types of risks, namely credit risk, market risk, liquidity risk and operational risk.

### Management of Credit Risk

A credit risk is the risk of loss due to the failure of debtors or counterparties to perform their contractual obligations or adverse changes in such debtors' or counterparties' credit condition. Credit risk is mainly involved in our distressed debt asset management business, trust business, securities business, financial leasing business and banking business.

#### *Procedures of Credit Risk Management*

We attach great importance to the credit risk caused by counterparties' default, due to factors such as uncertainty of macro-economic conditions. We formulate specific risk policies, refine approval procedures, set approval indicators, insist on a strict "bottom line", and set out effective and sufficient guarantee measures. We insist on a proper balance between the growth in scale of credit risk assets and the risk management capability and capital level of the Group to maintain sufficient impairment provisions. We have developed a credit risk management system to proactively identify, measure, monitor, control and report on credit risks with a focus on contract performance and changes in credit risk asset quality.

- Our methods of identification and measurement of credit risks include: (i) to identify whether the primary repayment source is reliable and whether the operational situation is regular and sustainable; (ii) to identify whether there is bad credit record of a debtor through credit investigation; (iii) to regularly categorize assets in respect of credit risk, and differentiate the risk condition of different assets; (iv) to regularly conduct quantitative analysis of the degree of each type of asset risk, make provisions accordingly, and enhance the compensation and mitigation of risks; and (v) to measure whether the value of the collateral for a mortgage or pledge is sufficient.
- Our methods of supervision and control on credit risks include: (i) to specify the entry standard for projects and ensure the quality of project selection; (ii) to establish a management mechanism for customer concentration and implement risk limit management; (iii) to supervise the basic operating condition and general repayment status of customers and guarantors on a real-time basis to continually understand the repayment situation of debtors; (iv) to promptly issue warning information by monitoring risk indicators, and urge business staff to dissolve risk in a timely fashion; and (v) to gather information and conduct research on macro-economic policies, regulatory requirements and dynamic industry information to strengthen industrial and regional risk alerting and warning.
- We report credit risks of the Group through a real-time report, monthly monitoring report, quarterly analysis report and annual summary report, and adjust the way we conduct risk identification, risk measurement, risk monitoring and risk control according to such risk reports.

#### *Credit Risk Control Framework for Entire Business Process*

We have established a credit risk control framework for our entire business process. Such framework involves rules and processes in six steps, including review of project proposals, due diligence, business review, pre-investment review, post-investment management and asset security. It constitutes a whole-process defense system of risk review, risk monitoring and post-investment management and covers all businesses of the Group. We strictly implement relevant rules and regulations, control and manage the process and clearly specify duties. Accordingly, we are able to identify, measure, monitor, manage and control credit risks at the early, middle and later stages of a project. The professional teams involved in our credit risk management, including the risk management team, business review team, legal team, risk directors and so on provide for advice independently with respect to each step of the credit risk control framework for the entire business process to ensure the effectiveness of credit risk control.

- *Review of project proposals.* Our business divisions conduct preliminary business reviews in accordance with our clear business entry standards and criteria and ensure the quality of project selection (including by way of running through a negative list).

- *Due diligence.* With the support of both internal and external expertise, we conduct multi-perspective due diligence on our counterparties focusing mainly on the credit condition, enterprise operation capacity and status, capital condition, quality of collateral with respect to the debtor of a project, and also on the overall risk analysis for the industry to which the project belongs. We also consider various factors affecting a counterparty's cash flow and repayment ability.

- *Business review.* Our business review department, which is independent from the business department, carries out comprehensive evaluation of a project based on the entry criteria and risk control measures. This separation of marketing from business review allows them to restrain each other, and refine the quantitative evaluation system for different types of projects.

- *Pre-investment review.* After a project is approved, the business personnel will verify each condition based on the requirements set out in the project proposal and the approval documents. The risk management department, legal department and risk director will review each of these conditions precedent to the investment set out in the approval. Only after going through these review and confirmation processes will our finance department release funds for a project.

- *Post-investment management.* We have established a sound later-stage management system by way of coordinating onsite management and offsite management. We set forth rules on carrying out regular onsite inspections, investigate into the company condition, and provide timely feedback on debtors' operational status and any changes in other aspects. We keep monitoring the project refund schedule, categorize risks on a quarterly basis, and carry out quarterly impairment measurement or fair value estimation of assets based on the risk status of project assets. We have set up a project risk warning mechanism to issue risk alerts on projects with emerging or potential risks at an early stage.

- *Asset security.* In respect of projects with existing risks, we will activate the risk mitigation plan, form a team of risk mitigation, and specify the personnel in charge of risk mitigation based on the actual conditions. We will resort to diversified methods such as litigation and transfer in order to mitigate risks. We have formulated rules to manage asset loss and we seek to strengthen management over assets that have been written off in order to reduce further losses to the extent possible.

***Credit risk management within the acquisition-and-restructuring businesses***

We take specific risk management measures for our acquisition-and-restructuring businesses, including:

*(1) Designing transaction structures properly*

In terms of acquisition-and-restructuring business, we enhance protection for creditors' rights by restructuring the repayment term, repayment plan, guarantee measures and default liabilities (during the acquisition of distressed assets) and by requiring debtors to confirm creditor's rights (in both the asset acquisition agreement and the debt restructuring agreement). In addition, we manage possible credit risks of debtors and provide enhanced protection for debt collection through a number of methods, such as establishment of an escrow account, the introduction of third-party joint obligors and so on.

*(2) Controlling concentration risk*

We manage the risk concentration of our customers. We have set a maximum threshold of the amount that may be acquired from individual customers, in order to prevent systematic risks that may arise from a highly concentrated customer base. We closely track and analyze these customers in order to assess their business strategies, operational status, profitability condition and debt-to-asset ratio. This allows us to forecast adverse changes of our customers and determine the possibility of continuing our business relationships with them.

*(3) Risk mitigation and asset evaluation*

We attach importance to managing and controlling credit risks by adopting risk mitigation measures. In particular, in all of our acquisition-and-restructuring projects, we require counterparties to provide proper security interest such as mortgages, pledges and guarantees. We typically put in place proper risk mitigation measures at the outset of a project acquisition, including notarizing the collateral enforcement agreement. This notarization enables us to apply for judicial enforcement over collateral immediately when significant risks with respect to our rights arise and it ensures the satisfaction of our debts through an auction of the collateral or repayment in kind. We typically require the counterparties to provide collateral that have clear ownership without defects and whose value can be readily evaluated and readily monetized in order to promptly and effectively protect our rights upon default by the debtor. We improve our management on the value of collateral such as land and other real properties by utilizing the professional knowledge and experience of Huarong Real Estate. In general, external professional appraisal firms are engaged to evaluate the collateral attached to these distressed assets prior to acquisition.

We impose different mortgage and pledge ratios based on different collateral types. Set forth below are the specifics:

| Collateral of a Mortgage | Mortgage Ratio |
|---|---|
| Land | No more than 50% |
| Properties under construction | No more than 50% |
| Properties ready for sale | No more than 50% |

| Collateral of a Pledge | Pledge Ratio |
|---|---|
| Stock of a public company, mining rights and electricity charge collection rights | No more than 60% |
| Deposit receipts, bond certificates and bank acceptance bills | No more than 100% |
| Other assets that can be deemed as cash equivalent | No more than 100% |

In the meantime, we pay special attention to the monetization ability, ownership and liquidity of the collateral of a mortgage or pledge, and determine the mortgage and pledge ratio for a project based on the risk nature of different businesses and the status, repayment ability and cash flow situation of the customer. In respect of collateral in the form of real property, we have adopted at least two assessment models to cross check each other. Based on an objective analysis of the result generated by each assessment model, we will adopt the lower amount or the weighted average according to construction progress to arrive at a prudent mortgage value. In addition, with respect to a project where credit risks emerge, we conduct an evaluation and impairment test on relevant distressed debt assets regularly and monitor the dynamic mortgage ratio of distressed debt assets. If the mortgage ratio rises prominently, we ask the debtor to offer additional or other collateral or to repay the debt. We require that the primary repayment source of a project to pass the stress test. In respect of projects whose primary repayment source is sales income of real properties, a stress test should be conducted under different scenarios including where the expected sales price of such real property decreases, where the sales progress delays, and where the mortgage loan delays. In respect of other projects, a regular stress test is conducted over the cash flow breakeven point of the asset, which asset serves as the primary repayment source. As of December 31, 2012, 2013, 2014 and June 30, 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 30.2%, 30.7%, 35.7% and 34.2%, respectively.

Our evaluation models mainly include the income approach model, market approach model and cost approach model. We perform evaluation in strict compliance with the relevant evaluation criteria and regulations generally adopted in the industry.

*(4) Debt asset classification system*

From the perspective of credit risk management, we have formulated methods of categorization for acquisition-and-restructuring distressed debt assets with credit risk exposure. We carry out risk categorization for acquisition-and-restructuring distressed debt assets with credit risk exposure on a quarterly basis, in order to reflect the risk status and risk degree of such assets. We set quantitative assessment indicators to measure the actual risk status of each business. By utilizing a two-dimensional assessment mechanism which takes into account both financial indicators and project performance status, we classify acquisition-and-restructuring distressed debt assets with credit risk exposure into five categories: normal, special mention, alert, depreciation and loss:

- Assets in the “normal” category refer to assets: (i) that have no adverse change of value at the time of categorization as compared to the value at the time of acquisition or investment, and (ii) of which there is no convincing evidence to suggest any default upon full consideration of the repayment ability of the debtor and the risk mitigation effects of security measures.
- Assets in the “special mention” category refer to assets: (i) that have no adverse change of value at the time of categorization as compared to the value at the time of acquisition or investment, and (ii) of which adverse factors possibly resulting in change of value have occurred upon full consideration of the repayment ability of the debtor and the risk mitigation effects of security measures.
- Assets in the “alert” category refer to assets that may have value depreciation at the time of categorization as compared to the value at the time of acquisition or investment. In such scenarios, the agreed terms cannot be fully performed and, despite enforcing the collateral and taking other risk control measures, loss may still occur.

- Assets in the "depreciation" category refer to assets that will have relatively high value depreciation at the time of categorization as compared to the value at the time of acquisition or investment. In such scenario, the restructuring agreement cannot be performed and, despite enforcing the collateral and taking other risk control measures, relatively major loss will occur.
- Assets in the "loss" category refer to assets in connection with which a default has occurred, and significant loss will incur even after taking available risk control measures or exhausting necessary legal remedies.

The Company assesses whether objective evidence of impairment exits individually for those assets classified as the "alert" category, the "depreciation" category and the "loss" category. The assets which were classified as the "normal" and "special mention" categories are included in a group of financial assets with similar credit risk characteristics and are collectively assessed for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For acquisition-and-restructuring distressed debt 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 initial effective interest rate.

We believe that our debt asset classification system effectively improves our capability on monitoring the quality of acquisition-and-restructuring assets with credit risk exposure and helps us in operating distressed debt asset portfolios on a larger scale.

***Credit Risk Management for Securities Business***

Huarong Securities controls credit risks arising from three aspects, namely investment product types, product issuers and transaction counterparties, in the course of its proprietary trading of fixed income investment and carries out stringent credit assessment on its products. In respect of its credit business, Huarong Securities is prudent in selecting transaction counterparties and usually deals with counterparties with a sound credit record and strong financial strength. Prior to commencement of businesses, Huarong Securities performs suitability checks on the counterparties; during business review, it sets a reasonable rate of guarantee maintenance; and while a project is going on, it monitors and compares the counterparties' guarantee maintenance rate to the market level on a daily basis. When the guarantee maintenance rate falls below the agreed level, relevant disposal measures will be promptly taken to avoid or reduce losses caused by counterparty default.

According to the credit risk management measures of the Group, Huarong Securities has set up a professional decision-making committee for its asset management business to review, approve and decide on asset management project proposals and project risks submitted by the project team. In order to strengthen the risk management of its business, the asset management department of Huarong Securities has also specifically set up a risk control arm of asset management and appointed a chief risk control officer for asset management, who is responsible for risk management of the respective business (including project quality control, due diligence and post-investment management).

Relying on the management system for customer concentration of the Group, Huarong Securities has streamlined and summarized a set of enquiry and approval procedures in relation to customer concentration limits and risk limits. It specifically stipulates that business operations shall comply with the relevant requirement of the customer concentration limit and the risk limit. With respect to new customers that meet the requirement of these limits, Huarong Securities requires that its business departments abide by the Management Measures for Customer Credit Risks of the Group and submit basic information on the customer for centralized verification.

Before investing in a project, Huarong Securities gets an understanding of the customer's credit condition, past contract performance history and other credit information by way of checking the credit reference system and conducting onsite due diligence. It also identifies and assesses credit risks through project initiation, due diligence and contract management. After investing in a project, Huarong Securities monitors the customer's contract performance status through its funds account, making a regular return visit and so on to identify and prevent customer default risks as early as possible.

***Credit Risk Management for Financial Leasing Business***

Huarong Financial Leasing uses unified and regulated leasing business procedures and standards, which are regularly reviewed and amended. Based on the risk management requirements and the leasing business procedures and standards, Huarong Financial Leasing carries out different risk management tasks such as project selection, due diligence, preliminary review and reporting, project implementation and follow-up management. As to the credit risk management of its leasing business, Huarong Financial Leasing places emphasis on the following measures:

- formulating investment direction guidelines and industry entry standards and carrying out research and market tests on new industries in order to make assessment and decide whether to enter a new industry;
- using quantitative tools to manage credit risks, developing a two-dimensional rating system based on the requirements of internal ratings under the New Basel Capital Accord, conducting risk pricing for financial leasing projects, formulating clear indicators for the minimum credit level of lessees and the maximum risk limit of projects, and carrying out project selection in strict accordance with its indicator requirements;
- carrying out extensive due diligence on counterparties and establishing and implementing a comprehensive and stringent system for project review and approval;
- strengthening follow-up management, formulating a risk warning system, analyzing and assessing risk status by making use of different information channels and analysis methods, prospectively taking appropriate measures to prevent and control and mitigate project risks proactively; and
- establishing a sound working mechanism for mitigating and dealing with risk projects, implementing risk management duties and taking varied measures to strictly limit additional overdue and distressed projects.

***Credit Risk Management for Banking Business***

Credit risks confronted by Huarong Xiangjiang Bank mainly involve the loan portfolio, investment portfolio, guarantee, and other on-balance sheet and off-balance sheet credit risk exposures. Huarong Xiangjiang Bank uses standardized and uniform procedures and criteria for credit approval, in order to manage credit risks. It regularly reviews and revises its credit approval business procedures and criteria. The credit approval business procedures, which cover corporate banking, retail banking and financial market businesses, can be roughly divided into three steps: (i) application acceptance and credit investigation; (ii) review and approval of credit limits; and (iii) credit limit utilization and post-disbursement management.

Huarong Xiangjiang Bank places emphasis on the following measures for the credit risk management of its banking business:

- optimizing the customer structure, formulating credit policies, guidelines and credit approval business policies and reasonably guiding the direction of credit investment;
- implementing the policy on controlling the balance ratio of a property development loan and the policy on controlling the total financing amount through local government financing vehicles, and rigorously controlling credit risks in key areas;
- performing a comprehensive review and inspection of credit risks, rigorously controlling new overdue and NPLs, conducting categorized management of potential risk incidents by having the head office and branches supervise risks and having the branches mitigate risks, and establishing a constant and effective mechanism for potential risk mitigation and resolution;
- strengthening risk management of its off-balance sheet business, innovative business and wealth management business and rigorously controlling off-balance sheet business risks and external risk expansion; and
- using technological means to manage credit risks, building and applying a new credit management system, promoting the development of procedure-based banking, and ensuring full-process monitoring of credit risks.

***Credit Risk Management for Trust Business***

Huarong Trust has amended and improved a series of credit risk management measures including the Management Measures for Trust Business and Management Measures for Customer Concentration Risks, in order to regulate all the procedural steps of the trust business. Huarong Trust mainly applies the following measures to manage credit risks in connection with its trust business:

- setting out strict criteria for business entry and exploring and establishing a reasonable limit management system for different industries and regions;
- attaching importance to selection of counterparties, monitoring of cash flow and set-up of collateral conditions for a mortgage and pledge; reinforcing credit risk prevention and control throughout the entire process of a project through pre-investment due diligence, transaction structure designing, post-investment management and fund monitoring;
- adhering to the principle of collateral confirmation. Collateral must be of adequate value and amount, legitimate, valid and capable of being readily monetized. The mortgage and pledge ratio shall not exceed 50% in general. Monitoring the value of collateral dynamically and reviewing the security capacity of other security methods carefully;

- managing projects by different categories, conducting credit risk ratings by using the five-tier asset categorization, credit asset rating and other credit measurement indicators and further improving credit analysis methods and techniques;
- further constructing and refining the warning indicator system for ongoing projects, strengthening continuous tracking and dynamic monitoring of ongoing projects, providing timely risk warnings and applying effective and corresponding measures, upgrading and refining the comprehensive business management system, and enhancing the level of information sharing for project operation;
- making prudent provision for assets with credit risks while taking into consideration the risk status and other factors confronted; and
- establishing effective discussion mechanisms for projects, improving the quality and efficiency of business review, strengthening post-project management, and identifying and mitigating potential credit risks in project operations promptly.

***Quantitative Analysis of Credit Risks***

See "Financial Information" for details of the quantitative analysis of credit risks confronted by us during the Track Record Period.

**Management of Market Risks**

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

We have progressively established a market risk management system of different tiers, and we monitor and carefully study the macro-economy, financial circumstances and changes in the money market, so that we can take precautions against market risks with trading products as targets. We control our exposure to interest rates through various measures, such as limit monitoring and stress tests. We control the risk resulting from changes in the value of financial instruments, such as stocks and bonds due to changes in the capital markets, through effective measures including transaction account monitoring, stress tests and risk alerts.

***Market Risk Management of the Company***

We have formulated an interest rate risk management policy which has laid a foundation for our interest rate risk management system and strategy. By adopting a fund transfer pricing system, we have established a risk-oriented pricing mechanism of assets and liabilities with a focus on efficiency and profitability. In respect of interest rate risk management, we proactively manage our assets and liabilities, and apply the results of gap analysis to adjust the portfolio, in order to control the increase of costs of indebtedness. With respect to interest-sensitive assets and liabilities held by us, 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. We also manage interest rate risks through quantitative analysis, including regular sensitivity analyses.

With respect to price risks of public equities owned by us, we closely monitor the impact caused by macro-economic changes, industry trends and fluctuations of commodity prices on the operations, financial condition and equity value of the enterprises in which we hold positions, and adjust our equity management and disposal strategies accordingly. In the meantime, we assess our loss tolerance in extreme scenarios and exercise stress tests on price risks in order to control price risks within our risk appetite. We have formulated the Measurement of Fair Value of Operating Assets to evaluate the fair value of operating assets every quarter by using methods such as active market quotations, cash flow discount, hypothetical liquidation and valuation model calculation, so as to accurately reflect the real value of assets and to reasonably measure the market risk of the Company in our business operations. In addition, we generally mark-to-market the value of equity of listed companies and periodically conduct impairment tests on our equity assets in accordance with accounting policy requirements. We record impairments for equity assets that are classified as available-for-sale financial assets where the price of such assets have been declining for one year or more or whose market value is significantly lower than their carrying amount. Additionally, Huarong Securities is responsible for conducting professional analysis of management of equity market capitalization of publicly listed companies and closely following market movements.

***Market Risk Management of Subsidiaries***

With respect to market risks confronted by our subsidiaries, we have established market risk management systems that are in compliance with relevant regulatory requirements and typical industry practices at Huarong Trust, Huarong Securities, Huarong Financial Leasing and Huarong Xiangjiang Bank, and we report to the risk management department of the Group on a regular basis.

(1) Huarong Securities

- Integrate qualitative methods and quantitative methods to conduct market risk assessments, promptly and accurately identify the nature and types of market risks based on the nature and characteristics of different assets, and adopt different methods to identify, measure and control market risks. Qualitative methods include collecting and researching macro and fundamental information, performing industry research and analysis and so on. Quantitative methods include "value at risk" calculation model, duration analysis, exposure analysis, concentration analysis, sensitivity analysis, stress tests and so forth.
- Strictly implement investment limit control, specify the maximum amount of a single investment and proprietary funds in the risk limit indicators, and prevent market risks by controlling the total amount. Huarong Securities' risk quantification management system is able to calculate "value at risk" and other market risk indicators automatically and specifically analyze such risk indicators in the risk report.
- As the front-line manager and executer, the business units of Huarong Securities proactively apply a strategy of forming investment portfolios and a manner of risk hedging to avoid market risks during their business operation. For its proprietary trading, market fluctuation risks are reduced and controlled by controlling the position, establishing a loss-stop mechanism, diversifying securities portfolios, risk hedging and other methods.

(2) Huarong Financial Leasing

- Formulated Management Measures on Market Risks and other documents to strengthen the management of market risks.

- Improve its capability of policy analysis and market research, and adjust lease contract pricing based on its judgment on the trend of interest rate changes.
- Regularly monitor the gap between the Company's interest rate sensitive assets and interest rate sensitive liabilities, promptly adjust funding strategies, and raise the matching degree between the interest rate of the assets and liabilities to prevent interest rate risks.
- Optimize plans for leasing projects, and strengthen the re-pricing management of interest rates of asset and liability businesses.

(3) Huarong Xiangjiang Bank

- Formulated the Huarong Xiangjiang Bank Market Risk Management Measures (Trial) and established a system for managing market risks. Ensure that all operational procedures are under risk supervision. Standardize operational procedures, specify trading items and reinforce trading authorization.
- Reinforce the real-time monitoring of interest rate quotations in the open market and interest rates published by the PBOC, review whether its product offerings have deviated from the mean value of the market interest rate, and issue the Market Risk Monitoring Report on a regular basis. Closely follow the bond market trend, monitor market abnormalities and promptly issue risk alerts. Based on the yield trend of the inter-bank bond market, promptly adjust its allocation strategy to reduce portfolio risks. Establish an internal fund pricing mechanism and an inter-bank deposit pricing mechanism to effectively control market risks.
- Reinforce the use of the market risk management system, take advantage of certain external market risk analysis systems, and apply multiple analysis techniques including cash flow analysis, sensitivity analysis, scenario analysis, "value at risk" analysis and stress tests to perform a quantitative analysis of bond assets and foreign exchange assets through an integrated application of various risk management systems, such that the risk measurement and control capabilities are further improved. Gradually establish a market risk management information system to support the accurate, timely, continuous and adequate monitoring, measuring, controlling and reporting of market risks.
- Divide its on- and off-balance sheet assets into trading book assets and banking book assets and, based on their respective nature and characteristics, apply corresponding identification, measurement, monitoring and control methods of market risks. The trading book refers to the financial instrument and commodity position that Huarong Xiangjiang Bank may trade freely. The banking book refers to businesses other than the trading book. Huarong Xiangjiang Bank manages interest rate risks associated with its banking book mainly by matching up assets and liabilities maturities, strengthening management of limits, and continually monitoring interest rate risks associated with the banking book by using analysis tools (including sensitivity indicators, scenario analysis, interest rate exposure analysis and duration analysis). Huarong Xiangjiang Bank has specific standards for classifying a trading book, and it revalues the market value of assets on the trading book on a daily basis, sets trading limits, stop-loss limits and risk limits, performs monitoring and controlling at a defined frequency, and uses duration analysis, stress tests, sensitivity analysis and other techniques to measure the interest rate risk of the trading book.

(4) Huarong Trust

- Revise and improve the Management Measures of Securities Investment and Trust Business and Management Measures of Dealers of Securities Investment and Trust Business, and reinforce management of market risks.
- Prior to project implementation, Huarong Trust analyzes each factor that may lead to market risks of the financial market in order to take precautions in advance.
- Strictly select investors and fully disclose risks. During the launching and marketing stages, we explain investment risks to investors by way of signing in person and other manners, so as to have the purchasers take risks on their own.
- Keep a warning line and stop-loss line of relevant stock for projects or collateral involving the capital markets, dynamically monitor changes in relevant stock prices, conduct valuation on a daily basis, mark-to-market day by day, and promptly take action in response to market changes.
- Design transaction structures in a structured way, and shift and mitigate market risks. With respect to each security trust product, set forth explicitly the scope of investment and the investment ratio associated with a particular investment item, so as to achieve an investment portfolio and avoid a concentrated investment on one stock and non-systematic risks to the extent possible.

***Quantitative Analysis of Market Risks***

See "Financial Information" for a quantitative analysis of our market risks during the Track Record Period.

**Management of Liquidity Risk**

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

***Management of Liquidity Risks with the Asset and Liability Management as the Core***

We have formulated the Management Measures for Liquidity Risks and promptly amend such Measures in accordance with the CBRC regulations including the Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial), Management Measures on Liquidity Risks of Commercial Banks (Trial), and Management Measures on Gearing Ratio of Commercial Banks (Revised). We regulate the identification, measurement, monitoring, control and strategic implementation of liquidity risks, clearly specify the organization structure of the liquidity risk management and its responsibilities, and appoint the financial market department of the

Group as the leading department for managing our liquidity risk. Taking asset and liability management as the core of our liquidity risk management, we use initiatives to moderately control the scale of assets and liabilities and optimize the asset and liability structure, such that the mismatch of assets and liabilities is within an acceptable scope in terms of liquidity risks. In the meantime, we have determined our target gearing ratio in compliance with applicable regulatory requirements to effectively control the extent of leveraging and also to ensure long-term liquidity.

We monitor the maturity mismatch between assets and liabilities, and implement liquidity management through cashflow forecasts and controls. With respect to asset management, we keep improving the fund management mechanism, optimize capital planning and position management of the Company, reinforce project risk review, reasonably set forth the project term and repayment installments, control the pace of fund investments, and manage and control fund liquidity for a project. By reinforcing the collection of payments due, we have expedited the turnover rate of funds, and maintained fund positions at a reasonable level. With respect to liability management, we actively explore more financing channels to supplement funds from a variety of sources, set up steady and diversified sources of financing for the Company, and increase the amount of channels for mid to long term financing, in each case to improve the liability structure of the Company effectively. For instance, in 2013, we successfully issued financial bonds of RMB12 billion for the first time, raised long term insurance funds of RMB10 billion and made short term borrowings through the interbank market. In 2014, we successfully issued overseas bonds of US$1.5 billion, financial bonds of RMB20 billion and raised long term insurance funds of RMB25.5 billion. In January 2015, we successfully issued mid-term notes of US$3,200 million. For details of our funding channels and capital sources, see "Business – Funding Sources".

### *Monitoring and Controlling of Liquidity Risks*

Our methods for monitoring and controlling liquidity risks include indicator monitoring, alert management, stress tests and contingency plans.

- *Indicator monitoring*: Our liquidity management leading department regularly analyzes and monitors liquidity risks with a focus on monitoring each liquidity indicator from the perspectives of cash flow, mismatch of maturities of assets and liabilities, liability diversification and stability, reserves of quality current assets and market liquidity. Our liquidity indicators include liquidity ratio, provisions ratio, liquidity coverage ratio, maturity mismatch ratio, and core debt dependency.
- *Alert management*: Our alert management covers internal and external alerts, aiming to identify potential future liquidity risks as early as possible, take action proactively in terms of timing and strategies, implement precautionary measures in advance, and effectively mitigate liquidity risks.
- *Stress tests*: We analyze our tolerance of stress in incidents through stress tests. We consider potential future liquidity crises and enhance our ability to fulfill payment obligations under liquidity stress. We conduct a regular stress test in each quarter. In the event of significant market fluctuations or as required by the regulatory authority, we conduct provisional and special stress tests under specific stress scenarios.
- *Contingency plans*: Our contingency plans aim to raise the priority of liquidity control within the Group on an emergency basis in the event of dealing with liquidity stress scenarios and contingency incidents, and to resolve liquidity problems with full force by

using our internal and external resources, in accordance with the pre-determined procedures and strategies. When the Group faces difficulty in liquidity, we take the following measures according to different situations: (i) enhancing our ability of internal fund allocation and adjusting surplus and deficiency of funds internally to the largest extent possible; (ii) addressing temporary insufficient liquidity by short-term financing from the interbank market; (iii) increasing the percentage of medium and long-term financing by borrowing from financial institutions; (iv) subject to legal requirements and relevant contracts, reducing or postponing our external payments (such as investments in projects); (v) monetizing remaining tradable securities; (vi) monetizing remaining assets; and (vii) seeking supports from shareholders.

***Detailed Management Measures for Liquidity Risks***

We mainly take the following measures to manage liquidity risks:

- We conduct asset and liability management and economic capital management to support reasonable growth in our business, and keep improving the transaction structure of our business to maintain a reasonable capital position. We have established a planning mechanism for working capital to improve our capacity of planning and predictability of capital requirements of our businesses. We strengthen project risk reviews and reasonably set forth the project term and repayment installments to manage and control the capital liquidity of a project. In the meantime, we reinforce collection of payments due and expedite the turnover rate of funds.

- We reinforce our capital planning, implement centralized and unified liquidity management to consolidate funds of the Group and implement fund transfer pricing principles. We regularly monitor the liquidity operation status, prepare capital position plans, coordinate capital allocation and ensure a secure capital operation of the Company. With respect to capital requirements generated from distressed asset management as well as asset management and investment businesses by a Company Branch, while taking into consideration the business features and market prices, the Head Office will provide internal funds to the Company Branch through the fund transfer pricing system which reflects the characteristics of our business. The Company Branch shall remit the entire amount of capital recovered to the Head Office, and the Head Office will allocate funds at the central level. We have also established a coordination mechanism of financing between the Group and the subsidiaries to reduce the overall liquidity risk of the Group.

- External financing is centrally managed, and funding sources are diversified and stabilized. External financing has switched from a single method of bank borrowings to a multi-method with various durations and market-based mechanism where interbank loans are the main method, financial bond offerings and long-term funds financing are important measures, and interbank advances are supplemental. We have continually increased the proportion of medium and long-term borrowing, effectively improved the structure of our liabilities, and gradually mitigated the mismatch of maturities. While proactively diversifying our financing channels and enhancing bank borrowing potential, we resort to large-scale borrowing to control financing costs.

- We keep abreast of changes in the market and perform a weekly analysis of the interbank market to effectively capture financing opportunities. We monitor our liquidity status and promptly adjust our liquidity management strategies in order to ensure sufficient liquidity in the Group and an orderly allocation of our funds.

- We conduct regular forecasts on the cash flow status and liquidity risk exposure of the Group, and regularly conduct stress tests and prepare analysis reports on liquidity risks.

***Quantitative Analysis of Liquidity Risks***

See "Financial Information" for further details of quantitative analysis of our liquidity risks during the Track Record Period.

**Management of Operational Risks**

An operational risk refers to the risk of losses resulting from an inadequacy or deficiency relating to the internal process, staff or IT system, or caused by external events during our ordinary business operations or management, including legal risks. Our operational risks mainly arise from internal non-compliance, external fraud, operations and process management, premises safety, damage to physical assets and IT system events.

Our operational risk management aims to keep operational risks within an acceptable range, enhance the operational efficiency and optimize the operational process, reduce management costs and increase revenues and mitigate the impact of contingent incidents, maintaining a normal and sustainable operation of our business.

Our operational risk management focuses on reinforcing process management and we improve each of our risk management rules step-by-step. In order to control operational risks, we have mainly taken the following measures:

- taking the ISO9000 quality management system as a major and fundamental tool of the Group for our operational risk management; setting up a management system of the Group in accordance with the ISO9000 enterprise management standard; obtaining and maintaining a BSI certification at all times.
- establishing a comprehensive operational process management system and specify unified requirements on critical procedures, such as product design, admittance conditions, project initiation, proposal preparation, project review and approval, fulfillment of investment requirement, capital investment, subsequent management, risk asset disposal, project audit and so on, in order to prevent operational risks.
- promoting the reform of our management system for legal affairs, further improving the quality of legal review work, continually enhancing management skills in connection with lawsuits, and effectively preventing and controlling the risk of getting sued in a legal proceeding.
- further strengthening the assessment and treatment of IT risks. In 2014, through our IT risk assessment, the Group identified 84 items as IT risk assessment targets, which involved 698 items of IT software and hardware and personnel assets; and the Group performed impact analysis on 832 IT risk assessment key point issues of each type of asset, to be able effectively to deal with important IT risks based on such analysis.
- refining construction for the production, simulation, testing and development environment of information systems; formulating strict requirements on data security degree, access

control strategy, staff qualification, management duties, operational practice and data access authority for different scenarios and establish an independent and secure structure of production, simulation, testing, development environment and operational maintenance. By improving the technical environment, further preventing the risks to the security of our information systems operation resulting from malicious invasion, non-compliant operations and computer viruses expansion; standardizing the operation and implementation processes in different scenarios; and enhancing the security and effectiveness of the development, operation and maintenance of our information systems.

- Since 2011, we have passed the information security management system certification test conducted by the China Information Security Certification Center every year. We combine the information security control measures in the ISO 27001:2005 information security management system and other regulatory requirements of the CBRC and take a full review of all the activities in the information technology work of the Group.
- actively cooperating and soundly performing supervision, inspection and rectification work; the middle and back offices cooperating effectively and conducting joint supervision over the internal controls system of the Group; carrying out multiple internal and external inspections; through the risk inspection, identifying issues, making warnings and investigating the responsible party.

**Important Measures Taken Recently on Risk Management**

In order to achieve our overall risk management objectives, we have recently taken the following important measures:

- tightening up policies for risk approval, improving the risk prevention and control system, and strictly avoiding the increase of risks: (i) improving the research on approval policies in respect of customers, industries and regions, fully leveraging the entry permit and guiding function of approval policies during our business operations, and enhancing the scientific and guiding nature of risk approval policies; (ii) effectively mitigating the risks involved in collateral, starting to establish a dynamic valuation system for collateral, and regulating the Company's management of mortgages and pledges; (iii) reinforcing risk management during pre-investment and post-investment segments, conducting thorough reviews and investigations in respect of each business line and the key risk segments, identifying issues and promptly rectifying in a timely manner, and eliminating potential risks at an early stage; (iv) studying the centralized customer management of the Group, improving the customer risk management mechanism, and strengthening risk monitoring and warning; and (v) allocating incremental resources reasonably and continuing to guide the adjustment of structures through economic capital management.
- diversifying manners and tools, regulating operational procedures, and enhancing professionalism of our risk management: (i) promoting the establishment of quantitative tools and internal rating system, strengthening management of credit risks, and further providing impairment allowance of credit risks of the Group, (ii) diversifying management methods on liquidity risks, and improving the professionalism and refinement level of liquidity risk management, (iii) improving the establishment of the internal controls systems of the Group, and promoting standardization of the internal controls system, and (iv) strictly controlling business operational risks by using clear business control procedures, meticulous allocation of responsibilities, reasonable selection of tools and standard operation measures.

- strengthening control by the Group, improving risk management, and putting in place additional infrastructure for risk management: (i) optimizing the design of the upper level of risk management, (ii) further improving the differentiated risk monitoring indicator system of the Group, (iii) further improving construction of the risk management information system of the Group and building up a centralized data platform, and (iv) putting in effect policies that require risk management staff to take positions with a qualification certificate, improving the overall quality of our risk management staff and integrating the mechanisms of compensation and performance reviews to ensure that the professional risk management staff are responsive, capable and motivated to prevent risks.

## INTERNAL CONTROLS, COMPLIANCE AND INTERNAL AUDIT

### Objectives of Internal Controls

The objectives of our internal controls are to:

- Ensure thorough implementation of the national laws, regulations and rules;
- Ensure the security of Company assets;
- Ensure the truthfulness, accuracy, completeness and timeliness of our business records, accounting information, finance information and other management information of the Company;
- Ensure the effectiveness of risk management of the Company; and
- Ensure the achievement of the development strategies and operation targets of the Company, and enhance the efficiency and effectiveness of business operations.

### Measures of Internal Controls

Starting from the objectives of our internal controls, taking into account the result of risk assessment and corresponding strategies and utilizing the method of integrating manual and automatic controls as well as preventative and specific controls, we comprehensively apply various methods. These include: control on the division of incompatible responsibilities, control on the authorization management, control on the accounting system, control on asset protection, control on budgeting, control on the operational analysis and control on the performance evaluation. We have progressively achieved effective control over different businesses and matters and controlled risks within a tolerable level through these methods.

### Evaluation of Internal Controls

We have established evaluation system of internal controls, set forth criteria on defining internal controls deficiency, and formulated a working mechanism for conducting evaluation of internal controls systematically, rectifying defects relating to internal controls and promoting enhancement of the internal controls system. We conduct an evaluation of internal controls at least once a year. Such evaluation covers all entities subject to statement consolidation, and an internal controls self-assessment report will be issued promptly thereafter. We have set forth the criteria for the identification of internal controls defects and for the rating of seriousness of defects. We have provided for the principles, methods and standards for identification of internal controls defects and we have classified internal controls defects into five grades of seriousness on the basis of the effect that such defect may cause on our finances, business, information, systems, operations, governance and reputation. We engage external agencies to audit the effectiveness of the Group's internal controls so as to systematically review and analyze internal controls risks of all business lines of the Group and ensure effectiveness of our internal controls system.

The audit department of the Group is responsible for organizing the internal controls evaluation under the leadership of the audit committee of the Board. The internal controls evaluation covers each of the major businesses and operation and management matters of the Head Office, Company Branches and subsidiaries. It assesses effectiveness of the design and operation of the internal controls system by focusing on five key aspects, including internal controls environment, risk identification and assessment, internal controls activities, information collection and communication and internal supervision. When conducting an internal controls evaluation, we generally collect evidence on the effectiveness of the design and operation of our internal controls system to analyze and identify internal controls defects by way of individual interviews, walk-through tests, surveys, comparative analysis and so forth. We conduct regular and ad-hoc internal controls evaluation. Our regular evaluation is conducted once a year and our ad-hoc evaluation is conducted on an as needed basis from the perspective of internal management of the Group. During the Track Record Period, we did not identify any material defect in our internal controls system through our internal controls evaluations.

**Supervision of Internal Controls**

We have formulated an internal controls defect rectification mechanism and standardized the working procedures for rectification. The Board is responsible for the effectiveness of internal controls and senior management are responsible for the internal controls assessment result and corresponding rectification. By integrating regular supervision and specific supervision, we have established a mechanism throughout the three lines of defense in our risk management. Examples include: business-specific inspections conducted by the business management department, internal controls guidance and independent analysis conducted by the risk management department and other risk management related functional departments of the Group, and internal controls supervision and inspection independently conducted by the audit department, the supervision office of the disciplinary committee and the general office of the Board of Supervisors. This package of advance alerts, in-process controls, ex post facto supervision and rectification with respect to businesses of the Group ensures a healthy running of the internal controls system of the Group.

**Compliance Initiatives**

Compliance risk management is one of our key risk management activities. Through establishment and improvement of a comprehensive compliance risk management system, our compliance risk management aims to achieve effective identification and management of compliance risks, promote the establishment of a comprehensive risk management system and ensure that our business operates in compliance with laws and regulations. In order to ensure that each of our businesses is operating in compliance, we have adopted the following key measures:

- formulating and implementing risk-oriented compliance management plans, including the implementation and review of specific policies and procedures, compliance risk assessment, compliance tests, compliance education and training;
- organizing, coordinating and urging regular review and revision of the policies, procedures and operational guidelines of the various business lines and internal controls department

so as to ensure the policies, procedures and operation guidelines are in line with latest compliance requirements;

- proactively identifying and assessing compliance risks relating to the business operations of the Group, including providing compliance reviews and tests for new products and new businesses, identifying and assessing compliance risks caused by the development of new business types, the establishment of new customer relationships and material changes in the nature of certain customer relationships;
- collecting and selecting data reflecting potential compliance issues, putting in effect monitoring indicators for compliance risks, and determining the priority of various compliance risks according to the possibility and impact of a compliance risk (which is assessed using the risk matrix method);
- establishing an effective compliance accountability system, scrutinizing liability attribution and investigation of irregularities, and taking effective rectification measures;
- establishing a multi-channel reporting system, and promptly reporting compliance risks in accordance with the reporting routine and relevant requirements of the Group; and
- maintaining routine communication with the regulatory authorities, promptly submitting reports on internal controls systems of compliance risk and compliance risk assessment to the regulatory authorities in a timely manner, and following up and reviewing the implementation status of instructions and requirements by regulatory authorities.

The compliance management department of the Group conducts an annual comprehensive evaluation on the compliance quality and management capability of all business units, Company Branches and subsidiaries of the Group, including external regulatory evaluation, compliance-related professional management evaluation and professional compliance-related management evaluation. A grading scheme is adopted for the compliance risk management work. After an annual comprehensive evaluation, the compliance management department of the Group will submit the evaluation result to the officer in charge of relevant work, and circulate the evaluation result of the compliance management work. The audit department of the Group is responsible for compliance auditing with respect to each of the business activities of the Group.

**Internal Audit Initiatives**

We have established an independent and vertical audit system under which auditing personnel are accountable to the Board and report to the Board, the audit management committee of the Board and the senior management. We have set up an audit department in the Group, audit departments in major subsidiaries and audit positions in other subsidiaries. The audit departments and audit positions of different levels are independent from other business units, Company Branches and subsidiaries. They conduct risk-oriented routine finance audits, special audits, economic responsibility audits and other audits, and perform audit, supervision and assessment work over the business and management status, internal controls status and risk status of the Group. They also urge the units and departments subject to an audit to perform their duties effectively, strengthen the normalization and standardization of the internal audit process on a continuous basis and keep enhancing the quality and effectiveness of the audit work, so as to promote the smooth and healthy operation of the Group.

The audit department of the Group is responsible for reviewing and evaluating the effectiveness of our overall operations, risk conditions, internal controls and corporate governance; formulating audit rules and regulations as well as the audit business system of the Group; preparing and implementing annual audit plans; managing and guiding audit departments and audit positions of subsidiaries; and conducting audits on departments of key business lines of the Group, major businesses, major Company Branches and major subsidiaries.

The audit departments and audit positions of subsidiaries are responsible for implementing their annual audit plans, and reviewing and evaluating the business operations, risk position, internal controls and corporate governance of their respective units.

**Reputational and Sanctions Risk for the Subject Companies**

According to the Subject Information, several Subject Companies in which we hold minority interest may involve reputational and sanctions risk. Our equity interests in the Subject Companies are passive in nature pursuant to the relevant laws and regulations. We have no control over any Subject Company and are not involved in the operation of any Subject Company. We have not been notified that any economic sanctions will be imposed on us. As of the Latest Practicable Date, none of the Subject Companies are specifically identified on the Specially Designated Nationals and Blocked Persons ("SDN") list maintained by the OFAC or other sanctions lists maintained by the European Union, the United Kingdom or the United Nations and therefore would not be deemed as sanctioned targets. Except for the Subject Information, the Company is not aware that any Subject Company has or plans to conduct any Subject Business. Furthermore, the directors nominated by the Company to the board of the Subject Companies have confirmed to the Company that they are not aware that the Subject Companies are engaging in any Subject Business. Moreover, the Company intends to dispose of its equity interests in the Subject Companies as soon as practicably, subject to market conditions, valuation and commercial terms.

The aggregate carrying amount of the equity interests we hold in the Subject Companies constituted less than 0.2% of our total assets as of December 31, 2014. Our total income in 2014 attributable to the Subject Companies amounted to less than 0.1% of our total income in 2014. During the Track Record Period, all the income we derived from the Subject Companies was in the form of dividend income and was settled by wire transfer payment in RMB though PRC domestic banks. We do not expect any material increase in our income from the Subject Companies in the next three years.

Based on our counsel's view, we believe that, since (i) the Company is only a passive investor with less than fifty-percent interest in each of the Subject Companies; (ii) the Company has had no functional control over the Subject Companies' activities, and (iii) the Company was not directly involved in, and has no direct knowledge of, any possible secondary sanctions violations by the Subject Companies, the U.S., EU and United Nations sanctions risk as a result of the Company's passive equity investment in the Subject Companies to the investors and shareholders (and to the Hong Kong Stock Exchange, HKSCC, and HKSCC Nominees, as a result of the listing and trading of the Company's shares on the Hong Kong Stock Exchange) (the "Relevant Persons"), as well as the probability that the relevant sanctions would be imposed on the Company itself, would be very low.

The Group undertakes to the Hong Kong Stock Exchange that (i) the proceeds and any other funds raised from the Global Offering through the Hong Kong Stock Exchange will not be provided, directly or indirectly, to any Subject Company, and the Group will deposit such funds into bank accounts separated from the Group's other funds; (ii) the Group has no present intention to undertake any future business that will cause the Group or the Relevant Persons to violate or become a target of sanctions laws of the U.S., the EU or the United Nations; and (iii) the Group will disclose on the Hong Kong Stock Exchange's and the Group's own websites if the Group considers that any DES Company will put the Group or the investors and shareholders of the Group at risk of being sanctioned, and in its annual reports/interim reports its efforts on monitoring its sanctions risk in relation to DES Companies, the future business of the DES Companies and its investment plans relating to the DES Companies. If the Company breaches any undertaking it gave the Hong Kong Stock Exchange in relation to the Global Offering, the H Shares may be delisted from the Hong Kong Stock Exchange.

In order to ensure the Group's compliance with the undertakings to the Hong Kong Stock Exchange that the Group will not expose itself or the Relevant Persons to the risks of being sanctioned, we have also put in place the following internal control policies and procedures:

- According to the Group's internal control policies, the Group shall review potential opportunities to invest in any DES Company and determine whether such DES Company is involved in any sanctions risk.
- In relation to the Group's potential investments in DES Companies, the Company will conduct due diligence, check the various publicly available lists of restricted parties and countries maintained by the U.S., the EU, the United Kingdom and the United Nations to seek to determine whether the existing or potential DES Companies are or are owned or controlled by or have business relationships with a sanctioned country or a sanctioned person.
- If any potential sanctions risk is identified by the Group, the Group will seek advice from a reputable external international legal counsel with relevant expertise and experience. Based on the advice of the external international legal counsel, the Group will report to the risk management committee of the Board, which will then evaluate whether to dispose of the Group's existing investment in the relevant DES Company or disapprove the potential opportunity to invest in the relevant DES Company.
- The Group will engage a reputable external international legal counsel with relevant expertise and experience to perform an evaluation of the sanctions risk of the Group every six months.
- The Group, advised by the external international legal counsel, will periodically review the internal control policies and procedures with respect to sanctions law matters and provide the Group with recommendations and advice as necessary.
- The Group will invite the external international legal counsel to provide regular training programs relating to relevant sanctions laws to the Directors, the senior management, the risk management department and the Company's business departments to assist them in evaluating the potential sanctions risks in the daily operations.
- If the Group believes that any investment in any DES Company will expose the Group or the 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.

We believe that these internal control measures are adequate and effective to assist our Company to comply with our undertakings to the Hong Kong Stock Exchange and to identify and monitor any material risk relating to economic sanctions so as to protect the interest of our Shareholders and us. With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk relating to sanctions laws.

**Internal Control Measures for the Excluded DES Companies**

In order to identify and monitor any reputational and other risks relating to the Excluded DES Companies, in addition to the internal control policies and procedures generally applicable to all DES Assets, we have put in place the following internal control policies and procedures:

- The project managers whom the Group appointed to the Excluded DES Companies are responsible for identifying and monitoring any material legal dispute and noncompliance risk the Excluded DES Companies are involved in and report to the Group. The Group will evaluate the adverse effect of any material legal dispute and noncompliance risk to the Group.
- The Group will periodically evaluate any risk the Excluded DES Companies may bring to the Group.
- If any potential risk arising from any Excluded DES Company is identified by the Group, the Group will seek advice from reputable external legal counsel with relevant expertise and experience. Based on the advice of the external legal counsel, the Group will evaluate whether to adopt appropriate countermeasures.
- We are in the process of disposing our equity interest in one of the Excluded DES Companies, and will commence the disposal procedures for our equity interests in the other five Excluded DES Companies immediately upon listing. We will use our best efforts to complete the disposal within 12 months from the Listing Date. One of our executive directors will be in charge of the disposal process, will monitor the progress of the disposal and will report to the audit committee of the Board every six months. The executive director in charge of the disposal process will be subject to the formal monitoring and oversight by the independent non-executive directors of the Company, including discussion of disposal planning and progress every six months during which the executive director in charge of the disposal process will present the disposal planning and progress and the independent non-executive directors will discuss the disposal planning and progress with the executive director in charge of the disposal process and seek responses from the executive director in charge of the disposal process for any questions that they may have. We will retain a compliance advisor until all the Excluded DES Companies have been disposed of.
- We will not increase any further investments in the Excluded DES Companies or increase our portfolio of DES Assets for which we cannot obtain sufficient information for Value Calculation due to restriction from the Protection of State Secret Laws.
- The Group will periodically review new laws and regulations relating to the protection of state secrets.
- The Group will periodically review and update the internal control policies and procedures for the Excluded DES Companies.

We believe that these internal control measures are adequate and effective to assist our Company to identify and monitor any material risk arising from the Excluded DES Companies so as to protect the interests of our Shareholders and us. With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk arising from the Excluded DES Companies.

## ANTI-MONEY LAUNDERING MANAGEMENT

We perform our anti-money laundering obligations in accordance with applicable anti-money laundering laws and regulations of the PRC and have formulated the Internal Control Regulations on Anti-money Laundering. Such regulations set out our anti-money laundering system and regulate our anti-money laundering management, ensuring that the Company performs its anti-money laundering obligations in accordance with applicable anti-money laundering laws and regulations.

Under our anti-money laundering management system, the President of the Group, persons-in-charge of relevant departments under the Head Office, Company Branches and subsidiaries are ultimately responsible for the effective implementation of anti-money laundering work of the Group, such departments, Company Branches and subsidiaries, respectively. The risk management department of the Group is responsible for formulating the internal controls rules and regulations of anti-money laundering for the Company and supervising and inspecting the anti-money laundering measures of the Company. The relevant departments under the Head Office and the anti-money laundering teams of Company Branches are responsible for, and take the lead in, managing the implementation of the anti-money laundering measures in their respective units. The relevant departments under the Head Office and the business departments of Company Branches are responsible for the routine anti-money laundering work within the business scope of the respective units. The anti-money laundering departments of the subsidiaries are responsible for the anti-money laundering work of such subsidiaries in accordance with the regulatory requirements for their respective businesses. The audit department of the Company is responsible for audit and supervision of the anti-money laundering work of the Company.

We have formulated the Management Measures on Money Laundering Risk Assessment and Customer Classification, pursuant to which customers will be categorized into types of high risk, medium risk and low risk according to their characteristics and by reference to their location, business and other factors. According to the money-laundering risk classification of customers, we conduct continuous due diligence on customers and dynamic tracking of money laundering risks, and adopt corresponding risk control measures, in order to enhance the efficiency of our anti-money laundering work. We have established a system of money laundering risk indicators, which covers 12 indicators in four categories, namely, the characteristics of the customer, location, business and industry. Based on these money laundering risk assessment indicators, we use a weighting method to measure the risk and assess the risk level through qualitative and quantitative analyses. The risk management department of the Group prepares and maintains a list for monitoring anti-money laundering and counter-terrorism financing, and the business division is responsible for conducting full-time monitoring in respect of such a list. We have provided technical support to the anti-money laundering risk management by refining our anti-money laundering off-site supervision information management system, project management system, customer management system and other relevant information systems.

We have enhanced the awareness of anti-money laundering within the entire Group and improved the quality of the anti-money laundering work through various promotions and trainings. We conduct routine off-site inspections, and based on the results of such off-site inspections and the result of reviews performed by the audit and regulatory divisions, we also conduct random on-site inspections on Company Branches, such that we can ensure an effective implementation of the anti-money laundering laws and regulations. We report anti-money laundering information to the PBOC on a regular basis.

## DIRECTORS

The Board consists of 12 Directors, including 3 Executive Directors, 5 Non-executive Directors and 4 Independent Non-executive Directors. The Board is responsible and has general powers for the management and conduct of our business. The major functions and duties of the Board include, but are not limited to, convening Shareholders' general meetings, reporting to Shareholders' general meetings on its work, implementing the resolutions of Shareholders' general meetings, deciding on business plans, development strategies and investment plans, formulating annual budgets and final accounts, formulating plans for profit distribution, recovery of losses and the increase or decrease in the registered capital, and exercising other powers, functions and duties as conferred on it by laws and regulations and the Articles of Association.

The following table sets forth certain information on the Directors. Each of the Directors satisfies the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for his or her position.

| Name | Age | Position/Title | Date of Joining The Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Lai Xiaomin . . . . . | 53 | Chairman of the Board<br>Executive Director<br>Chairman of Strategy and Development Committee | January 2009 | September 2012 | To take charge of the Board, participate in making significant business and operating decisions of the Company, and be responsible for the business strategies and overall development of the Company |
| Ke Kasheng . . . . . | 51 | Executive Director,<br>President<br>Member of Strategy and Development Committee<br>Member of Related Party Transaction Committee | September 2012 | September 2012 | To participate in making significant business and operating decisions of the Company, and be responsible for the business operation and management of the Company |
| Wang Keyue . . . . | 58 | Executive Director,<br>Vice President<br>Member of Strategy and Development Committee<br>Member of Risk Management Committee | April 2000 | September 2012 | To participate in making significant business and operating decisions of the Company, and be responsible for the business operation and management of the Company |

| Name | Age | Position/Title | Date of Joining The Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Tian Yuming . . . . | 50 | Non-executive Director<br>Chairman of Related Party Transaction Committee<br>Member of Strategy and Development Committee<br>Member of Risk Management Committee<br>Member of Audit Committee<br>Member of Nomination and Remuneration Committee | September 2012 | September 2012 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise the overall strategic planning of the Company |
| Wang Cong . . . . . | 52 | Non-executive Director<br>Member of Strategy and Development Committee<br>Member of Risk Management Committee<br>Member of Related Party Transaction Committee<br>Member of Nomination and Remuneration Committee | September 2012 | September 2012 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise the overall strategic planning of the Company |
| Dai Lijia . . . . . . . . | 44 | Non-executive Director<br>Chairman of Risk Management Committee<br>Member of Strategy and Development Committee<br>Member of Related Party Transaction Committee<br>Member of Audit Committee | September 2012 | September 2012 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise the overall strategic planning of the Company |
| Wang Sidong . . . . | 53 | Non-executive Director<br>Member of Strategy and Development Committee<br>Member of Risk Management Committee | March 2015 | March 2015 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise the overall strategic planning of the Company |
| Li Hui . . . . . . . . . . | 47 | Non-executive Director<br>Member of Strategy and Development Committee<br>Member of Related Party Transaction Committee | February 2015 | February 2015 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise the overall strategic planning of the Company |

| Name | Age | Position/Title | Date of Joining The Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Song Fengming . . | 69 | Independent Non-executive Director<br>Chairman of Nomination and Remuneration Committee<br>Member of Strategy and Development Committee<br>Member of Related Party Transaction Committee<br>Member of Audit Committee | September 2012 | September 2012 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise and provide independent opinions to the Board |
| Wu Xiaoqiu . . . . . | 56 | Independent Non-executive Director<br>Member of Strategy and Development Committee<br>Member of Risk Management Committee<br>Member of Audit Committee<br>Member of Nomination and Remuneration Committee | March 2015 | March 2015 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise and provide independent opinions to the Board |
| Tse Hau Yin . . . . . | 67 | Independent Non-executive Director<br>Chairman of Audit Committee<br>Member of Strategy and Development Committee<br>Member of Nomination and Remuneration Committee | March 2015 | March 2015 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise and provide independent opinions to the Board |
| Liu Junmin . . . . . . | 65 | Independent Non-executive Director<br>Member of Strategy and Development Committee<br>Member of Audit Committee<br>Member of Nomination and Remuneration Committee | June 2015 | June 2015 | To participate in the decision making of Directors with respect to important matters of the Company, and supervise and provide independent opinions to the Board |

**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 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.

**Non-executive Directors**

**Mr. Tian Yuming**, aged 50, 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 52, 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 BOC 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.

**Mr. Wang Sidong**, aged 53, has been a Non-executive Director of the Company since March 23, 2015. He was accredited as a senior economist by China Life Group in December 2011.

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 Group 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 Group and director of the General Office of China Life Group. Mr. Wang has been vice president of China Life Group 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 Group, director of China Life Insurance Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2628, on SSE, 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 Non-executive Director of the Company since February 4, 2015. Mr. Li is the head of Asia-Pacific region of Warburg Pincus 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 Hong Kong Stock Exchange, stock code: 0699) in April 2014. 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.

**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 Hong Kong Stock Exchange, stock code: 00939, and on SSE, 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.

**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 Hong Kong Stock Exchange, stock code: 00302) since November 2004, an independent non-executive director of Daohe Global Group Limited (listed on 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 Hong Kong Stock Exchange, stock code: 00883) since June 2005, an independent non-executive director of China Telecom Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 00728) since September 2005, an independent non-executive director of Sinofert Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 00297) since June 2007, an independent non-executive director of SJM Holdings Limited (listed on 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 CCB) 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 SZSE, 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 SZSE, 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 SZSE, stock code: 002013), Chinese People Holdings Company Limited (a listed company on 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.

## SUPERVISORS

The PRC Company Law requires a joint stock company to establish a Board of Supervisors, which is also set out in our Articles of Association. Our Board of Supervisors consists of 5 members, including 2 Employee Representative Supervisors. The major functions and duties of the Board of Supervisors include, but are not limited to, examining and overseeing the financial condition of the Company, formulating the procedural rules of the Board of Supervisors, supervising the implementation of policies and basic management systems of the Company, nominating Shareholder representative Supervisors, external Supervisors and independent Directors, conducting departing audit of Directors and senior management as necessary, supervising the Directors and senior management in the performance of their duties, putting forward proposals on the removal of any director or senior management who violates the laws, administrative regulations, the Articles of Association or any resolution of the Shareholders' general meeting, requiring any Director or senior management to rectify any of his/her acts that is detrimental to the interests of the Company, and exercising other rights as provided by the Articles of Association, laws and administrative regulations.

All resolutions of the Board of Supervisors are subject to approval by the affirmative votes of two-thirds or more of all the Supervisors.

The following table sets forth certain information on the Company's Supervisors:

| Name | Age | Position/Title | Date of Joining The Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Sui Yunsheng . . . . | 60 | Chairman of the Board of Supervisors, Shareholder Representative Supervisor | April 2005 | September 2012 | To take charge of the Board of Supervisors and supervise the operating and financial activities of the Company |
| Wang Qi . . . . . . . . | 59 | External Supervisor | September 2012 | September 2012 | To supervise the operating and financial activities of the Company |
| Dong Juan . . . . . . | 63 | External Supervisor | April 2015 | April 2015 | To supervise the operating and financial activities of the Company |
| Zheng Shengqin . . . . . | 52 | Employee Representative Supervisor | January 2000 | February 2014 | To supervise the operating and financial activities of the Company on behalf of employees |
| Xu Dong . . . . . . . . | 50 | Employee Representative Supervisor | October 2010 | March 2015 | To supervise the operating and financial activities of the Company on behalf of employees |

**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.

**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 SSE, stock code: 600061) from August 2011 to March 2013, and an external supervisor of China Cinda (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 SSE, stock code: 601398). Ms. Dong graduated from Shanxi Finance and Economics College in July 1978, and graduated from Dongbei University of Finance and Economics in August 1997 with a master's degree in economics.

**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.

## SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

| Name | Age | Position/Title | Date of Joining the Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Ke Kasheng . . . . . | 51 | President | September 2012 | September 2012 | Responsible for the daily operation and risk management of the Company |
| Liang Zhijun . . . . | 59 | Vice President | March 2007 | March 2007 | Responsible for marketing and research and development of the Company |
| Wang Keyue . . . . | 57 | Vice President | April 2000 | March 2009 | Responsible for business review and DES asset management business of the Company |

| Name | Age | Position/Title | Date of Joining the Company | Date of Appointment | Principal Roles and Duties |
|---|---|---|---|---|---|
| Zhang Lin . . . . . . . | 59 | Vice President | December 1999 | March 2009 | Responsible for affairs related to the Head Office and publicity of the Company |
| Li Yuping . . . . . . . | 53 | Member of Senior Management | September 2012 | September 2012 | Responsible for the disciplinary supervision work of the Company |
| Wang Lihua . . . . . | 51 | Vice President | October 2012 | October 2012 | Responsible for financial planning and information technology of the Company |
| Xiong Qiugu . . . . | 55 | Vice President | April 2000 | October 2012 | Responsible for the integration and financial market affairs of the Company |
| Hu Jiliang . . . . . . . | 51 | Vice President | April 2000 | November 2014 | Responsible for investment and legal affairs of the Company |
| Wang Wenjie . . . . | 53 | Vice President | December 1999 | November 2014 | Responsible for business appraisal of the Company |
| Hu Ying(1) . . . . . . | 50 | Assistant to President | February 2000 | July 2015 | Responsible for asset management and international business of the Company |
| Yang Guobing(2) . . . . | 49 | Assistant to President | April 2000 | July 2015 | Responsible for overall risk management of the Company |
| Hu Jianjun . . . . . . | 52 | Secretary of the Board | December 2001 | November 2014 | Responsible for information disclosure and investor relations management of the Company |

(1) Ms. Hu Ying was appointed as an Assistant to President of the Company by the Board since July 2015, and her appointment is subject to the approval of the CBRC.
(2) Mr. Yang Guobing was appointed as an Assistant to President of the Company by the Board since July 2015, and his appointment is subject to the approval of the CBRC.

**Mr. Ke Kasheng**, aged 51, is an Executive Director and President of the Company. Please refer to "– Directors" for the biographical details of Mr. Ke.

**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**, aged 57, is an Executive Director and Vice President of the Company. Please refer to "– Directors" for the biographical details of Mr. Wang.

**Ms. Zhang Lin**, aged 59, 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.

**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 53, 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 of 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.

**Ms. Hu Ying**, aged 50, has been an assistant to President of the Company since July 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 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. Ms. Hu graduated from Zhejiang Gongshang University majoring in business administration with an MBA degree in July 2009.

**Mr. Yang Guobing**, aged 49, has been assistant to President of the Company since July 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). 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 of 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.

## JOINT COMPANY SECRETARIES

**Mr. Hu Jianjun**, aged 51, is one of the joint company secretaries of the Company and a member of the senior management of the Company. Please refer to "— Senior Management" for the biographical details of Mr. Hu.

**Mr. Ngai Wai Fung**, *FCIS, FCS(PE), CPA, FCCA*, aged 53, has served as the joint company secretary of the Company since August 2015. Mr. Ngai is a director and the chief executive officer of SW Corporate Services Group Limited, and the president of The Hong Kong Institute of Chartered Secretaries. Mr. Ngai became a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in March 2012. Mr. Ngai served as the company secretary of Anton Oilfield Services Group (listed on Hong Kong Stock Exchange, stock code: 03337) since November 2007, a joint company secretary of China Eastern Airlines Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 00670, the SSE, stock code: 600115 and New York Stock Exchange, stock code: CEA) since April 2012, company secretary of Sinosoft Technology Group Limited (listed on Hong Kong Stock Exchange, stock code: 01297) since June 2013, a joint company secretary of China Pacific Insurance (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 02601 and the SSE, stock code: 601601) since July 2013, a joint company secretary of China Cinda Asset Management Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 01359) since December 2013, a joint company secretary of Chanjet Information Technology Company Limited (listed on Hong Kong Stock Exchange, stock code: 1588) since November 2011, a joint company secretary of Huishang Bank Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 3698) since October 2013, the company secretary (Hong Kong) of China Gold International Resources Corp. Ltd. (listed on Hong Kong Stock Exchange, stock code: 2099, Toronto Stock Exchange, stock code: CGG) since January 2014, a joint company secretary of Harbin Bank Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 6138) since January 2014 and the company secretary of Sunshine 100 China Holdings Ltd (listed on Hong Kong Stock Exchange, stock code: 2608) since February 2014. In January 2013, Mr. Ngai has been appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission, a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants. Mr. Ngai is also the Adjunct Professor of Law of Hong Kong Shue Yan University. Mr. Ngai has over 25 years of experience in serving as company secretary. He graduated from Shanghai University of Finance and Economics with a doctor's degree in finance in June 2011, Hong Kong Polytechnic University with a master's degree in corporate finance in November 2002, Andrews University of Michigan in the United States with an MBA degree in August 1992 and the University of Wolverhampton in the United Kingdom with a bachelor's degree (with Honors) in laws in October 1994.

## BOARD COMMITTEES

The Board has set up various special committees. In accordance with the relevant PRC laws and regulations and the corporate governance practices prescribed in the Hong Kong Listing Rules, the Company has set up five Board committees, namely Strategy and Development Committee, Risk Management Committee, Related Party Transaction Committee, Audit Committee, and Nomination and Remuneration Committee.

### Strategy and Development Committee

We have established a Strategy and Development Committee with written terms of reference. The Strategy and Development Committee consists of 12 Directors, namely Mr. Lai Xiaomin, Mr. Ke Kasheng, Mr. Wang Keyue, Mr. Tian Yuming, Ms. Wang Cong, Ms. Dai Lijia, Mr. Wang Sidong, Mr. Li Hui, Mr. Song Fengming, Mr. Wu Xiaoqiu, Mr. Tse Hau Yin and Mr. Liu Junmin. Mr. Lai Xiaomin currently serves as the Chairman of the Strategy and Development Committee. The primary duties and authorities of the Strategy and Development Committee include, but are not limited to, the following:

(i) to review the operational target and general strategic development plan of the Company and make recommendations to the Board; to assess factors which 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;

(ii) to review the annual financial budget and final accounts according to the development strategy and make recommendations thereon to the Board;

(iii) to assess the overall development status of various businesses and make suggestions on adjustments of the strategic development plan to the Board in a timely manner;

(iv) to review the implementation of the business plan and investment plan of the Company and the strategic asset allocation and asset-liability management objectives of the Company and make recommendations thereon to the Board;

(v) to review major restructuring and adjustment proposals and make recommendations thereon to the Board;

(vi) to review material investment and financing plans and such other matters 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 shareholder's general meeting and the Board, and make recommendations thereon to the Board;

(vii) 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 the shareholder's general meeting and the Board, and make recommendations thereon to the Board;

(viii) to review the establishment and adjustment plan of the Company's internal functional departments and first level branch companies as well as other institutions directly under the control of the Company, and make recommendations thereon to the Board;

(ix) to review information technology development and other special strategic development plans, and make recommendations thereon to the Board;

(x) to examine and assess corporate governance structure of the Company to ensure that the financial reports, risk management and internal controls are in compliance with corporate governance standards of the Company; and

(xi) 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.

**Risk Management Committee**

We have established a Risk Management Committee with written terms of reference. The Risk Management Committee consists of six Directors, namely Ms. Dai Lijia, Mr. Wang Keyue, Mr. Tian Yuming, Ms. Wang Cong, Mr. Wang Sidong and Mr. Wu Xiaoqiu. Ms. Dai Lijia currently serves as the Chairman of the Risk Management Committee. The primary duties of the Risk Management Committee include, but are not limited to, the following:

(i) to 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;

(ii) to supervise the deployment, organizational structure, working procedure and effectiveness of risk management department, and make recommendations thereon to the Board;

(iii) 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 regarding capital adequacy ratio;

(iv) 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;

(v) to make recommendations on improving the risk management and internal controls of the Company from the perspective of the Company and the general environment;

(vi) to assess the risk profile of the Company on a regular basis and make recommendations thereon to the Board;

(vii) 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;

(viii) to supervise the legal and compliance management work of the Company; 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

(ix) 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.

**Related Party Transaction Committee**

We have established a Related Party Transaction Committee with written terms of reference. The Related Party Transaction Committee consists of six Directors, namely Mr. TianYuming, Mr. Ke Kasheng, Ms. Wang Cong, Ms. Dai Lijia, Mr. Li Hui and Mr. Song Fengming. Mr. Tian Yuming currently serves as the chairman of the Related Party Transaction Committee. The primary duties of the Related Party Transaction Committee include, but are not limited to, the following:

(i) to review the basic management system for related party transactions, oversee the implementation thereof, and make recommendations thereon to the Board;

(ii) to identify related parties of the Company and report them to the Board and the Board of Supervisors, and inform the relevant personnel of the Company in a timely manner;

(iii) to conduct a preliminary review of related party transactions to be approved by the Board or the shareholders' general meeting, and submit them to the Board for approval;

(iv) to review and approve related party transactions and other related matters as authorized by the Board;

(v) to accept record filings of related party transactions, and review information disclosure in connection with major related party transactions of the Company;

(vi) to review and approve annual reports on the management of related party transactions and report to the Board; and

(vii) 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.

**Audit Committee**

We have established an Audit Committee with written terms of reference. The Audit Committee consists of six Directors, namely Mr. Tse Hau Yin, Mr. Tian Yuming, Ms. Dai Lijia, Mr. Song Fengming, Mr. Wu Xiaoqiu and Mr. Liu Junmin. Mr. Tse Hau Yin currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

(i) to supervise the internal control, the core business 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;

(ii) to supervise the financial information of the Company and its disclosure, the major financial policies of the Company and the 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;

(iii) to review the basic audit management procedures and rules, medium-to-long-term audit plans, annual work plans, internal audit system design, and make recommendations to the Board;

(iv) to supervise and appraise the internal audit work of the Company, supervise the implementation of the Company's internal audit system, and appraise the working procedure and effectiveness of the internal audit department;

(v) 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;

(vi) to review 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 disclosable 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;

(vii) to coordinate communication between the internal audit department and the external auditor; and

(viii) 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.

**Nomination and Remuneration Committee**

We have established a Nomination and Remuneration Committee with written terms of reference. The Nomination and Remuneration Committee consists of six Directors, namely Mr. Song Fengming, Mr. Tian Yuming, Ms. Wang Cong, Mr. Wu Xiaoqiu, Mr. Tse Hau Yin and Mr. Liu Junmin. Mr. Song Fengming serves as the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee include, but are not limited to, the following:

(i) to review the strategic development plan of human resources and make recommendations thereon to the Board;

(ii) to provide recommendations to the Board regarding the candidates for Directors, President and Secretary of the Board;

(iii) to formulate the procedures and criteria for the election and appointment of Directors, Chairmen and members of the Board committees and senior management, and make recommendations thereon to the Board;

(iv) to conduct a preliminary review of the qualifications of candidates for Directors and senior management, and make recommendations thereon to the Board;

(v) to nominate candidates for Chairmen and members of the Board committees (other than the Strategy and Development Committee);

(vi) 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;

(vii) 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;

(viii) to review major human resources and remuneration policies and management systems submitted by the senior management to the Board or the shareholder's general meeting for approval and submit the same to the Board for approval, and to supervise the implementation thereof; and

(ix) 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.

## REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors and Supervisors and senior management (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) during each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were RMB15,297,000, RMB22,799,000, RMB22,067,000 and RMB4,938,000, respectively.

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to the five highest paid individuals of the Company during each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were RMB13,950,000, RMB16,890,000, RMB21,461,000 and RMB4,742,000, respectively.

We have not paid any remuneration to the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as a compensation for loss of office in the Track Record Period. Furthermore, none of the Directors or Supervisors waived any remuneration during the same period.

According to the arrangements in force on the Latest Practicable Date, we expect that the total remuneration to be paid and granted to the Directors, Supervisors and senior management for the financial year ended December 31, 2015 will be approximately RMB15,239,000.

Save as disclosed above, there was no other amount paid or payable to the Directors by the Company or any of its subsidiaries for the three financial years ended December 31, 2012, 2013 and 2014, respectively.

## DIRECTORS' INTEREST

Save as disclosed in this prospectus, none of the Directors, Supervisors and senior management (i) held any other position in the Company or any other member of the Group as of the Latest Practicable Date; (ii) had any other relationship with any other Director, Supervisor and senior management or any substantial shareholder of the Company as of the Latest Practicable Date; or (iii) held any directorship in any other listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, none of the Directors, Supervisors and senior management had any interest in the H Shares or the Domestic Shares within the meaning of Part XV of the SFO.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of any Director, Supervisor and senior management personnel that needs to be brought to the attention of the Shareholders, and there was no other information relating to the Directors, Supervisors and senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

## JOINT COMPLIANCE ADVISORS

We have appointed Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as our joint compliance advisors pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, our joint compliance advisors will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction (as defined under the Hong Kong Listing Rules), is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this prospectus; and

- where Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

So far as the Directors are aware, immediately following the completion of the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), the following persons will have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

| | | | Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option of H Shares) | | | Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option of H Shares) | | |
|---|---|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of interest and capacity | Class | Number of Shares | Approximate percentage of interest in the Company | Approximate percentage of the relevant class of Shares of the Company | Number of Shares | Approximate percentage of interest in the Company | Approximate percentage of the relevant class of Shares of the Company |
| MOF | Legal and beneficial owner | H Shares | 12,404,005,109 | 32.25% | 50.81% | 12,364,415,591 | 31.44% | 48.84% |
| MOF | Legal and beneficial owner | Domestic Shares | 12,404,005,109 | 32.25% | 88.26% | 12,364,415,591 | 31.44% | 88.23% |
| China Life Group | Legal and beneficial owner | Domestic Shares | 1,650,000,000 | 4.29% | 11.74% | 1,650,000,000 | 4.20% | 11.77% |
| Warburg Pincus Financial International | Legal and beneficial owner | H Shares | 2,060,000,000 | 5.36% | 8.44% | 2,060,000,000 | 5.24% | 8.14% |
| Fabulous Treasure Investments Limited | Legal and Beneficial owner | H Shares | 1,750,495,000(1) | 4.55% | 7.17% | 1,750,495,000 | 4.45% | 6.91% |

(1) Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus.

Save as disclosed in this prospectus, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## CONVERSION OF THE COMPANY TO A JOINT STOCK LIMITED COMPANY

In September 2012, we completed the joint-stock reform, marking our transition from an institution engaging in the management of policy financial assets to a market-oriented joint-stock financial enterprise. Upon the completion of the joint-stock reform, the registered capital of China Huarong was RMB25,835,870,462 and the total share capital was 25,835,870,462 Shares with a par value of RMB1 per share, of which, the MOF contributed RMB25,335,870,462 and held 25,335,870,462 Shares, representing 98.06% of its total Shares; and China Life Group contributed RMB500,000,000 and held 500,000,000 Shares, representing 1.94% of the total Shares.

## AFTER THE STRATEGIC INVESTMENT BUT BEFORE THE GLOBAL OFFERING

In June 2014, we entered into Share Subscription Agreements with eight investors including China Life Group, Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG, respectively. See "Our Strategic Investors" for more details. Following the completion of the strategic investments, our eight Strategic Shareholders held an aggregate of 7,360,000,000 Shares in the Company, representing 22.51% of the total Shares of the Company[(1)]. Particulars of the Company's shareholdings were as follows:

| Shareholder | Number of Shares | Approximate percentage of registered capital |
|---|---|---|
| MOF | 25,335,870,462 | 77.49% |
| China Life Group | 1,650,000,000 | 5.05% |
| Warburg Pincus Financial International | 2,060,000,000 | 6.30% |
| CSI AMC | 790,000,000 | 2.42% |
| Pantai Juara Investments | 755,000,000 | 2.31% |
| CICC Strategic Investment | 750,000,000 | 2.29% |
| COFCO (HK) | 708,000,000 | 2.16% |
| Fidelidade | 500,000,000 | 1.53% |
| Goldman Sachs SSG | 147,000,000 | 0.45% |
| **Total** | **32,695,870,462** | **100.00%** |

(1) China Life Group was already a Shareholder of the Company and held 500,000,000 Shares in the Company before the execution of the China Life Group Share Subscription Agreement.

## UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the registered capital of the Company will be RMB38,465,750,462, comprising 24,411,745,353 H Shares and 14,054,005,109 Domestic Shares, representing approximately 63.46% and 36.54%, respectively, of the registered capital of the Company, and particulars of the Company's shareholdings will be as follows:

| Shareholder | Class | Number of Shares | Approximate percentage of registered capital |
|---|---|---|---|
| MOF | H Shares | 12,404,005,109 | 32.25% |
| | Domestic Shares | 12,404,005,109 | 32.25% |
| China Life Group | Domestic Shares | 1,650,000,000 | 4.29% |
| NSSF | H Shares | 542,611,071 | 1.41% |
| Warburg Pincus Financial International | H Shares | 2,060,000,000 | 5.36% |
| CSI AMC | H Shares | 790,000,000 | 2.05% |
| Pantai Juara Investments | H Shares | 755,000,000 | 1.96% |
| CICC Strategic Investment | H Shares | 750,000,000 | 1.95% |
| COFCO (HK) | H Shares | 693,249,173 | 1.80% |
| Fidelidade | H Shares | 500,000,000 | 1.30% |
| Goldman Sachs SSG | H Shares | 147,000,000 | 0.38% |
| H Shares issued pursuant to the Global Offering | H Shares | 5,769,880,000 | 15.00% |
| **Total** | | **38,465,750,462** | **100.00%** |

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is exercised in full, the registered capital of the Company will be RMB39,331,232,462, comprising 25,316,816,871 H Shares and 14,014,415,591 Domestic Shares, representing approximately 64.37% and 35.63%, respectively, of the registered capital of the Company, and the particulars of the Company's shareholdings will be as follows:

| Shareholder | Class | Number of Shares | Approximately percentage of registered capital |
|---|---|---|---|
| MOF | H Shares | 12,364,415,591 | 31.44% |
| | Domestic Shares | 12,364,415,591 | 31.44% |
| China Life Group | Domestic Shares | 1,650,000,000 | 4.20% |
| NSSF | H Shares | 624,002,732 | 1.59% |
| Warburg Pincus Financial International | H Shares | 2,060,000,000 | 5.24% |
| CSI AMC | H Shares | 790,000,000 | 2.01% |
| Pantai Juara Investments | H Shares | 755,000,000 | 1.92% |
| CICC Strategic Investment | H Shares | 750,000,000 | 1.91% |
| COFCO (HK) | H Shares | 691,036,548 | 1.76% |
| Fidelidade | H Shares | 500,000,000 | 1.27% |
| Goldman Sachs SSG | H Shares | 147,000,000 | 0.37% |
| H Shares issued pursuant to the Global Offering | H Shares | 6,635,362,000 | 16.87% |
| **Total** | | **39,331,232,462** | **100.00%** |

## CLASS SHARES

Upon completion of the Global Offering, the H Shares and Domestic Shares are ordinary shares in the registered capital of the Company. However, apart from QDIIs and persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval of any competent authority, or through Shanghai-Hong Kong Stock Connect pursuant to relevant PRC laws and regulations, H shares shall not be subscribed by or traded between legal or natural persons of the PRC.

H Shares and Domestic Shares are regarded as different classes of Shares under the relevant provisions of the Articles of Association of the Company. The differences between the two classes of Shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI — Summary of Articles of Association". Any change or abrogation of the rights of class Shareholders should be approved by way of a special resolution at a general meeting of Shareholders and at a separate meeting of the affected class of Shareholders. However, the procedures for approval by a separate class Shareholders shall not apply where (i) the Company issues, upon approval by a special resolution at a general meeting, either separately or concurrently once every 12 months, Domestic Shares and foreign-listed Shares representing not more than 20% of the existing issued Domestic Shares and foreign-listed Shares; (ii) the issuance of Domestic Shares and foreign-listed shares is part of the Company's plan at the time of our establishment and which is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) pursuant to the approval of the securities regulatory authority of the State Council, Shareholders of Domestic Shares list and trade their unlisted Shares overseas. H Shares and Domestic Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

## SHARES HELD BY THE MOF

Upon the completion of the Global Offering, 50% of the Shares held by the MOF will be converted to H Shares to be listed on the Hong Kong Stock Exchange, and the remaining 50% of the Shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares for custody.

### H Shares held by the MOF

Upon the completion of the Global Offering, 50% of the Shares held by the MOF will be converted to H Shares on a one-for-one basis and be approved for listing on the Hong Kong Stock Exchange, subject to completion of certain procedural requirements. The relevant procedural requirements are the registration of such Shares on the register of shareholders of the Company maintained in Hong Kong, on the conditions that (a) the H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant Shares on the H share register, and the due dispatch of share certificates, and (b) the admission of the Shares to be traded in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such Shares are registered on the Company's H share register, such Shares would not be listed as H Shares.

### Domestic Shares held by the MOF

Upon the completion of the Global Offering, the remaining 50% of the Shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares for custody. If the MOF intends to convert its Domestic Shares to H Shares in the future, upon the approval by the CSRC or the authorized securities approval authorities of the State Council and the Hong Kong Stock Exchange, such Shares could be converted into H shares and be listed on the Hong Kong Stock Exchange while no approval from voting of class Shareholders for the conversion of such Shares and the listing of, and dealing in such converted shares in foreign stock exchanges (including the Hong Kong Stock Exchange) would be required. Please refer to the section below for the procedures and approvals required for the conversion of Domestic Shares into H Shares.

**Transfer Restriction on the Shares held by the MOF**

Upon the completion of the Global Offering, the Shares held by MOF will be subject to the following regulatory transfer restrictions:

- Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange.
- Under the Listing Rules, the MOF, as the Company's controlling shareholder, may not, amongst others (i) dispose of or agree to dispose any of the Shares for a period commencing on the date of this prospectus and ending on the date which is six months from Listing Date on the Hong Kong Stock Exchange and (ii) during a period of six months thereafter, dispose of or agree to dispose of any of the Company's Shares if, immediately after such disposal, it would cease to be the Company's controlling shareholder.

Upon any registration of the Shares of the MOF on the Company's H share register, the MOF will remain subject to the above transfer restrictions under the PRC Company Law and Listing Rules to the extent that such restrictions have not expired.

As of the latest practicable date, there were no pledges over or disputes in relation to the Shares held by the MOF.

**CONVERSION OF DOMESTIC SHARES INTO H SHARES**

Our Domestic Shares held by MOF and China Life Group upon completion of the Global Offering are not listed or traded on any stock exchange. According to the regulations of the State Council's securities regulatory authority and the Articles of Association, such Domestic Shares may be converted into H Shares.

If any holder of the Domestic Shares wishes to convert its Domestic Shares into H Shares for listing and trading on the Hong Kong Stock Exchange, it must obtain the approval of the relevant PRC regulatory authorities, including the CSRC for the conversion of the Domestic Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H Shares, as well as follow the procedures set forth below:

(i) Obtain the approval by the CSRC or the authorized securities approval authorities of the State Council and the Hong Kong Stock Exchange, such Domestic Shares could be converted into H shares and be listed on the Hong Kong Stock Exchange;

(ii) The holder of the Domestic Shares shall issue to the Company a removal request on a prescribed form indicating the specified number of Shares and attaching the relevant documents of title;

(iii) Subject to verification of the relevant document by the Company, and with the approval of the Board, the Company would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, the H Share Registrar shall issue the holder of the Domestic Shares with H share certificates for such specified number of shares. The shareholding interest of the holders of the Domestic Shares deposited with the China Securities Depository and Clearing Corporation Limited would then be correspondingly reduced;

(iv) The relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and we will re-register such Shares on the H share register maintained in Hong Kong, on the conditions that:

(a) The H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant Shares on the H share register, and the due dispatch of share certificates; and

(b) The admission of the Shares to be traded in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such Shares are re-registered on the H share register, such Shares would not be listed as H Shares; and

(v) In addition, the Company will comply with the Listing Rules in respect of the publication of an announcement to inform shareholders and the public of such fact not less than three days prior to the proposed specified date.

## CONVERSION OF SHARES HELD BY THE STRATEGIC SHAREHOLDERS

Upon completion of the Global Offering, the Shares held by Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO(HK), Fidelidade and Goldman Sachs SSG will be converted to H Shares on a one-for-one basis and will be listed for trading on the Hong Kong Stock Exchange. The Shares subscribed and held by the Strategic Shareholders according to the relevant Share Subscription Agreements are subject to a three-year Lock-up Period from the completion date of the respective Share Subscription Agreement except as may be required or approved by any government authorities in the PRC. The Shares held by China Life Group will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares for custody and not be converted to H Shares at the time of the listing of the Company. For details, refer to "Strategic Investors — Rights and Obligations of the Strategic Shareholders — Shares Transfer Restrictions".

## LOCK-UP PERIODS

The following table summarizes applicable lock-up periods for the MOF, China Life Group, Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG, upon the completion of the Global Offering.

| Name | Class | Number of Shares (assuming no exercise of the Over-allotment Option) | Number of Shares (assuming full exercise of the Over-allotment Option) | Applicable lock-up period |
|---|---|---|---|---|
| MOF | H Shares | 12,404,005,109 | 12,364,415,591 | One year from the date of listing on the Hong Kong Stock Exchange |
| | Domestic Shares | 12,404,005,109 | 12,364,415,591 | One year from the date of listing on the Hong Kong Stock Exchange |
| China Life Group | Domestic Shares | 500,000,000[(1)] | 500,000,000[(1)] | One year from the date of listing on the Hong Kong Stock Exchange |
| | Domestic Shares | 1,150,000,000[(2)] | 1,150,000,000[(2)] | Three years from the completion date of the China Life Group Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| NSSF | H Shares | 542,611,071 | 624,002,732 | Not applicable |
| Warburg Pincus Financial International | H Shares | 2,060,000,000 | 2,060,000,000 | Three years from the completion date of the Warburg Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| CSI AMC | H Shares | 790,000,000 | 790,000,000 | Three years from the completion date of the CSI Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| Pantai Juara Investments | H Shares | 755,000,000 | 755,000,000 | Three years from the completion date of the Khazanahs Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |

(1) The Shares held by China Life Group before the execution of China Life Group Share Subscription Agreement, which are not subject to the terms and conditions of the China Life Group Share Subscription Agreement.

(2) The China Life Group Subscription Shares, which are subject to the terms and conditions of the China Life Group Share Subscription Agreement.

| Name | Class | Number of Shares (assuming no exercise of the Over-allotment Option) | Number of Shares (assuming full exercise of the Over-allotment Option) | Applicable lock-up period |
|---|---|---|---|---|
| CICC Strategic Investment . . . . . . . . | H Shares | 750,000,000 | 750,000,000 | Three years from the completion date of the CICC Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| COFCO (HK) . . . . . . . | H Shares | 693,249,173 | 691,036,548 | Three years from the completion date of the COFCO Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| Fidelidade . . . . . . . . . . | H Shares | 500,000,000 | 500,000,000 | Three years from the completion date of the Fosun International Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |
| Goldman Sachs SSG . . . . . . . . . . . . . | H Shares | 147,000,000 | 147,000,000 | Three years from the completion date of the Goldman Sachs Share Subscription Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later |

## TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on any stock exchange. Accordingly, Shares issued by the Company prior to the Listing Date shall be subject to this statutory restriction and may not be transferred within a period of one year from the Listing Date. However, the H Shares to be transferred by the MOF and COFCO (HK), respectively, to the NSSF in accordance with relevant PRC regulations regarding the transfer of state-owned Shares and calculated based on the Global Offering (see "Transfer of State-Owned Shares" below) are not subject to such statutory restrictions.

## TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, the state-owned shareholders of the Company, namely the MOF and COFCO (HK), are required to transfer to the NSSF, in proportion to their respective holdings in the Company, such number of Shares in aggregate equivalent to 9.4% of the number of the Offer Shares (being

542,611,071 H Shares before the exercise of the Over-allotment Option, and an additional 81,391,661 H Shares upon the full exercise of the Over-allotment Option) or pay the equivalent cash at the Offer Price under the Global Offering to the NSSF. In accordance with the State-owned Shares Transfer Approval, the MOF will transfer such number of Shares to the NSSF (being 527,860,244 H Shares before the exercise of the Over-allotment Option, and an additional 79,179,036 H Shares upon the full exercise of the Over-allotment Option); and COFCO (HK) will transfer such number of Shares to the NSSF (being 14,750,827 H Shares before the exercise of the Over-allotment Option, and an additional 2,212,625 H Shares upon the full exercise of the Over-allotment Option). At the time of listing, such Shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering. The Company will not receive any proceeds from the transfer of H Shares by the state-owned Shareholders to the NSSF or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned Shares by the Company's state-owned Shareholders to the NSSF was approved by the MOF on June 18, 2015. The conversion of those Shares into H Shares was approved by the CSRC on July 29, 2015. We have been advised that the above transfer and conversion, and the holding of H Shares by the NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

The H Shares transferred according to the State-owned Shares Transfer Approval from the MOF and COFCO (HK) to the NSSF will not be subject to any lock-up arrangement upon the completion of the Global Offering.

## THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with the following investors (the "**Cornerstone Investors**," each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors in aggregate have agreed to purchase at the Offer Price such number of Offer Shares (rounded down to the nearest whole board lot) as may be purchased with HK$12,535.53 million (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$3.03 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 4,137,132,000, representing approximately (i) 10.8% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 10.5% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming an Offer Price of HK$3.21 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,905,145,000, representing approximately (i) 10.2% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 9.9% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming an Offer Price of HK$3.39 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 3,697,791,000, representing approximately (i) 9.6% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 9.4% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. The maximum number of H Shares to be subscribed for by the Cornerstone Investors will not exceed 10.8% of the total issued share capital of the Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option. Each Cornerstone Investor will not subscribe for such number of H Shares which will exceed 10% of the total issued share capital of the Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option.

To the best knowledge of our Company, each of the Cornerstone Investors is an independent third party, independent of each other, not our connected person, and not an existing shareholder or close associate (as defined under the Listing Rules) of the Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around October 29, 2015.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering—The Hong Kong Public Offering."

## CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the relevant Cornerstone Investors in connection with the Cornerstone Placing:

### Fabulous Treasure Investments Limited

Fabulous Treasure Investments Limited ("**Fabulous Treasure**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$5,304.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Fabulous Treasure would subscribe for would be 1,750,495,000, representing approximately 4.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Fabulous Treasure would subscribe for would be 1,652,336,000, representing approximately 4.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Fabulous Treasure would subscribe for would be 1,564,601,000, representing approximately 4.1% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Fabulous Treasure Investments Limited is a company incorporated in British Virgin Islands with limited liability and an investment vehicle wholly owned by a fund (SOL Investment Fund LP), of which a subsidiary of Sino-Ocean Land Holdings Limited ("**Sino-Ocean Land**") is a general partner.

Sino-Ocean Land is incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3377) since 2007. On the back of the dedication to provide high-quality products and professional services, Sino-Ocean Land and its subsidiaries have over 60 development projects in 19 high growth cities in the Beijing-Tianjin-Hebei Region, the Northeast Region, the Central Region and the Southern Region. As at June 30, 2015, Sino-Ocean Land had approximately 20 million sq.m. of landbank, in which projects located in first and second-tier cities accounted for about 93% of its total landbank. In recent years, Sino-Ocean Land has highly focused on customer needs and continued to enhance its service quality and also developed the "diversified business with four focuses" strategy to focus on residential development, investment properties development, customer service and real estate financing.

### State Grid Yingda International Holdings Corporation Ltd

State Grid Yingda International Holdings Corporation Ltd ("**State Grid Yingda Corporation**") has agreed to subscribe for, through GF Asset Management-Everbright Bank-State Grid Yingda Assets Management Account NO.3 ("**State Grid Yingda QDII Fund**") managed by GF Securities Asset Management (Guangdong) Co., Ltd. ("**GF Asset Management**"), a qualified domestic institutional investor, such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$300.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that State Grid Yingda Corporation would subscribe for would be 767,336,000, representing approximately 2.0% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that State Grid Yingda Corporation would subscribe for would be 724,308,000, representing approximately 1.9% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that State Grid Yingda Corporation would subscribe for would be 685,849,000, representing approximately 1.8% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

State Grid Yingda Corporation is, renamed and organized from former state Grid Asset Management Company Limited on December 20, 2015, a wholly-owned subsidiary of State Grid Corporation of China ("**State Grid**"). Its business includes the provision of investment and asset management services; asset custodial services; services for corporate restructuring, mergers and acquisitions, strategic placement and venture capital investment; investment consulting service and investment advisory service. State Grid is the largest state-owned PRC grid company, which primarily focuses on the construction and operation of a grid network covering 26 provinces, autonomous regions and municipalities in China.

State Grid Yingda QDII Fund is set up and maintained by GF Asset Management, the wholly owned subsidiary of GF Securities Co., Ltd. In addition, GFHK is also an indirectly-wholly owned subsidiary of GF Securities Co., Ltd., and therefore GF Asset Management is considered as a "connected client" of GFHK under paragraph 5(1) of Appendix 6 of the Listing Rules. State Grid Yingda QDII Fund shall be treated in an equal manner as other cornerstone investors in the allocation process. We have applied for and the Hong Kong Stock Exchange has granted its consent under paragraph 5(1) of Appendix 6 of the Listing Rules to allow Offer Shares to be placed to State Grid Yingda QDII Fund.

**Foresea Life Insurance Co., Ltd**

Foresea Life Insurance Co., Ltd ("**Foresea Life**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$780.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Foresea Life would subscribe for would be 257,425,000, representing approximately 0.7% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Foresea Life would subscribe for would be 242,990,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the

Offer Price range set out in this prospectus, the total number of Shares that Foresea Life would subscribe for would be 230,088,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Foresea Life was incorporated in China in February 2012 upon the approval of China Insurance Regulatory Commission. It is the first national financial insurance institution headquartered in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and its principal business includes personal insurance and reinsurance businesses such as life insurance, health insurance and accident insurance, management of insurance funds as permitted under the PRC laws and regulations, and other businesses as approved by the CIRC.

**Rich Precious Limited**

Rich Precious Limited ("**Rich Precious**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$780.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Rich Precious would subscribe for would be 257,425,000, representing approximately 0.7% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Rich Precious would subscribe for would be 242,990,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Rich Precious would subscribe for would be 230,088,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Rich Precious is a company incorporated in the British Virgin Islands and is principally engaged in the business of investment holding. It is wholly-owned by Dr. Yeung Sau Shing, Albert, who is the Chairman of Emperor Group, a conglomerate comprising a wide range of businesses that include property investment and development, financial services, watch and jewelry retail, entertainment, hospitality and publishing.

**Zhongrong International Trust Co. Ltd**

Zhongrong International Trust Co. Ltd ("**Zhongrong Trust**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$780.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Zhongrong Trust would subscribe for would be 257,425,000, representing approximately 0.7% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Zhongrong Trust would subscribe for would be 242,990,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Zhongrong Trust would subscribe for would be 230,088,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Zhongrong Trust is a company incorporated in Harbin, the PRC, and its principal business includes private equity investment and financing business, securities investment trust, asset securitization, merger and acquisition and wealth management. It is controlled by Jingwei Textile Machinery Company Limited, which is the largest domestic supplier of cotton textile equipment in the PRC.

**China Oceanwide International Investment Company Limited**

China Oceanwide International Investment Company Limited ("**China Oceanwide International**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$775.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that China Oceanwide International would subscribe for would be 255,775,000, representing approximately 0.7% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that China Oceanwide International would subscribe for would be 241,433,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that China Oceanwide International would subscribe for would be 228,613,000, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

China Oceanwide International is a limited liability company incorporated in Hong Kong, and is a wholly-owned subsidiary of China Oceanwide Holdings Group Co., Ltd. ("**China Oceanwide Holdings**"). China Oceanwide Holdings is principally engaged in financial business and also the business of real estate, electric power and capital investment. Its ultimate controlling shareholder and founder, Mr. Lu Zhiqiang, is also the vice chairman and non-executive director of China Minsheng Banking Corp., Ltd., which is listed on the Main Board of the Stock Exchange (stock code: 1988) and on the Shanghai Stock Exchange (stock code: 600016).

China Oceanwide International may obtain external financing from Citibank, N.A. and/or its affiliate for an amount up to HK$465,000,000 to finance its subscription of H Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations. All or some of the H Shares to be subscribed for by China Oceanwide International may be charged in favor of Citibank, N.A. as security for such loan. Under the financing arrangement, China Oceanwide International may be required to repay the loan before its maturity following the occurrence of certain customary events of default. Citibank, N.A. may therefore have the right to foreclose or enforce (whether during the

Lock-up Period or otherwise) their security interest in the H Shares subject to such charge at any time upon the occurrence of certain customary events of default, save that Citigroup Global Markets Asia Limited agrees to procure Citibank, N.A. not to dispose of the collateral shares through on-market disposal until after the date falling six months after the Listing Date.

**Chongqing Yufu (HongKong) Limited**

Chongqing Yufu (HongKong) Limited ("**Chongqing Yufu (HongKong)**") has agreed to subscribe for through its two wholly owned subsidiaries, Yufu Gains Limited ("**Yufu Gains**") and Chongqing Besting Investment Limited ("**Chongqing Besting**"), such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$624.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Chongqing Yufu (HongKong) would subscribe for would be 205,940,000, representing approximately 0.5% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Chongqing Yufu (HongKong) would subscribe for would be 194,392,000, representing approximately 0.5% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Chongqing Yufu (HongKong) would subscribe for would be 184,070,000, representing approximately 0.5% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Chongqing Yufu (HongKong) is a company incorporated in Hong Kong, and its principal business includes investment consulting, investment and financing, mergers and acquisitions and asset management. Yufu Gains and Chongqing Besting are incorporated in Hong Kong and both their principal business are investment and financing.

Chongqing Yufu (HongKong) is ultimately wholly owned and controlled by Chongqing Yufu Assets Management Group Co., Ltd ("**Chongqing Yufu**"). Chongqing Yufu is one of the largest and most important state-owned enterprises under the State-owned Assets Supervision and Administration Commission of Chongqing Government, with integrated businesses of land development, portfolio investment and distressed assets management. Chongqing Yufu is a core strategic investment institution in the local finance sector in Chongqing Municipality and the only provincial distressed assets management enterprise designated by Chongqing Municipal Government, and is the state-own capital investment and management company which primarily engaged in financial holding.

**CGN Investment (HK) Co., Limited**

CGN Investment (HK) Co., Limited ("**CGN Investment**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$390.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that CGN Investment would subscribe for would be

128,712,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that CGN Investment would subscribe for would be 121,495,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that CGN Investment would subscribe for would be 115,044,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

CGN Investment is a company incorporated in Hong Kong, and its principal business includes investment in capital markets. It is wholly owned and controlled by China General Nuclear Power Corporation, which is an international leading clean energy group specialized in nuclear power. China General Nuclear Power Corporation owns three listed companies in Hong Kong, which are CGN Power Co., Ltd. (01816.HK), CGN Mining Company Limited (01164.HK) and CGN Meiya Power Holdings Co., Ltd. (01811.HK), respectively.

**Harvest Capital Management Co., Ltd.**

Harvest Capital Management Co., Ltd. ("**Harvest Capital**") has agreed to subscribe for through Harvest Fund Management Co., Ltd. ("**Harvest Fund**"), a qualified domestic institutional investor, such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$390.00 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Harvest Capital would subscribe for would be 128,712,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Harvest Capital would subscribe for would be 121,495,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Harvest Capital would subscribe for would be 115,044,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Harvest Capital is a company incorporated in the PRC, and its principal business includes Asset Management Services for Specific Clients and other businesses approved by CSRC. It is controlled by Harvest Fund, whose principal business includes fund raising, fund sales, asset management and other businesses approved by CSRC.

**COSCO Capital Management Limited**

COSCO Capital Management Limited ("**COSCO Capital**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of HK$387.50 million at the Offer Price.

Assuming the Offer Price of HK$3.03, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that COSCO Capital would subscribe for would be 127,887,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.21, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that COSCO Capital would subscribe for would be 120,716,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$3.39, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that COSCO Capital would subscribe for would be 114,306,000, representing approximately 0.3% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

COSCO Capital is a company incorporated in Hong Kong and is wholly owned and controlled by China Ocean Shipping (Group) Company. Its principal business activities are investments mainly in the financial and capital markets. China Ocean Shipping (Group) Company is a leading company specializing in global shipping, modern logistics and ship building and repairing.

**Conditions Precedent**

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

i. the underwriting agreement for the Hong Kong Public Offer and underwriting agreement for the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;

ii. neither of the aforesaid underwriting agreements having been terminated;

iii. the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares and that such approval or permission having not been revoked;

iv. no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transaction contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

v. the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor in the respective Cornerstone Investment Agreement are accurate and true in all material respects and that there is no material breach of the respective Cornerstone Investment Agreement on the part of the Cornerstone Investor.

**Restrictions on the Cornerstone Investors' Investment**

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the relevant underwriter, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing

Date, dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly owned subsidiary of such Cornerstone Investor provided that, among others, such wholly owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, be bound by the Cornerstone Investor's obligations in the respective Cornerstone Investment Agreement, and give the same acknowledgments, representations and warranties thereunder, as if such wholly-owned subsidiary were itself subject to such obligations and restrictions, and shall jointly and severally bear all liabilities and obligations imposed by the respective Cornerstone Investment Agreement. One of our Cornerstone Investors, China Oceanwide International, may pledge to Citibank, N.A. in aggregate up to 241,433,000 H Shares out of the total number of H Shares of 241,433,000 that it intends to subscribe in the Global Offering, assuming an Offer Price of HK$3.21 per H Share.

*The following discussion and analysis should be read in conjunction with "Appendix I—Accountants' Report" prepared in accordance with International Financial Reporting Standards (IFRS) and its notes.*

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

## OVERVIEW

We are the largest financial asset management company in China in terms of total assets. With distressed asset management as the foundation of our business and supported by our comprehensive financial services business, we have established a unique "through-the-cycle" business model to provide our clients with a diversified array of financial products and services.

Our principal business segments are (i) distressed asset management, (ii) financial services, and (iii) asset management and investment. For the year ended December 31, 2014, income from distressed asset management, financial services and asset management and investment represented 56.1%, 35.1% and 9.9%, respectively, of our total income, and profit before tax from these three business segments represented 55.7%, 32.9% and 11.4%, respectively, of our total profit before tax.

In 2012, 2013, 2014 and the six months ended June 30, 2015, our total income amounted to RMB26,063.3 million, RMB37,319.4 million, RMB51,060.7 million and RMB37,826.0 million, respectively, and the profit attributable to equity holders of the Company amounted to RMB5,892.2 million, RMB8,659.6 million, RMB10,656.2 million and RMB8,373.3 million, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total assets amounted to RMB315,033.6 million, RMB408,367.3 million, RMB600,521.1 million and RMB734,556.0 million, respectively, and equity attributable to equity holders of the Company amounted to RMB34,176.1 million, RMB41,966.6 million, RMB69,408.2 million and RMB81,316.0 million, respectively.

## EXTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

### Macroeconomic Conditions in China

Our business operations are primarily conducted in China and most of our income is generated within China. Our business, financial condition, results of operations, the effectiveness of risk control and prospects are significantly affected by the macroeconomic conditions in China and indirectly by the economic and market conditions of other regions in the world. During the economic transitional period in China, the supply of distressed asset will generally be sufficient, bringing opportunities for the expansion of our distressed asset management business. In addition, growth in business activities, demands for financial services, and personal wealth due to the general economic growth in China will drive the development of our financial services business.

The economic growth of China has slowed down since the global financial crisis in 2008. The economy of China has entered the "new normal" economic environment and its growth rate is decreasing from high to moderately high. Nonetheless, the economic growth of China is still faster than most of the major economies. According to the NBSC, from 2009 to 2014, the real GDP of China grew at a CAGR of 8.6% while the real GDP of the USA, Japan and the European Union grew at a slower pace of 2.2%, 1.5% and 1.0%, respectively during the same period, according to International Monetary Fund. In response to the "new normal" economic environment, the PRC Government is promoting the new development approach by speeding up the economic and market reform. In recent years, the PRC Government improves the structure and efficiency of its economy by introducing guidelines for the development of industries with an aim to eliminating certain enterprises in industries with excess capacity and promoting the development of emerging industries to support the long term growth of the economy. All lines of businesses of the Company will have new opportunities brought by the changes.

***Effects on Distressed Asset Management Business***

The transformation of China's economic structure, fluctuations in market liquidity and changes in the quality of debt related assets of banks and non-financial enterprises will create opportunities for us to grow our distressed asset management business.

- The total distressed assets increase in line with the increasing loans of financial institutions and the economic transformation in China. The carving out of distressed assets and de-leveraging as well as the merger and consolidation of financial institutions have also driven up the supply of distressed assets from financial institutions.

- During the current transformation of China's economy, there will be more opportunities to acquire NFE Distressed Assets as a result of the restructuring of industries, enterprises and assets. As a result, there will be more business opportunities for the distressed asset management industry.

- The general performance of the economy of China will affect the operation results and financial position of enterprises in China and our revenue from disposal and restructuring of distressed debt assets as well as gain from DES Assets. In particular, from 2012 to 2014, in line with the strong economic growth of China, the value of some distressed assets and the gain from DES Assets increased.

- Currently, the economy of China is still growing at a moderately fast speed with increasingly active financial markets and refined systems and regulations. We believe that these developments and changes in the macroeconomic structure will be beneficial to yielding satisfactory returns from the existing distressed assets managed by us and those we acquire in the future.

***Effects on Financial Services Business***

The financial performance of our financial services business is subject to the economic environment of China, including:

- As the financial system and financial market of China further develop, more financing is required by companies. The pace of financial disintermediation is accelerating significantly and the financial and investment markets of China is becoming more diversified. With higher demand for various investment and financing instruments, customized financing solutions and innovative asset management products and services from companies and individuals, there will be more business opportunities for financial services providers.
- The asset quality of loans and receivables of the financial services business will be affected by the economic growth and macroeconomic transformation of China. Such factors may affect the operation, financial position and liquidity of the clients of our financial services and their solvency and, in turn, our profitability.

***Effects on Asset Management and Investment Business***

Our results of operations and financial performance of asset management and investment business are subject to the economic environment of China, including:

- Our capability in expanding our asset management scale is affected by the fluctuation in market and economic conditions. The macroeconomic and market conditions of China not only affect the performance of our asset management schemes, but also affect our ability to retain clients and raise additional funding.
- The general economic condition, industrial development cycle and performance of enterprises also affect the solvency of our customers and hence affect the recovery of the principal and the realization of the investment returns for our financial investment with fixed income.
- The general economic environment will affect the performance of the investees of our equity investment business. The return of our private fund management is also subject to capital market conditions in China.

**Monetary Policy and Interest Rate Environment**

Monetary policy is an important tool of the PRC Government for its macroeconomic management. In order to control inflation, the PBOC raised the RMB benchmark lending and deposit interest rates of financial institutions five consecutive times from October 2010 to July 2011. From June 2012 to August 2015, the PBOC adjusted its monetary policy and reduced the RMB benchmark lending and deposit interest rates for seven times. In addition, the PBOC lifted the minimum lending rates requirement of financial institutions in July 2013. In March 2015, the PBOC raised the ceiling of deposit interest rates from 1.2 times to 1.3 times of the benchmark interest rates, and further adjusted the ceiling of deposit interest rates to 1.5 times in May 2015, promoting the liberalization of interest rates. The adoptions of the Deposit Insurance Regulations (存款保險條例) at the end of March 2015 and the Interim Measures for the Administration of Large-denomination Certificates of Deposit

(大額存單管理暫行辦法) at the beginning of June 2015 are key measures for the liberalization of interests rates in China and the promotion of market-oriented capital allocation.

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

- Distressed asset management business. (i) Our financing cost for the funding in acquisition of distressed assets is subject to changes in interest rates. The external sources of financing of the Company are primarily borrowings from banks and other financial institutions as well as proceeds from issuing bonds. If market interest rates decrease, our interest on borrowings from banks and other financial institutions and financing cost of issuing bonds may also decrease and vice versa. (ii) Changes in market liquidity affect the demand and bargaining power of enterprises for obtaining liquidity from sources other than banks, which in turn affect our opportunities and conditions to acquire distressed debt assets.

- Financial services business. The changes in interest rates mainly affect (i) interest income from our securities business, our interest expenses of due to customers and investment return from financial investments and other allocation of funding; (ii) interest income from financial leasing customers and interest expenses of borrowings of our financing lease business; and (iii) interest income of loans and interest expenses of deposits and other interest-bearing liability of our banking business.

- Asset management and investment business. The changes in market interest rates have certain impact on the capital markets and the operation of our investees, which will in turn affect the funding cost and the overall performance of our investment portfolio in our asset management and investment business.

**Capital Market Environment**

As the economy in China continues to grow and the regulatory environment is further improved, the capital market in China sees rapid development in recent years and becomes more sophisticated. The difference between China's capital markets and mature markets in terms of variety of products and business and operation mechanism is diminishing. A versatile capital market has been developed in China and its operation is becoming more flexible and secured. Our DES Assets, securities and futures, financial investment, trusts and private fund management businesses are mainly in China. The development of capital markets facilitates the improvement of our business structure and profit generating model and enables the operation and disposal of our distressed asset management business and the operation and efficiency of other businesses to be improved, to support the sustainable development of our businesses.

In addition, the fluctuations of China's and overseas capital markets may result in fluctuations of the price of securities, which in turn affect the timing of exit of our equity investments, including DES Assets, resulting in changes of asset value and fluctuations of our overall investment gains.

The capital market environment will affect our ability to take deposits. When the capital markets are more active, banks' customers will tend to invest more in the capital markets and banks are less attractive in deposits taking.

### Regulatory Environment

The financial industry in China is subject to strict regulation. We and our subsidiaries engaging in financial businesses are subject to strict regulations in various aspects, including business qualification, business scope, internal control and risk management. Changes in laws, rules, regulations and policies applicable to financial industry in China may have material impacts on our business, financial position and operation results. The further revision and improvement of the regulatory rules for AMCs by the financial regulatory authorities in China may be favorable to business management and expansion of AMCs. 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) promulgated by the MOF in January 2012 for financial institutions streamlines the disposal of distressed assets by allowing financial institutions in China to sell distressed assets in a market-oriented manner without seeking approval. We believe that such changes in the regulatory environment will allow AMCs to acquire distressed assets through various channels and improve the operation efficiency of AMCs. However, some changes in applicable laws, rules and regulations may also weaken our profitability and hinder our future growth.

Pursuant to the Measures for the Regulation of Financial Asset Management Companies (金融資產管理公司監管辦法) promulgated in August 2014, the parent companies (i.e. head offices and branches) and subsidiaries of AMCs shall each comply with the capital requirement of its respective regulatory authorities. See "Regulatory Environment" for details. Our operation results are also subject to changes in laws and regulations of taxation as such changes have effect on our income tax, business tax as well as deferred tax assets and liabilities.

### Competitive Landscape of the Financial Industry in China

The competition in the financial industry in China is increasingly intense and our business segments face different levels of competition.

Our major competitors in distressed asset management are China Great Wall, China Orient and China Cinda. We may also compete with local asset management companies established by local governments, as well as private or foreign financial institutions in China engaging in the management and disposal of distressed assets. In addition, we compete with domestic and international financial institutions in securities and futures, financial leasing, banking, trusts and private fund management businesses.

Our core competitiveness is effectively consolidated and enhanced by our "through-the-cycle" business model, technical expertise, comprehensive financial service and asset management and investment platform, synergy strategy on the basis of "core client strategy", diversified financing channels, robust risk management system, extensive experience of shareholders and management team, well-respected brand and well-recognized influence.

## INTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are also affected by various internal factors, mainly include: (i) operation capability of distressed assets business in respect of business innovation, sourcing, operation and disposal of distressed assets, (ii) investment capability, (iii) financing capability, (iv) centralized management and synergistic operations, (v) risk management capability and (vi) financial management capability.

**Operation Capability of Distressed Assets Business**

- Leading capability in business innovation. We strive to boost our development through innovation and actively explore market opportunities. We act as the pioneer in all major development periods of the distressed asset management industry in China.
- Outstanding capability in sourcing of distressed assets. Leveraging on our innovative transaction structure, brand recognition, outstanding valuation and pricing expertise, track record of distressed asset disposal, extensive business and client networks and close relationships with local governments, major financial institutions and other strategic partners, we are particularly strong in the sourcing of distressed assets. The acquisition cost of newly added distressed debt assets of the Company increased from RMB43,342.1 million in 2012 to RMB150,091.9 million in 2014, representing a CAGR of approximately 86.1%.
- Excellent capability in the operation and the disposal of distressed assets. In terms of acquisition-and-restructuring business, we provide customized products and services to debtors to enhance their operational capabilities and debt-repayment capabilities. In 2012, 2013, 2014 and the six months ended June 30, 2015, annualized return on monthly average gross amount of acquisition-and-restructuring distressed assets of the Company amounted to 19.4%, 17.9%, 13.1% and 12.9%, respectively. In terms of acquisition-and-disposal business, we are able to design appropriate disposal plans to maximize the recovery value of distressed debt assets based on the characteristics of the debtors and distressed debt assets. In 2012, 2013, 2014 and the six months ended June 30, 2015, the IRR on the Company's completed acquisition-and-disposal projects was 14.7%, 15.7%, 16.0% and 17.0%. In terms of DES asset management business, we strive to enhance the value of our DES assets portfolio through the effective application of various value-enhancing techniques. From January 1, 2012 to June 30, 2015, our average exit multiple was 2.8 times.

**Investment Capability**

Our operation results and financial position depend on our investment capabilities. We engage in investment business through our trust, private fund management, wealth management and securities subsidiaries. Our investment business covers senior notes, mezzanine notes, subordinated notes and equity investments. We also make financial investments by using our own funds. Our investment capabilities are reflected by the coverage of our network in China, our extensive client base, professional team with extensive experience as well as project analysis and research strengths. The quality and financial performance of our investment portfolio have direct impacts on the operation results, and in turn the income.

**Financing Capability**

Our distressed asset management business, financial services business, and asset management and investment business are capital intensive. Since the restructuring, we have been expanding our financing channels and successfully established a market-oriented and integrated financing system covering borrowings from central bank, bank borrowings, interbank borrowings, domestic financial bonds, overseas bonds, insurance funds and strategic equity financing. We have strived to expand our financing channels in the following aspects: (i) strengthening domestic financing channels, including the issuance of financial bonds and the expansion of financing channels of our subsidiaries;

(ii) expanding overseas financing channels. In January 2015, we set up a medium term note program in the amount of US$5,000.0 million and issued an initial tranche of US$3,200.0 million (which was the largest investment-grade bonds denominated in U.S. dollars issued under Regulation S under the U.S. Securities Act at the time of the issuance); (iii) introducing domestic and overseas strategic investors with strategic investments of RMB14,540 million in August 2014; and (iv) other innovative financing channels, including long-term funding from non-bank financial institutions such as insurance.

**Capabilities of Centralized Management and Synergistic Operations**

We have formulated relevant evaluation and motivation mechanism and specific cooperation guidelines, which effectively facilitate the sharing of various core resources including business, technology, funding and customer resources among the head office, branches and subsidiaries. The financial services capability of our Group has been significantly enhanced and synergetic effect has been achieved in integrated services to the same customers and across various businesses. Leveraging on synergetic effect of our products, we have gained considerable synergic business opportunities and income. From January 1, 2012 to June 30, 2015, the cumulative investments made through cooperation relationships between the Company, the Company Branches and subsidiaries amounted to RMB195,931.1 million, and the cumulative income amounted to RMB23,387.7 million.

**Risk Management Capabilities**

We have regarded risk management capabilities as our core competitiveness and adhered to prudential and sound risk management strategies. We have also optimized our performance-based risk management culture with clear risk appetite and responsibility system. We have established a comprehensive risk management system which works well with the centralized management at the group level and the commercialized operation of businesses. Our risk indicators have remained satisfactory.

We adopted excess guarantee measures to minimize potential credit risks. As of June 30, 2015, the Group's assets with credit risk exposure, including distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables, that were secured by pledges, collateral and guarantees accounted for 97.7%, while assets with credit risk exposure that were secured by pledges or collateral accounted for 75.4%, the Company's distressed debt assets acquired through acquisition-and-restructuring that were secured by pledges, collateral and guarantees accounted for 99.1%, while distressed debt assets that were secured by pledges or collateral accounted for 90.2%, while 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 34.2%.

**Financial Management Capabilities**

Our operation results and financial position are also subject to our financial management capabilities, mainly reflecting in economic capital management, cash concentration, overall budget and cost control and performance evaluation.

We manage economic capital in resources allocation, performance evaluation, authorization management and limit management by using capital management system and measuring tools so as to maximize our capital efficiency and value, while being in compliance with capital regulation and effectively strike the balance between capital, risks and return. We facilitate business development through flexible capital limit management policy and adjustment of the pace of project launching.

We have established a performance evaluation system focusing on economic capital management, in order to encourage all operating units to evolve for better operation effectiveness, risk control and development transformation and enhance the quality and effectiveness of business development.

We refined our cost management and imposed targets for cost control in accordance with the business scale. Our cost-to-income ratio decreased from 29.0% in 2012 to 25.9% in 2013, and further decreased to 24.7% in 2014.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### Significant Accounting Policies

#### *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.

#### *Effective Interest Method*

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

#### *Classification, Recognition and Measurement of Financial Assets*

Our financial assets are classified into four categories, including financial assets designated as 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 purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention of 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 we manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at 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 we have intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate, less any identified impairment losses.

*Loans and Receivables*

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

The debts instruments with fixed or determinable payments but have no quoted prices 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 us 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 are calculated using the effective interest method and dividends on available-for-sale equity instruments 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 our right to receive the dividends is established.

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

***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 initial recognition, 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 borrower;

(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 becomes 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 initial recognition, although the decrease cannot be identified with any individual financial assets in the portfolio, including:

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

— national or local economic conditions that may cause 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; and

(8) other objective evidence indicating there is an impairment of a financial assets.

*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 initial effective interest rate. For financial assets with variable interest rate, the discount rate for measurement of 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 collaterized financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

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

*Impairment of Available-for-sale Financial Assets*

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in investment revaluation reserve 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 in the period in which the impairment takes place if an increase in the fair value can be objectively related to an event occurring after the recognition of the impairment loss.

*Impairment of Financial Assets Measured at Cost*

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

**Revenue Recognition**

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

***Income from Distressed Debt Assets Classified as Receivables***

Income from distressed debt assets classified as receivables includes interest income arising on distressed debt assets classified as receivables. The accounting policy for interest income arising on distressed debt assets classified as receivables is detailed in Note IV.14.1 to the Accountants' Report set forth in Appendix I.

***Fair Values 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.

***Interest Income and Expense***

Interest income and expense for all interest-bearing financial instruments are recognized under "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.

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

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

Commission and fee income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

***Investment Income***

Net trading gain includes interest income, dividends income and disposal gain/loss from the debts assets and equity instruments that are classified as available-for-sale financial asset, held-to-maturity investments and debt instruments classified as receivables.

***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.

***Other Income and other Net Gains and Losses***

The accounting policy for other income is detailed in Note IV.14.7 to the Accountants' Report set forth in Appendix I.

**Critical Accounting Judgments and Key Sources of Estimations Uncertainty**

***Classification of Financial Assets***

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

***Fair Value of Financial Instruments***

We use valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models and 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.

***Impairment of Available-for-sale Equity Financial Instruments***

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

***Impairment of Held-to-maturity Investments***

The determination of whether a held-to-maturity financial asset is impaired requires our management to make a 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.

***Impairment of Financial Assets Classified as Receivables, Loans and Advances to Customers and Finance Lease Receivables***

We review our 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. Our 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.

## PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

### Total Income

Our total income mainly includes income from distressed debt assets classified as receivables, changes in fair value of distressed debt assets, changes in fair value of other financial assets, interest income, investment income and commission and fee income.

***Income from Distressed Debt Assets Classified as Receivables***

Income from distressed debt assets classified as receivables represents acquisition-and-restructuring income of the Company generated from loans and distressed debts acquired from financial institutions and the distressed debt acquired from non-financial enterprises. Such income is derived from the acquisition-and-restructuring business as described in the section headed "Business."

***Fair Value Changes on Distressed Debt Assets***

Fair value changes on distressed debt assets consist of (i) net gains or losses of the Company generated from 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 of the Company on such distressed debt assets. Such income is derived from the acquisition-and-disposal business as described in the section headed "Business."

***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 as at fair value through profit or loss from the Company and relevant subsidiaries.

***Interest Income***

Our interest income mainly includes interest income from finance lease receivables from the leasing business of Huarong Financial Leasing; interest income from loans and advances to customers from the banking business of Huarong Xiangjiang Bank; interest income from financial assets held under resale agreements, interest income from deposits with financial institutions, interest income from deposits with the Central Bank and interest income from placements with financial institutions of the Company and relevant subsidiaries.

***Investment Income***

In terms of categories of investment income, our investment income mainly includes income from available-for-sale financial assets, income from held-to-maturity investments and income from financial assets classified as receivables (excluding distressed debt assets). In terms of categories of investment business, our investment income mainly consists of investment income from DES Assets managed by the Company, investment income from financial investment of the Company, investment income from special situations investment of Haurong Rongde and investment income from international business of Huarong International.

***Commission and Fee Income***

Our commission and fee income are mainly from financial intermediary business such as asset management, securities brokerage, banking, trust, futures and fund management businesses.

Commission and fee income of asset management business (including distressed asset management business and other asset management business) is mainly contributed by income from the provision of advisory services for customers of the acquisition-and-restructuring business of the Company. Commission and fee income of securities and futures business is contributed by securities trading and brokerage, advisory, asset management, underwriting and sponsorship, as well as futures trading and brokerage businesses of Huarong Securities and Huarong Futures. Commission and fee income of banking business is contributed by advisory, clearing and settlement as well as credit commitments businesses of Huarong Xiangjiang Bank. Commission and fee income of trust business is contributed by advisory and trust business of Huarong Trust. Commission and fee income of fund management business is mainly contributed by businesses of Huarong Rongde and Huarong Yufu.

***Other Incomes and Other Net Gains or Losses***

Other incomes and net gains and losses mainly include the revenue from properties development from Huarong Real Estate.

**Total Expenses**

Our total expenses were mainly generated from interest expenses, commission and fee expenses, operating expenses and impairment losses on assets.

***Interest Expense***

Our interest expenses primarily derived from borrowings, due to customers, bonds and notes issued and financial assets sold under repurchase agreements.

***Commission and Fee Expense***

Our commission and fee expenses consist primarily of expenses of financial intermediary business arising from asset management of the Company and Huarong Yufu, securities and futures business of Huarong Securities and Huarong Futures, and banking businesses of Huarong Xiangjiang Bank.

***Operating Expenses***

Our operating expenses mainly include employee benefits, business tax and surcharges and others.

***Impairment Losses on Assets***

Our impairment losses on assets mainly include the impairment losses of financial assets classified as receivables, loans and advances to customers, finance lease receivables and available-for-sale financial assets and are incurred by the Company, Huarong Xiangjiang Bank, Huarong Financial Leasing and Huarong Trust.

***Income Tax Expense***

We are subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, the Company and most of our subsidiaries in the PRC were subject to an EIT rate of 25% in accordance with the EIT Law that became effective on January 1, 2008 and our subsidiaries in Hong Kong were subject to an income tax rate of 16.5%.

During the Track Record Period and as at the Latest Practicable Date, we have paid all relevant taxes due and have no disputes or pending issues with relevant tax authorities.

**Summary Financial Information**

The summary of audited historical consolidated income statements for 2012, 2013 and 2014 and for the six months ended June 30, 2015 and unaudited historical consolidated income statements for the six months ended June 30, 2014, and the consolidated statements of financial position as of December 31, 2012, 2013 and 2014 and June 30, 2015 set forth below are derived from our consolidated financial statements, including the notes thereto, which are set forth in "Appendix I — Accountants' Report."

## Summary Historical Consolidated Income Statements Data

| | For the year ended December 31 | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Income from distressed debt assets classified as receivables | 4,645.0 | 8,918.0 | 15,662.0 | 7,014.5 | 11,012.5 |
| Fair value changes on distressed debt assets | 249.8 | 509.1 | 886.2 | 537.6 | 486.0 |
| Fair value changes on other financial assets | 459.6 | 941.7 | 1,289.2 | 530.8 | 2,177.3 |
| Interest income | 9,686.5 | 10,075.6 | 12,047.6 | 5,883.1 | 7,030.8 |
| Investment income | 5,328.3 | 8,179.5 | 9,803.6 | 4,396.7 | 9,828.6 |
| Commission and fee income | 5,243.9 | 6,784.6 | 7,985.6 | 3,477.8 | 5,517.6 |
| Net (losses)/gains on disposal of associates | (59.5) | 14.3 | 128.0 | 13.9 | 175.3 |
| Other income and other net gains or losses | 509.7 | 1,896.6 | 3,258.5 | 1,447.8 | 1,597.9 |
| Total | 26,063.3 | 37,319.4 | 51,060.7 | 23,302.2 | 37,826.0 |
| Interest expense | (9,084.0) | (10,930.6) | (17,903.7) | (7,882.5) | (12,126.7) |
| Commission and fee expense | (211.1) | (328.4) | (452.5) | (215.3) | (564.3) |
| Operating expenses | (4,861.1) | (7,016.6) | (8,469.4) | (3,260.4) | (5,331.2) |
| Impairment losses on assets | (2,323.3) | (4,850.2) | (6,225.6) | (2,249.7) | (6,150.2) |
| Total | (16,479.5) | (23,125.8) | (33,051.2) | (13,607.9) | (24,172.4) |
| Change in net assets attributable to other holders of consolidated structured entities | (571.0) | (554.8) | (1,307.2) | (405.0) | (970.6) |
| Share of results of associates | 96.6 | 0.9 | 72.1 | 31.9 | 140.6 |
| **Profit before tax** | 9,109.4 | 13,639.7 | 16,774.4 | 9,321.2 | 12,823.6 |
| Income tax expense | (2,122.8) | (3,546.5) | (3,743.6) | (2,242.5) | (2,955.8) |
| **Profit for the year/period** | 6,986.6 | 10,093.2 | 13,030.8 | 7,078.7 | 9,867.8 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | 5,892.2 | 8,659.6 | 10,656.2 | 5,678.3 | 8,373.3 |
| Holders of perpetual capital instruments | — | — | 0.7 | — | 83.9 |
| Non-controlling interests | 1,094.4 | 1,433.6 | 2,373.9 | 1,400.4 | 1,410.6 |

## Summary Historical Consolidated Statements of Financial Position Data

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| **Assets** | | | | |
| Cash and balances with the central bank | 16,897.8 | 21,152.0 | 26,945.3 | 27,087.5 |
| Deposits with financial institutions | 20,469.3 | 29,922.9 | 51,633.2 | 62,426.8 |
| Placements with financial institutions | 950.0 | 3,070.7 | 13,628.3 | 6,112.2 |
| Financial assets held for trading | 3,217.7 | 798.3 | 8,055.1 | 11,816.9 |
| Financial assets designated as at fair value through profit or loss | 16,125.6 | 20,264.0 | 33,115.2 | 48,574.8 |
| Financial assets held under resale agreements | 39,784.9 | 40,463.7 | 21,841.9 | 22,241.2 |
| Available-for-sale financial assets | 29,135.0 | 28,965.7 | 43,966.7 | 51,240.8 |
| Held-to-maturity investments | 9,741.9 | 12,623.8 | 18,817.9 | 22,352.5 |
| Financial assets classified as receivables | 74,921.7 | 124,320.0 | 227,033.2 | 297,629.2 |
| Loans and advances to customers | 37,645.7 | 48,176.4 | 63,239.4 | 76,721.3 |
| Finance lease receivables | 47,645.2 | 55,546.3 | 63,494.3 | 72,692.0 |
| Investment properties | 650.8 | 628.0 | 977.2 | 1,028.5 |
| Interests in associates | 2,903.5 | 2,855.3 | 2,863.4 | 3,971.9 |
| Property and equipment | 3,708.0 | 4,129.0 | 3,990.7 | 4,003.1 |
| Deferred tax assets | 915.1 | 2,036.7 | 2,671.8 | 2,723.6 |
| Other assets | 10,321.4 | 13,414.5 | 18,247.5 | 23,933.7 |
| **Total assets** | **315,033.6** | **408,367.3** | **600,521.1** | **734,556.0** |
| **Liabilities** | | | | |
| Borrowings from central bank | 40.0 | 52.3 | 80.0 | 60.0 |
| Deposits from financial institutions | 11,889.3 | 16,017.9 | 13,660.0 | 10,364.0 |
| Placements from financial institutions | — | 5,828.0 | 2,111.0 | 2,847.4 |
| Borrowings | 89,759.9 | 136,131.1 | 239,885.2 | 294,064.0 |
| Financial assets sold under repurchase agreements | 48,146.0 | 33,988.6 | 26,203.1 | 20,016.5 |
| Due to customers | 70,051.8 | 87,885.9 | 117,246.1 | 136,372.3 |
| Bonds and notes issued | 3,487.0 | 17,886.2 | 48,002.1 | 76,362.1 |
| Tax payable | 2,037.1 | 2,190.3 | 2,276.7 | 2,243.2 |
| Deferred tax liabilities | 55.9 | 160.8 | 123.3 | 470.7 |
| Other liabilities | 46,995.1 | 55,692.0 | 67,401.5 | 94,606.7 |
| **Total liabilities** | **272,462.1** | **355,833.1** | **516,989.0** | **637,406.9** |
| **Equity** | | | | |
| Share capital | 25,835.9 | 25,835.9 | 32,695.9 | 32,695.9 |
| Capital reserve | 1,370.2 | 1,374.4 | 9,078.3 | 8,987.0 |
| Surplus reserve | 416.0 | 1,000.9 | 1,631.9 | 1,631.9 |
| General reserve | 964.3 | 3,185.3 | 4,677.9 | 5,291.6 |
| Other reserves | (559.3) | (168.6) | 3,807.4 | 7,433.2 |
| Retained earnings | 6,149.0 | 10,738.7 | 17,516.8 | 25,276.4 |
| Equity attributable to equity holders of the Company | 34,176.1 | 41,966.6 | 69,408.2 | 81,316.0 |
| Perpetual capital instruments | — | — | 1,450.7 | 2,254.4 |
| Non-controlling interests | 8,395.4 | 10,567.6 | 12,673.2 | 13,578.7 |
| Total equity | 42,571.5 | 52,534.2 | 83,532.1 | 97,149.1 |
| **Total equity and liabilities** | **315,033.6** | **408,367.3** | **600,521.1** | **734,556.0** |

The following table sets forth the analysis of income according to the types of financial assets during the Track Record Period.

| Items of Statement of Financial Position (net of impairment) | As of December 31, 2012 | 2013 | 2014 | As of June 30, 2015 | Items of Income Statement (net of impairment) | For the year ended December 31, 2012 | 2013 | 2014 | For the six months ended June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| | (in millions of RMB) | | | | | (in millions of RMB) | | | |
| Financial assets classified as receivables—Distressed debt assets | 51,322.4 | 84,885.8 | 157,238.7 | 196,489.2 | Income from distressed debt assets as classified as receivables | 4,645.0 | 8,918.0 | 15,662.0 | 11,012.5 |
| Distressed debt assets designated at fair value through profit or loss | 3,126.3 | 8,134.2 | 23,612.2 | 37,504.2 | Fair value changes on distressed debt assets | 249.8 | 509.1 | 886.2 | 486.0 |
| Other financial assets at fair value through profit or loss[(1)] | 16,217.0 | 12,928.1 | 17,558.1 | 22,887.5 | Fair value changes on other financial assets | 459.6 | 941.7 | 1,289.2 | 2,177.3 |
| | | | | | Interest income | | | | |
| Loans and advances to customers | 37,645.7 | 48,176.4 | 63,239.4 | 76,721.3 | Loans and advances to customers | 2,803.2 | 3,504.8 | 4,352.6 | 2,772.6 |
| Finance lease receivables | 47,645.2 | 55,546.3 | 63,494.3 | 72,692.0 | Finance lease receivables | 3,771.3 | 4,254.2 | 5,040.9 | 2,791.5 |
| Cash and deposits with Central Bank | 16,897.8 | 21,152.0 | 26,945.3 | 27,087.5 | Deposits with the Central Bank | 192.0 | 276.5 | 352.3 | 179.5 |
| Deposits with financial institutions | 20,469.3 | 29,922.9 | 51,633.2 | 62,426.8 | Deposits with financial institutions | 866.9 | 468.4 | 1,046.9 | 508.2 |
| Placements with financial institutions | 950.0 | 3,070.7 | 13,628.3 | 6,112.2 | Placements with financial institutions | 26.8 | 77.5 | 233.5 | 158.5 |
| Financial assets held under resale agreement | 39,784.9 | 40,463.7 | 21,841.9 | 22,241.2 | Financial assets held under resale agreements | 2,026.3 | 1,494.2 | 1,021.4 | 620.5 |
| | | | | | Investment income | | | | |
| Held-to-maturity investments | 9,741.9 | 12,623.8 | 18,817.9 | 22,352.5 | Held-to-maturity investments | 361.9 | 398.1 | 653.0 | 401.2 |
| Other financial assets classified as receivables | 23,599.3 | 39,434.2 | 69,794.5 | 101,139.9 | Other financial assets classified as receivables | 2,753.0 | 3,605.0 | 6,177.8 | 4,459.9 |
| Available-for-sale financial assets | 29,135.0 | 28,965.7 | 43,966.7 | 51,240.8 | Available-for-sale financial assets | 2,118.6 | 4,096.7 | 2,932.4 | 4,956.5 |

(1) Other financial assets at fair value through profit or loss include investment financial assets held for trading and other financial assets designated at fair value through profit or loss (excluding distressed debt assets acquired during the period).

## Major Financial Ratios

| | For the year ended December 31, 2012 | 2013 | 2014 | For the six months ended June 30, 2015 |
|---|---|---|---|---|
| ROAE[(1)(4)] | 19.4% | 22.7% | 19.1% | 22.2% |
| ROAA[(2)(4)] | 2.6% | 2.8% | 2.6% | 3.0% |
| Cost-to-income ratio[(3)] | 29.0% | 25.9% | 24.7% | 19.7% |

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

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

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

(4) For illustration, annualized figure for each of the ROAE and ROAA for the six months ended June 30, 2015 as illustrated in the table above was calculated by the actual return ratio for the six months ended June 30, 2015 multiplying two and did not represent the return ratio for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended 31 December 2012, 2013 and 2014.

***Total Income***

Our total income increased by 43.2% from RMB26,063.3 million in 2012 to RMB37,319.4 million in 2013. The increase was mainly due to (i) the increase in income from distressed debt assets classified as receivables and commission and fee from distressed debt assets classified as receivables as a result of the expansion of the Company's acquisition-and-restructuring business; and (ii) the increase in investment income as a result of the significant increase in net gain from the disposal of DES Assets and investment income from other financial assets in 2013.

Our total income increased by 36.8% from RMB37,319.4 million in 2013 to RMB51,060.7 million in 2014. The increase was mainly due to (i) the increase in income from distressed debt assets classified as receivables and commission and fee from distressed debt assets classified as receivables as a result of the expansion of the Company's acquisition-and-restructuring business; (ii) the increase in interest income due to the growth of loans and advances to customers of Huarong Xiangjiang Bank and growth of financial leasing business of Huarong Financial Leasing; and (iii) the increase of investment income due to our efforts in seizing investment opportunities by increasing the investment of other financial assets classified as receivables.

Our total income increased from RMB23,302.2 million for the six months ended June 30, 2014 to RMB37,826.0 million for the six months ended June 30, 2015 by 62.3% mainly due to (i) the increase of investment income, primarily due to the Company's grasp of business opportunities and disposal of certain higher-return DES Assets and the expansion of scale of other financial assets classified as receivables; (ii) the increase of income from distressed debt assets classified as receivables, primarily due to the expansion of the Company's acquisition-and-restructuring business; and (iii) the increase of commission and fee income, primarily due to the development of our securities and futures business.

***Net Profit***

Our net profit increased by 44.5% from RMB6,986.6 million in 2012 to RMB10,093.2 million in 2013. The increase was mainly due to the increase in total income, reflecting the expansion of our business scale.

Our net profit increased by 29.1% from RMB10,093.2 million in 2013 to RMB13,030.8 million in 2014. The increase was mainly due to the increase in total income, reflecting the expansion of our business scale, which was partially offset by the increase in interest expense. The growth of interest expense was mainly attributable to the rapid growth of financing including borrowings, bonds and notes issued and due to customers in order to satisfy the needs of our business expansion.

Our net profit increased by 39.4% from RMB7,078.7 million for the six months ended June 30, 2014 to RMB9,867.8 million for the six months ended June 30, 2015. The increase was mainly due to the increase of total income, which was partially offset by the corresponding increase in interest expense and impairment losses on assets. The growth of interest expense was mainly attributable to the rapid growth of financing including borrowings and bonds and notes issued in order to satisfy the needs of our business expansion. The increase of impairment losses on assets was mainly due to the increase of provisions in accordance with our accounting policies.

***Total Assets***

Our total assets increased by 29.6% from RMB315,033.6 million as of December 31, 2012 to RMB408,367.3 million as of December 31, 2013, primarily due to (i) the rapid increase in financial assets classified as receivables as a result of the growth of the acquisition-and-restructuring business;

(ii) the increase of loans and advances to customers resulted from the business development of Huarong Xiangjiang Bank; (iii) the increase of the amount of financial lease receivables resulted from the growth of financial leasing business of Huarong Financial Leasing.

Our total assets increased by 47.1% from RMB408,367.3 million as of December 31, 2013 to RMB600,521.1 million as of December 31, 2014. The increase was mainly due to (i) the increase in financial assets classified as receivables along with the growth of our acquisition-and-restructuring business; (ii) the increase in loans and advances to customers resulted from the business growth of Huarong Xiangjiang Bank.

Our total assets increased by 22.3% from RMB600,521.1 million as of December 31, 2014 to RMB734,556.0 million as of June 30, 2015. The increase was mainly due to (i) the increase in financial assets classified as receivables along with the growth of our acquisition-and-restructuring business and our subsidiaries' investment business; (ii) the increase in financial assets designated as at fair value through profit or loss as a result of the increase in acquisition of distressed debt assets for capturing market opportunities; (iii) the increase in loans to and advances from customers as a result of business development of Huarong Xiangjiang Bank.

***Equity Attributable to Equity Holders of the Company***

Equity attributable to equity holders of the Company increased by 22.8% from RMB34,176.1 million as of December 31, 2012 to RMB41,966.6 million as of December 31, 2013. The increase was mainly due to the increase in retained earnings as a result of the rapid business growth, which was partially offset by dividends paid to Shareholders.

Equity attributable to equity holders of the Company increased by 65.4% from RMB41,966.6 million as of December 31, 2013 to RMB69,408.2 million as of December 31, 2014. The increase was mainly due to (i) the increase in retained earnings as a result of the rapid business growth, which was partially offset by dividends paid to Shareholders; (ii) the strategic investment introduced in 2014.

Our equity attributable to equity holders of the Company increased by 17.2% from RMB69,408.2 million as of December 31, 2014 to RMB81,316.0 million as of June 30, 2015. The increase was mainly due to (i) the increase in retained earnings as a result of the rapid business growth; (ii) the increase of other comprehensive income as a result of the increase of fair value changes of available-for-sale financial assets.

***ROAE***

ROAE increased from 19.4% in 2012 to 22.7% in 2013. The increase was mainly due to the increase in ROAA.

ROAE decreased from 22.7% in 2013 to 19.1% in 2014, which was mainly due to (i) certain equity dilution brought by the strategic investment introduced in 2014; (ii) the decrease in ROAA.

For the six months ended June 30, 2015, the annualized ROAE was 22.2%.

***ROAA***

ROAA increased from 2.6% in 2012 to 2.8% in 2013. The increase was mainly because (i) we exerted great effort on the development of distressed assets business, which was with higher ROAA and represented 38.2% of the total assets of our Group as of December 31, 2013 (before inter-segment elimination), as compared with 32.7% as of December 31, 2012; (ii) the increased ROAA of certain subsidiaries, including Huarong Xiangjiang Bank's increased ROAA, and Huarong Real Estate's revenue from property development in 2013.

ROAA decreased from 2.8% in 2013 to 2.6% in 2014. The decrease was mainly due to (i) the decrease in annualized return on monthly average gross amount of our acquisition-and-restructuring distressed assets; (ii) the relatively high profit in 2013 as we seized the business opportunity and disposed of certain higher return DES Assets of non-listed companies in 2013; (iii) higher growth in interest expenses in 2014 due to the growth in external debt financing to satisfy the needs of the business expansion of the Company, reflecting the increase in the proportion of interest-bearing liabilities to total liabilities; (iv) the above adverse influence was partially offset by the fact that we continued to exert more efforts on the development of distressed asset management business, which was with higher ROAA and represented 47.2% of the total assets of our Group (before inter-segment elimination) in 2014 as compared with 38.2% in 2013.

For the six months ended June 30, 2015, the annualized ROAA was 3.0%.

### *Cost-to-income Ratio*

Cost-to-income ratio decreased from 29.0% in 2012 to 25.9% in 2013, and further to 24.7% in 2014. The decrease was mainly due to (i) the significant increase in total income resulted from the business expansion of our Group; (ii) the lower growth rate in operating expenses than that of income due to better budget planning and effective cost control.

For the six months ended June 30, 2015, the rate of cost-to-income was 19.7%.

## CONSOLIDATED RESULTS OF OPERATIONS OF OUR GROUP

### Total Income

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

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Income from distressed debt assets classified as receivables | 4,645.0 | 8,918.0 | 15,662.0 | 7,014.5 | 11,012.5 |
| Fair value changes on distressed debt assets | 249.8 | 509.1 | 886.2 | 537.6 | 486.0 |
| Fair value changes on other financial assets | 459.6 | 941.7 | 1,289.2 | 530.8 | 2,177.3 |
| Interest income | 9,686.5 | 10,075.6 | 12,047.6 | 5,883.1 | 7,030.8 |
| Investment income | 5,328.3 | 8,179.5 | 9,803.6 | 4,396.7 | 9,828.6 |
| Commission and fee income | 5,243.9 | 6,784.6 | 7,985.6 | 3,477.8 | 5,517.6 |
| Net (losses)/gains from disposal of associates | (59.5) | 14.3 | 128.0 | 13.9 | 175.3 |
| Other income and other net gains or losses | 509.7 | 1,896.6 | 3,258.5 | 1,447.8 | 1,597.9 |
| **Total income** | **26,063.3** | **37,319.4** | **51,060.7** | **23,302.2** | **37,826.0** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Total income increased from RMB23,303.2 million for the six months ended June 30, 2014 to RMB37,826.0 million for the six months ended June 30, 2015 by 62.3%, mainly due to the increase of investment income, the income from distressed debt assets classified as receivables and commission and fee income.

*Comparison between 2014 and 2013*

Total income increased by 36.8% from RMB37,319.4 million in 2013 to RMB51,060.7 million in 2014. The increase was mainly attributable to increases of the income from distressed debt assets classified as receivables, interest income and investment income.

*Comparison between 2013 and 2012*

Total income increased by 43.2% from RMB26,063.3 million in 2012 to RMB37,319.4 million in 2013. The increase was mainly attributable to increases of the income from distressed debt assets classified as receivables, investment income and commission and fee income.

***Income from Distressed Debt Assets Classified as Receivables***

Income from distressed debt assets classified as receivables represents acquisition-and-restructuring income of the Company generated from loans and distressed debts acquired from financial institutions and the distressed debt acquired from non-financial enterprises. Such income is derived from the acquisition-and-restructuring business as described in the section headed "Business." For 2012, 2013 and 2014 and the six months ended June 30, 2015, income from distressed debt assets classified as receivables represented 17.8%, 23.9%, 30.7% and 29.1% respectively of our total income.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the gross amount of distressed debt assets classified as receivables through acquisition-and-restructuring amounted to RMB55,230.0 million, RMB92,133.0 million, RMB168,712.8 million and RMB211,791.0 million, respectively. We increased our investment in distressed debt assets classified as receivables significantly, as we grasped the opportunities arising from increased accounts receivables of non-financial enterprises mainly due to macroeconomic situation and industrial consolidation.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Income from distressed debt assets classified as receivables increased by 57.0% to RMB11,012.5 million for the six months ended June 30, 2015 as compared with RMB7,014.5 million for the six months ended June 30, 2014. The increase was mainly due to the expansion of scale of distressed debt assets classified as receivable, which reflected the increase of our investment in distressed debt assets classified as receivables based on the market condition.

*Comparison between 2014 and 2013*

Income from distressed debt assets classified as receivables increased by 75.6% to RMB15,662.0 million in 2014 as compared with RMB8,918.0 million in 2013. The increase was primarily due to the increase of the gross amount of distressed debt assets classified as receivables by

83.1% to RMB168,712.8 million as of December 31, 2014 as compared with RMB92,133.0 million as of December 31, 2013, reflecting the increase in the investment of distressed debt assets classified as receivables based on the market conditions. The annualized return on monthly average gross amount of distressed debt assets classified as receivables of the Company (excluding financial advisory income related to acquisition-and-restructuring business) decreased from 14.3% in 2013 to 11.0% in 2014. The decrease was primarily due to (i) the fact that we further strengthened the risk control in respect of the selection of quality customers and projects, our requirement of risk mitigation instruments and repayment structure; (ii) the decrease in market interest rates due to the reduction of benchmark rate by the PBOC.

*Comparison between 2013 and 2012*

Income from distressed debt assets classified as receivables increased by 92.0% to RMB8,918.0 million in 2013 as compared with RMB4,645.0 million in 2012. The increase was primarily due to increases in the gross amount of distressed debt assets classified as receivables by 66.8% from RMB55,230.0 million as at December 31, 2012 to RMB92,133.0 million as at December 31, 2013 as we further expanded our acquisition-and-restructuring business based on the market conditions. The annualized return on monthly average gross amount of distressed debt assets classified as receivables (excluding financial advisory income related to acquisition-and-restructuring business) was relatively stable and increased from 13.5% in 2012 to 14.3% in 2013.

***Fair Value Changes on Distressed Debt Assets***

Fair value changes on distressed debt assets include our (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 generated from the acquisition-and-disposal business described in "Business". In 2012, 2013 and 2014 and the six months ended June 30, 2015, fair value changes of the distressed debt assets accounted for 1.0%, 1.4%, 1.7% and 1.3% of our total income, respectively.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Fair value changes on distressed debt assets decreased by 9.6% to RMB486.0 million for the six months ended June 30, 2015 as compared with RMB537.6 million for the six months ended June 30, 2014, primarily because the fair value changes of distressed debt assets had certain volatility, reflecting the features of our acquisition-and-disposal business. Specifically, as the specific factors (including the debtor's financial and operating condition, the condition of distressed debt assets when disposed, the approach of the disposal of distressed debt assets, the market condition and the negotiation condition with counterparts) of each disposed item were different from each other, the gain realized from the disposal and the time of revenue recognition of each specific item were different.

*Comparison between 2014 and 2013*

Fair value changes on distressed debt assets increased by 74.1% to RMB886.2 million in 2014 as compared with RMB509.1 million in 2013, primarily because we accelerated the acquisition-and-disposal of assets and achieved the preservation and increment of value of assets through various measures of management and operation.

*Comparison between 2013 and 2012*

Fair value changes on distressed debt assets increased by 103.8% to RMB509.1 million in 2013 as compared with RMB249.8 million in 2012, primarily because we accelerated the acquisition-and-disposal of assets and achieved the preservation and increment of value of assets through various measures of management and operation.

***Fair Value Changes on Other Financial Assets***

Fair value changes on other financial assets are derived from (i) financial assets held for trading, and (ii) other financial assets designated as at fair value through profit or loss of the Company and relevant subsidiaries. In 2012, 2013 and 2014 and the six months ended June 30, 2015, fair value changes on other financial assets accounted for 1.8%, 2.5%, 2.5% and 5.8% of total income, respectively.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Fair value changes on other financial assets increased by 310.2% to RMB2,177.3 million for the six months ended June 30, 2015 from RMB530.8 million for the six months ended June 30, 2014, primarily due to the increase of fair value from equity instrument investments of Huarong International and Huarong Securities.

*Comparison between 2014 and 2013*

Fair value changes on other financial assets increased by 36.9% to RMB1,289.2 million in 2014 from RMB941.7 million in 2013, primarily due to an increase in realized fair value from debt securities investments of Huarong Securities.

*Comparison between 2013 and 2012*

Fair value changes on other financial assets increased by 104.9% to RMB941.7 million in 2013 as compared with RMB459.6 million in 2012, primarily due to an increase in the realized fair value from wealth products investments of Huarong Xiangjiang Bank.

***Interest Income***

In 2012, 2013 and 2014 and the six months ended June 30, 2015, interest income represents 37.2%, 27.0%, 23.6% and 18.6% of our total income. The following table sets out the components of our interest income for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | | | | **(unaudited)** | |
| | | | **(in millions of RMB)** | | |
| Finance lease receivables | 3,771.3 | 4,254.2 | 5,040.9 | 2,435.5 | 2,791.5 |
| Loans and advances to customers | 2,803.2 | 3,504.8 | 4,352.6 | 2,071.3 | 2,772.6 |
| Deposits with financial institutions | 866.9 | 468.4 | 1,046.9 | 528.9 | 508.2 |
| Financial assets held under resale agreements | 2,026.3 | 1,494.2 | 1,021.4 | 603.4 | 620.5 |
| Balances with central bank | 192.0 | 276.5 | 352.3 | 169.9 | 179.5 |
| Placements with financial institutions | 26.8 | 77.5 | 233.5 | 74.1 | 158.5 |
| **Total interest income** | **9,686.5** | **10, 075.6** | **12,047.6** | **5,883.1** | **7,030.8** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Interest income increased from RMB5,883.1 million for the six months ended June 30, 2014 to RMB7,030.8 million for the six months ended June 30, 2015 by 19.5%, mainly due to the increase of interest income of the loans and advances to customers and the finance lease receivables.

Interest income of loans and advances to customers increased from RMB2,071.3 million for the six months ended June 30, 2014 to RMB2,772.6 million for the six months ended June 30, 2015 by 33.9%, mainly due to the development of corporate loans and advances business of Huarong Xiangjiang Bank by actively acquiring quality corporate customers, which resulted in increased gross loans and advances to customers.

Interest income from the finance lease receivables increased from RMB2,435.5 million for the six months ended June 30, 2014 to RMB2,791.5 million for the six months ended June 30, 2015 by 14.6%, mainly because Huarong Financial Leasing actively developed financial leasing business, which resulted in increased amount of the finance lease receivables.

*Comparison between 2014 and 2013*

Interest income increased by 19.6% to RMB12,047.6 million in 2014 as compared with RMB10,075.6 million in 2013, primarily due to increases in interest income from finance lease receivables and loans and advances to customers, which were partially offset by a decrease in income from financial assets held under resale agreements.

Interest income from finance lease receivables increased by 18.5% to RMB5,040.9 million in 2014 as compared with RMB4,254.2 million in 2013, primarily due to an increase in the amount of finance lease receivables by 14.2% to RMB64,393.1 million as at December 31, 2014 as compared with RMB56,379.5 million as at December 31, 2013, as a result of the active development of financial leasing business of Huarong Financial Leasing.

Interest income from loans and advances to customers increased by 24.2% to RMB4,352.6 million in 2014 as compared with RMB3,504.8 million in 2013, primarily due to an increase in gross loans and advances to customers by 31.7% to RMB64,449.3 million as at December 31, 2014 as compared with RMB48,934.3 million as at December 31, 2013, as a result of the development of personal loans and advances business of Huarong Xiangjiang Bank in addition to the active pursuit of quality corporate customers.

Interest income from financial assets held under resale agreements decreased by 31.6% to RMB1,021.4 million in 2014 as compared with RMB1,494.2 million in 2013, primarily due to a decrease in the scale of financial assets held under resale agreements resulting from the appropriate adjustment of business strategies by Huarong Xiangjiang Bank.

*Comparison between 2013 and 2012*

Interest income increased by 4.0% to RMB10,075.6 million in 2013 as compared with RMB9,686.5 million in 2012, primarily due to increases in income from loans and advances to customers and finance lease receivables, which were partially offset by a decrease in income from financial assets held under resale agreements.

Interest income from loans and advances to customers increased by 25.0% to RMB3,504.8 million in 2013 as compared with RMB2,803.2 million in 2012, primarily due to the increase in gross loans and advances to customers by 28.3% to RMB48,934.3 million as at December 31, 2013 as compared with RMB38,129.0 million as at December 31, 2012 as a result of the development of personal loans and advances business in addition to Huarong Xiangjiang Bank's active pursuit of quality corporate customers.

Interest income from finance lease receivables increased by 12.8% to RMB4,254.2 million in 2013 as compared with RMB3,771.3 million in 2012, primarily due to the increase in the amount of finance lease receivables by 16.4% to RMB56,379.5 million as at December 31, 2013 as compared with RMB48,439.0 million as at December 31, 2012 as a result of the active development of financial leasing business of Huarong Financial Leasing.

Interest income from financial assets held under resale agreements decreased by 26.3% to RMB1,494.2 million in 2013 as compared with RMB2,026.3 million in 2012, primarily due to a decrease in the scale of financial assets held under resale agreements, resulting from the appropriate adjustment of business strategies by Huarong Xiangjiang Bank.

### *Investment Income*

In 2012, 2013 and 2014 and the six months ended June 30, 2015, investment income accounted for 20.4%, 21.9%, 19.2% and 26.0% of our total income, respectively. The table below sets out the components of our investment income for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| **Interest income** | | | | | |
| Available-for-sale debt securities | 157.4 | 213.1 | 368.1 | 175.5 | 317.2 |
| Held-to-maturity debt securities | 361.9 | 398.1 | 653.0 | 292.2 | 401.2 |
| Other financial assets classified as receivables | 2,753.0 | 3,605.0 | 6,177.8 | 2,615.0 | 4,459.9 |
| **Disposal income from available-for-sale financial assets** | 1,609.5 | 3,472.5 | 2,283.4 | 1,131.8 | 4,597.9 |
| **Dividend income from available-for-sale financial assets** | 351.7 | 411.1 | 280.9 | 170.4 | 41.3 |
| Others | 94.8 | 79.7 | 40.4 | 11.8 | 11.1 |
| **Total investment income** | **5,328.3** | **8,179.5** | **9,803.6** | **4,396.7** | **9,828.6** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Investment income increased from RMB4,396.7 million for the six months ended June 30, 2014 to RMB9,828.6 million for the six months ended June 30, 2015 by 123.5%, mainly due to the increase of disposal income from available-for-sale financial assets and the increase of interest income from other financial assets classified as receivable.

Disposal income from the available-for-sale financial assets increased from RMB1,131.8 million for the six months ended June 30, 2014 to RMB4,597.9 million for the six months ended June 30, 2015 by 306.2%, mainly due to the Company's grasp of business opportunities and disposal of certain higher-return DES Assets.

Interest income of other financial assets classified as receivables increased from RMB2,615.0 million for the six months ended June 30, 2014 to RMB4,459.9 million for the six months ended June 30, 2015 by 70.5%, mainly due to that we seized the investment opportunities, increased investment in such assets and enhanced product innovation, resulting in increased gross amount of other financial assets classified as receivables.

*Comparison between 2014 and 2013*

Investment income increased by 19.9% to RMB9,803.6 million in 2014 as compared with RMB8,179.5 million in 2013, mainly due to increase in interest income from other financial assets classified as receivables and held-to-maturity investment, which were partially offset by a decrease in the disposal income of available-for-sale financial assets.

Interest income from other financial assets classified as receivables increased by 71.4% to RMB6,177.8 million in 2014 as compared with RMB3,605.0 million in 2013, mainly due to an increase of 76.7% in the gross amount of other financial assets classified as receivables to RMB70,962.9 million as at December 31, 2014 as compared with RMB40,153.6 million as at December 31, 2013, mainly due to that we seized the investment opportunities, increased investment in such assets and enhanced product innovation, resulting in increased gross amount of other financial assets classified as receivables.

Interest income from the investment of held-to-maturity investments increased by 64.0% to RMB653.0 million in 2014 as compared with RMB398.1 million in 2013, mainly due to an increase of 49.1% in total investment of held-to-maturity investments to RMB18,817.9 million as of December 31, 2014 as compared with RMB12,623.8 million as of December 31, 2013 as a result of the increase in the investment of debt securities.

Disposal income of available-for-sale financial assets decreased by 34.2% to RMB2,283.4 million in 2014 as compared with RMB3,472.5 million in 2013, mainly due to the disposal of certain higher-return unlisted DES Assets 2013 as we seized the business opportunities, resulting in higher base figures in 2013.

*Comparison between 2013 and 2012*

Investment income increased by 53.5% to RMB8,179.5 million in 2013 as compared with RMB5,328.3 million in 2012, mainly due to increases in disposal income of available-for-sale financial assets and interest income from other financial assets classified as receivables.

Disposal income of available-for-sale financial assets increased by 115.7% to RMB3,472.5 million in 2013 as compared with RMB1,609.5 million in 2012, mainly due to the disposal of certain higher-return unlisted DES Assets in 2013 as we seized the business opportunities.

Interest income from other financial assets classified as receivables increased by 30.9% to RMB3,605.0 million in 2013 as compared with RMB2,753.0 million in 2012, mainly due to an increase of 67.1% in the gross amount of other financial assets classified as receivables to RMB40,153.6 million as at December 31, 2013 as compared with RMB24,027.2 million as at December 31, 2012 mainly due to that we seized the investment opportunities, increased investment in such assets and enhanced product innovation, resulting in increased gross amount of other financial assets classified as receivables.

### *Commission and Fee Income*

In 2012, 2013, 2014 and the six months ended June 30, 2015, our commission and fee income accounted for 20.1%, 18.2%, 15.6% and 14.6% of our total income, respectively. The following table sets out the components of our commission and fee income for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Distressed asset management business | 2,725.8 | 3,210.3 | 4,024.3 | 1,969.1 | 2,332.1 |
| Other asset management business | 505.7 | 326.9 | 562.5 | 111.5 | 501.3 |
| Trust business | 1,344.4 | 1,718.8 | 1,444.4 | 540.2 | 599.2 |
| Securities and futures business | 394.7 | 661.8 | 1,047.6 | 288.3 | 1,517.9 |
| Banking business | 218.2 | 776.8 | 893.3 | 560.4 | 562.1 |
| Fund management and other business | 55.1 | 90.0 | 13.5 | 8.3 | 5.0 |
| **Total commission and fee income** | **5,243.9** | **6,784.6** | **7, 985.6** | **3,477.8** | **5,517.6** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Commission and fee income increased from RMB3,477.8 million for the six months ended June 30, 2014 to RMB5,517.6 million for the six months ended June 30, 2015 by 58.7%, mainly due to the increase of fee income from securities and futures business.

Fee income from securities and futures business increased from RMB288.3 million for the six months ended June 30, 2014 to RMB1,517.9 million for the six months ended June 30, 2015 by 426.6%, mainly due to the rapid development of securities brokerage business, asset management business and investment banking business of Huarong Securities, resulting in a significant increase in the corresponding income.

*Comparison between 2014 and 2013*

Commission and fee income increased by 17.7% to RMB7,985.6 million in 2014 as compared with RMB6,784.6 million in 2013, primarily due to increases in commission and fee income from distressed asset management business and fee income from securities and futures business, which were partially offset by a decrease in fee income from trust services and other services.

Commission and fee income from distressed asset management increased by 25.4% to RMB4,024.3 million in 2014 as compared with RMB3,210.3 million in 2013, primarily due to a corresponding increase in commission and fee income resulted from the Company's rapid growth of the acquisition-and-restructuring business.

Fee income from securities and futures business increased by 58.3% to RMB1,047.6 million in 2014 as compared with RMB661.8 million in 2013, primarily due to rapid growth in securities brokerage business and investment banking business of Huarong Securities in 2014, leading to the increase in the income of these services.

Fee income from trust services decreased by 16.0% to RMB1,444.4 million in 2014 as compared with RMB1,718.8 million in 2013, primarily due to the decreased fee rate charged by Huarong Trust in 2014 in response to intensified market competition.

*Comparison between 2013 and 2012*

Commission and fee income increased by 29.4% to RMB6,784.6 million in 2013 as compared with RMB5,243.9 million in 2012, primarily due to increases in income arising from expansion of banking, trust and distressed asset management businesses.

Fee income from banking services increased by 255.9% to RMB776.8 million in 2013 as compared with RMB218.2 million in 2012, primarily due to accelerated development of advisory services, settlement and clearance services and credit commitment services of Huarong Xiangjiang Bank.

Fee income from trust services increased by 27.8% to RMB1,718.8 million in 2013 as compared with RMB1,344.4 million in 2012, primarily due to an increase of 38.6% in the total assets managed under trusts from RMB70,010.2 million as of December 31, 2012 to RMB97,050.3 million as of December 31, 2013 as a result of the rapid expansion of trust services which leads to the rapid growth in the scale of assets managed under trusts.

Commission and fee income from distressed asset management business increased by 17.8% to RMB3,210.3 million in 2013 as compared with RMB2,725.8 million in 2012, primarily due to the increase in commission and fee income from the Company's acquisition-and-restructuring business.

***Other Income and Other Net Gains or Losses***

In 2012, 2013 and 2014 and the six months ended June 30, 2015, other income and net gains or losses accounted for 2.0%, 5.1%, 6.4% and 4.2% of the total income, respectively.

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

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Revenue from properties development | — | 1,268.8 | 2,487.1 | 1,061.0 | 881.1 |
| Net gains on exchange differences | 0.0 | (0.8) | (34.2) | 0.3 | 202.2 |
| Gains on acquisition of subsidiaries | — | — | — | — | 172.2 |
| Rental income(1) | 130.2 | 113.6 | 191.3 | 118.7 | 96.7 |
| Others | 379.5 | 515.0 | 614.3 | 267.8 | 245.7 |
| **Total other income and other net gains or losses** | **509.7** | **1,896.6** | **3,258.5** | **1,447.8** | **1,597.9** |

(1) Rental income primarily includes rental income of the Company, Huarong Financial Leasing and Huarong Zhiyuan.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Other income and other net gains or losses increased from RMB1,447.8 million for the six months ended June 30, 2014 to RMB1,597.9 million for the six months ended June 30, 2015 by 10.4%, mainly due to the increases in net gains on exchange differences and the gains on acquisition of subsidiaries.

*Comparison between 2014 and 2013*

Other income and other net gains or losses increased from RMB1,896.6 million in 2013 to RMB3,258.5 million in 2014 by 71.8%, mainly due to the rapid increase in revenue from properties development, reflecting the rapid business development of Huarong Real Estate.

*Comparison between 2013 and 2012*

Other income and other net gains or losses increased by 272.1% to RMB1,896.6 million in 2013 as compared with RMB509.7 million in 2012, mainly due to the rapid increase in revenue from properties development, primarily because the real estate project of Huarong Real Estate started to record income in 2013.

**Total Expenses**

The table below sets forth the components of our total expenses for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Interest expense | (9,084.0) | (10,930.6) | (17,903.7) | (7,882.5) | (12,126.7) |
| Commission and fee expense | (211.1) | (328.4) | (452.5) | (215.3) | (564.3) |
| Operating expenses | (4,861.1) | (7,016.6) | (8,469.4) | (3,260.4) | (5,331.2) |
| Impairment losses on assets | (2,323.3) | (4,850.2) | (6,225.6) | (2,249.7) | (6,150.2) |
| **Total expenses** | **(16,479.5)** | **(23,125.8)** | **(33,051.2)** | **(13,607.9)** | **(24,172.4)** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Total expenses increased from RMB13,607.9 million for the six months ended June 30, 2014 to RMB24,172.4 million for the six months ended June 30, 2015 by 77.6%, mainly due to the increase of interest expenses, impairment losses on assets and operating expenses.

*Comparison between 2014 and 2013*

Total expenses increased by 42.9% to RMB33,051.2 million in 2014 as compared with RMB23,125.8 million in 2013, mainly due to the increase of interest expenses, operating expenses and impairment losses on assets.

*Comparison between 2013 and 2012*

Total expenses increased by 40.3% to RMB23,125.8 million in 2013 as compared with RMB16,479.5 million in 2012, mainly due to the increase of interest expenses, impairment losses on assets and operating expenses.

### *Interest Expenses*

The table below sets forth the major components of our interest expenses for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Borrowings | (4,398.5) | (6,232.0) | (12,419.4) | (5,079.8) | (8,002.5) |
| Wholly repayable within five years | (4,333.1) | (6,104.3) | (11,268.2) | (4,671.0) | (7,023.0) |
| Not wholly repayable within five years | (65.4) | (127.7) | (1,151.2) | (408.8) | (979.5) |
| Financial assets sold under repurchase agreements | (2,454.2) | (1,556.5) | (1,028.0) | (655.0) | (456.5) |
| Due to customers | (1,080.7) | (1,661.0) | (2,347.1) | (1,070.5) | (1,418.5) |
| Bonds and notes issued | (111.3) | (371.1) | (1,105.9) | (517.8) | (1,689.1) |
| Deposits from financial institutions | (535.7) | (598.3) | (537.0) | (311.2) | (329.1) |
| Amounts due to the MOF | (134.0) | (361.7) | (283.6) | (163.4) | (122.0) |
| Placements from financial institutions | (368.1) | (148.4) | (180.7) | (84.1) | (108.3) |
| Borrowings from central bank | (1.5) | (1.6) | (2.0) | (0.7) | (0.7) |
| **Total interest expense** | **(9,084.0)** | **(10,930.6)** | **(17,903.7)** | **(7,882.5)** | **(12,126.7)** |

During the Track Record Period, the increase in our interest expenses is mainly due to an increase in the amount of our interest-bearing liabilities. As a financial institution, we drive the growth of our business scale through the growth of our capital. We expand the scale of our assets through debt financing in order to expand our business, under the conditions that our capital complies with regulatory requirements and that the development follows our business plans. We have formulated a comprehensive business expansion plan which has taken account of our asset and liability management and liquidity management. We will match the development of our business with appropriate scale, term and interest rate of debt, and fully and timely utilize our debt to acquire distressed assets and expand our business in other areas to earn returns for the Shareholders. When debt financing increases, the amount of interest expense will also increase, which reflects a financial characteristic of the healthy growth of an AMC. We anticipate that, in the future, as we further expand our business, our interest-bearing liabilities and interest expenses will further increase.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Interest expense increased from RMB7,882.5 million for the six months ended June 30, 2014 to RMB12,126.7 million for the six months ended June 30, 2015 by 53.8%, mainly due to the increase in the scale of borrowings, and bonds and notes issued arising from the needs of business expansion.

*Comparison between 2014 and 2013*

Interest expense increased by 63.8% to RMB17,903.7 million in 2014 as compared with RMB10,930.6 million in 2013, mainly due to (i) the increase in the interest expense as a result of the increased borrowings and bonds and notes issued due to business expansion in 2014. The balance of borrowings increased by 76.2% to RMB239,885.2 million as of December 31, 2014 as compared with RMB136,131.1 million as of December 31, 2013. The balance of bonds and notes issued increased by 168.4% to RMB48,002.1 million as of December 31, 2014 as compared with RMB17,886.2 million as of December 31, 2013 ; (ii) the increases in deposits and interest expense of due to customers resulting from the increase in the number of quality corporate customers of Huarong Xiangjiang Bank. The balance of due to customers increased by 33.4% to RMB117,246.1 million as of December 31, 2014 as compared with RMB87,885.9 million as of December 31, 2013.

*Comparison between 2013 and 2012*

Interest expense increased by 20.3% to RMB10,930.6 million in 2013 as compared with RMB9,084.0 million in 2012, mainly due to (i) the increase of interest expense with increased borrowings to support business expansion in 2013. The balance of borrowings increased by 51.7% to RMB136,131.1 million as of December 31, 2013 as compared with RMB89,759.9 million as of December 31, 2012; (ii) the increases in the scale of deposits and interest expense of due to customers resulting from the increase in the number of outlets of Huarong Xiangjiang Bank. The balance of due to customers increased by 25.5% to RMB87,885.9 million as of December 31, 2013 as compared with RMB70,051.8 million as of December 31, 2012.

### *Commission and Fee Expense*

The table below sets forth the components of our commission and fee expense for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Asset management business | (102.4) | (189.1) | (260.3) | (126.7) | (83.8) |
| Securities and futures business | (86.3) | (102.5) | (135.9) | (57.3) | (440.2) |
| Banking business and others | (22.4) | (36.8) | (56.3) | (31.3) | (40.3) |
| **Total commission and fee expense** | **(211.1)** | **(328.4)** | **(452.5)** | **(215.3)** | **(564.3)** |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Commission and fee expense increased by 162.1% from RMB215.3 million for the six months ended June 30, 2014 to RMB564.3 million for the six months ended June 30, 2015, which was mainly due to the corresponding increase of commission and fee expenses as a result of the expansion of securities and futures business.

*Comparison between 2014 and 2013*

Commission and fee expense increased by 37.8% to RMB452.5 million in 2014 as compared with RMB328.4 million in 2013, mainly due to the corresponding increase of commission and fee expenses as a result of the expansion of asset management business and securities and futures business.

*Comparison between 2013 and 2012*

Commission and fee expense increased by 55.6% to RMB328.4 million in 2013 as compared with RMB211.1 million in 2012, mainly due to the corresponding increase of commission and fee expenses as a result of the expansion of asset management business and securities and futures business.

***Operating Expenses***

In 2012, 2013 and 2014 and the six months ended June 30, 2015, operating expenses accounted for 29.5%, 30.3%, 25.6% and 22.1% of total expenses, respectively. The table below sets forth the components of operating expenses for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Employee benefits | (1,985.8) | (3,176.1) | (3,486.7) | (1,454.9) | (2,131.5) |
| Business tax and surcharges | (1,029.5) | (1,380.9) | (1,931.4) | (783.3) | (1,321.0) |
| Others | (1,845.8) | (2,459.6) | (3,051.3) | (1,022.2) | (1,878.7) |
| Including: | | | | | |
| Cost of properties development | — | (350.7) | (515.7) | (17.1) | (485.4) |
| Depreciation of property and equipment | (377.3) | (321.6) | (336.2) | (165.1) | (177.7) |
| Long-term prepaid and deferred expenses | (11.0) | (22.5) | (51.4) | (50.1) | (63.7) |
| Depreciation of investment properties | (12.5) | (22.4) | (36.5) | (15.2) | (20.8) |
| Amortization | (18.6) | (22.3) | (43.6) | (20.0) | (27.8) |
| Auditor's remuneration | (4.5) | (6.8) | (16.9) | (1.9) | (29.5) |
| **Total operating expenses** | **(4,861.1)** | **(7,016.6)** | **(8,469.4)** | **(3,260.4)** | **(5,331.2)** |

The table below sets forth the components of employee benefits under operating expenses for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Wages or salaries, bonuses, allowances and subsidies | (1,488.4) | (2,330.1) | (2,557.0) | (1,084.7) | (1,678.6) |
| Social insurance | (117.3) | (133.0) | (151.0) | (65.0) | (88.0) |
| Housing funds | (111.9) | (155.2) | (163.9) | (71.8) | (87.0) |
| Staff welfare | (112.3) | (143.4) | (170.1) | (51.8) | (49.0) |
| Early retirement benefits | (15.0) | (128.1) | (44.2) | (11.7) | (15.4) |
| Labor union and staff education expenses | (106.9) | (89.9) | (104.2) | (30.1) | (45.0) |
| Annuity scheme | (14.1) | (172.1) | (264.4) | (127.8) | (161.3) |
| Others | (19.9) | (24.3) | (31.9) | (12.0) | (7.2) |
| **Total employee benefits** | **(1,985.8)** | **(3,176.1)** | **(3,486.7)** | **(1,454.9)** | **(2,131.5)** |

Other operating expenses mainly include cost of properties development, depreciation of property and equipment, daily administrative expenses, operating lease expenses, business promotion, litigation expenses, attorneys' fees, appraisal expenses and other management expenses.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Operating expenses increased by 63.5% from RMB3,260.4 million for the six months ended June 30, 2014 to RMB5,331.2 million for the six months ended June 30, 2015, which was mainly due to the increase of employee benefits, business tax and surcharges as well as other operating expenses.

Employee benefits increased by 46.5% from RMB1,454.9 million for the six months ended June 30, 2014 to RMB2,131.5 million for the six months ended June 30, 2015, which was mainly due to (i) the increase of 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 results of operation in 2015.

Business tax and surcharges increased by 68.7% from RMB783.3 million for the six months ended June 30, 2014 to RMB1,321.0 million for the six months ended June 30, 2015, which was mainly due to the increase of our total income.

Other operating expenses increased by 83.8% from RMB1,022.2 million for the six months ended June 30, 2014 to RMB1,878.7 million for the six months ended June 30, 2015, which was mainly due to (i) the increase in the cost of properties development; and (ii) the corresponding increase of business and management expenses because of our business development.

*Comparison between 2014 and 2013*

Operating expenses increased by 20.7% to RMB8,469.4 million in 2014 as compared with RMB7,016.6 million in 2013, mainly due to the increase of employee benefits, business tax and surcharges as well as other operating expenses.

Employee benefits increased by 9.8% to RMB3,486.7 million in 2014 as compared with RMB3,176.1 million in 2013, mainly due to (i) the increase of headcounts; (ii) the increase of minimum contributions to social security and housing fund.

Business tax and surcharges increased by 39.9% to RMB1,931.4 million in 2014 as compared with RMB1,380.9 million in 2013, mainly due to the increase of our total income.

Other operating expenses increased by 24.1% to RMB3,051.3 million in 2014 as compared with RMB2,459.6 million in 2013, mainly due to the corresponding increase of business and management expenses because of our business development.

*Comparison between 2013 and 2012*

Operating expenses increased by 44.3% to RMB7,016.6 million in 2013 as compared with RMB4,861.1 million in 2012, mainly due to the increase of employee benefits, business tax and surcharges as well as other operating expenses.

Employee benefits increased by 59.9% to RMB3,176.1 million in 2013 as compared with RMB1,985.8 million in 2012, mainly due to (i) our increased efforts in the recruitment of high-end talents; (ii) accelerated market-oriented remuneration reform; and (iii) increase of wages, bonuses, allowances and subsidies, and contributions to social security and housing fund in line with the increase of head counts.

Business tax and surcharges increased by 34.1% to RMB1,380.9 million in 2013 as compared with RMB1,029.5 million in 2012, mainly due to the increase of total income.

Other operating expenses increased by 33.3% to RMB2,459.6 million in 2013 as compared with RMB1,845.8 million in 2012, mainly due to the corresponding increase of business and management expenses because of our business development.

### *Impairment Losses on Assets*

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

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Reversal of/(allowance for) impairment losses on assets | | | | | |
| Available-for-sale financial assets | 104.2 | (785.4) | (506.7) | (42.6) | (594.6) |
| Distressed debt assets classified as receivables | (2,550.1) | (3,407.4) | (4,334.1) | (1,772.1) | (3,902.0) |
| Other financial assets classified as receivables | 305.0 | (293.0) | (441.2) | (77.1) | (893.2) |
| Loans and advances to customers | (108.0) | (268.6) | (510.4) | (263.7) | (410.4) |
| Finance lease receivables | (84.6) | (46.2) | (263.6) | (72.8) | (243.3) |
| Property and equipment | — | (24.8) | — | — | — |
| Other assets | 10.2 | (24.8) | (169.6) | (21.4) | (106.7) |
| **Total** | **(2,323.3)** | **(4,850.2)** | **(6,225.6)** | **(2,249.7)** | **(6,150.2)** |

*Comparison between six months ended June 30, 2015 and six months ended June 30, 2014*

Impairment losses on assets increased by 173.4% from RMB2,249.7 million for the six months ended June 30, 2014 to RMB6,150.2 million for the six months ended June 30, 2015, which was mainly due to the increase in impairment losses on distressed debt assets classified as receivables and other financial assets classified as receivables.

Impairment losses on distressed debt assets classified as receivables increased by 120.2% from RMB1,772.1 million for the six months ended June 30, 2014 to RMB3,902.0 million for the six months ended June 30, 2015, mainly due to the increase in impairment losses in accordance with relevant accounting policies in line with the significant expansion of our acquisition-and-restructuring business.

Impairment losses on other financial assets classified as receivables increased from RMB77.1 million for the six months ended June 30, 2014 to RMB893.2 million for the six months ended June 30, 2015, mainly due to the significant increase of related business of other financial assets classified as receivables and the corresponding increase in impairment losses in accordance with relevant accounting policies.

*Comparison between 2014 and 2013*

Impairment losses on assets increased by 28.4% to RMB6,225.6 million in 2014 as compared with RMB4,850.2 million in 2013, mainly due to the increase of impairment on distressed debt assets classified as receivables, which was partially offset by the decrease of impairment losses on available-for-sale financial assets.

Impairment losses on distressed debt assets classified as receivables increased by 27.2% to RMB4,334.1 million in 2014 as compared with RMB3,407.4 million in 2013, mainly due to the increase in impairment losses in accordance with relevant accounting policies in line with the significant expansion of our acquisition-and-restructuring business in 2014.

Impairment losses on available-for-sale financial assets decreased by 35.5% to RMB506.7 million in 2014 as compared with RMB785.4 million in 2013, mainly due to impairment losses on certain equity instruments with signals of impairment losses due to the securities market conditions in 2013.

*Comparison between 2013 and 2012*

Impairment losses on assets increased by 108.8% to RMB4,850.2 million in 2013 as compared with RMB2,323.3 million in 2012, mainly due to the increase in impairment losses on available-for-sale financial assets and distressed debt assets classified as receivables.

Impairment losses on available-for-sale financial assets was RMB785.4 million in 2013, which mainly reflected impairment losses on certain equity instruments with signals of impairment losses due to the securities market conditions.

Impairment losses on distressed debt assets classified as receivables increased by 33.6% to RMB3,407.4 million in 2013 as compared with RMB2,550.1 million in 2012, mainly due to the increase in impairment losses in accordance with our accounting policies in line with the expansion of our acquisition-and-restructuring business.

**Profit before Tax**

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Profit before tax increased from RMB9,321.2 million for the six months ended June 30, 2014 to RMB12,823.6 million for the six months ended June 30, 2015 by 37.6%.

*Comparison between 2014 and 2013*

Profit before tax increased by 23.0% to RMB16,774.4 million in 2014 as compared with RMB13,639.7 million in 2013.

*Comparison between 2013 and 2012*

Profit before tax increased by 49.7% to RMB13,639.7 million in 2013 as compared with RMB9,109.4 million in 2012.

**Income Tax Expense**

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

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB, except for percentage) | | | | |
| Profit before tax | 9,109.4 | 13,639.7 | 16,774.4 | 9,321.2 | 12,823.6 |
| Income tax expense | (2,122.8) | (3,546.5) | (3,743.6) | (2,242.5) | (2,955.8) |
| Effective tax rate | 23.3% | 26.0% | 22.3% | 24.1% | 23.0% |

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Income tax expense increased from RMB2,242.5 million for the six months ended June 30, 2014 to RMB2,955.8 million for the six months ended June 30, 2015 by 31.8%, approximately in accordance with the increase trend of our profit before tax.

*Comparison between 2014 and 2013*

Income tax expense increased by 5.6% to RMB3,743.6 million in 2014 as compared with RMB3,546.5 million in 2013, mainly due to the increase of profit before tax. The effective tax rate decreased from 26.0% in 2013 to 22.3% in 2014, mainly due to (i) the decrease of income taxes expense as a result of the provision of deferred income taxes assets in prior years by the Company; (ii) the lower tax rate applicable to the income of the subsidiary in Hong Kong.

*Comparison between 2013 and 2012*

Income tax expense increased by 67.1% to RMB3,546.5 million in 2013 as compared with RMB2,122.8 million in 2012, mainly due to the increase of profit before tax. The effective tax rate increased from 23.3% in 2012 to 26.0% in 2013, mainly attributed to (i) the effective tax rate in 2012 was lower as the Company made provisions for deferred income tax assets in previous years; (ii) the increase of non-deductible expenses of the Group.

**Segment Results**

Each of our business segments is subject to different risks and returns. We report our 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 include trust and other asset management business, financial investments, international business and other business. The tables in this section set forth certain information with respect to our operating results of segments. For more information, see Note VI.58 to the Accountants' Report set forth in Appendix I.

The table below sets out the total income and profit before tax of each of our business segments during the Track Record Period.

| | For the year ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | | 2014 | | | |
| | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total |
| | (in millions of RMB, except percentages) | | | | | | | | | | | |
| Distressed asset management | 11,336.9 | 43.5% | 4,067.1 | 44.6% | 19,806.6 | 53.1% | 7,636.0 | 56.0% | 28,647.4 | 56.1% | 9,340.3 | 55.7% |
| Financial services | 11,437.0 | 43.9% | 3,028.4 | 33.2% | 13,792.6 | 37.0% | 4,065.1 | 29.8% | 17,915.2 | 35.1% | 5,523.9 | 32.9% |
| Asset management and investment | 4,206.3 | 16.1% | 2,118.2 | 23.3% | 4,326.5 | 11.6% | 1,940.0 | 14.2% | 5,049.7 | 9.9% | 1,910.2 | 11.4% |
| Elimination | (916.9) | (3.5)% | (104.3) | (1.1)% | (606.3) | (1.7)% | (1.4) | (0.0)% | (551.6) | (1.1)% | — | — |
| **Total** | **26,063.3** | **100.0%** | **9,109.4** | **100.0%** | **37,319.4** | **100.0%** | **13,639.7** | **100.0%** | **51,060.7** | **100.0%** | **16,774.4** | **100.0%** |

| | For the six months ended June 30, 2014 | | | | For the six months ended June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total income | % of total | Profit before tax | % of total | Total income | % of total | Profit before tax | % of total |
| | (unaudited) | | | | | | | |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 13,186.0 | 56.6% | 5,628.7 | 60.4% | 20,864.3 | 55.2% | 6,614.9 | 51.6% |
| Financial services | 8,467.1 | 36.3% | 2,700.1 | 29.0% | 12,121.1 | 32.0% | 4,094.4 | 31.9% |
| Asset management and investment | 1,912.5 | 8.2% | 992.7 | 10.6% | 5,081.6 | 13.4% | 2,072.7 | 16.2% |
| Elimination | (263.4) | (1.1)% | (0.3) | (0.0)% | (241.0) | (0.6)% | 41.6 | 0.3% |
| **Total** | **23,302.2** | **100%** | **9,321.2** | **100%** | **37,826.0** | **100%** | **12,823.6** | **100%** |

The table below sets out the profit margin for each of our business segments during the Track Record Period. 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, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed asset management | 35.9% | 38.6% | 32.6% | 31.7% |
| Financial services | 26.5% | 29.5% | 30.8% | 33.8% |
| Asset management and investment | 50.4% | 44.8% | 37.8% | 40.8% |

The table below sets out the total assets for each of our business segments during the Track Record Period.

| | For the year ended December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Total assets | % of total | Total assets | % of total | Total assets | % of total | Total assets | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 103,001.1 | 32.7% | 155,964.3 | 38.2% | 283,338.7 | 47.2% | 326,412.8 | 44.4% |
| Financial services | 191,805.1 | 60.9% | 232,691.8 | 57.0% | 280,307.0 | 46.7% | 329,484.0 | 44.9% |
| Asset management and investment | 22,559.5 | 7.2% | 22,189.1 | 5.4% | 42,100.8 | 7.0% | 84,331.4 | 11.5% |
| Inter-segment elimination | (2,332.1) | (0.8)% | (2,477.9) | (0.6)% | (5,225.4) | (0.9)% | (5,672.2) | (0.8)% |
| **Total** | **315,033.6** | **100.0%** | **408,367.3** | **100.0%** | **600,521.1** | **100.0%** | **734,556.0** | **100%** |

The table below sets out net assets for each of our business segments during the Track Record Period.

| | For the year ended December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Net assets | % of total | Net assets | % of total | Net assets | % of total | Net assets | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Distressed asset management | 17,586.5 | 41.3% | 23,832.0 | 45.4% | 47,115.1 | 56.4% | 54,482.8 | 56.1% |
| Financial services | 16,630.4 | 39.1% | 21,178.0 | 40.3% | 25,723.6 | 30.8% | 29,548.7 | 30.4% |
| Asset management and investment | 8,525.2 | 20.0% | 7,746.0 | 14.7% | 10,815.4 | 12.9% | 13,236.9 | 13.6% |
| Inter-segment elimination | (170.6) | (0.4)% | (221.8) | (0.4)% | (122.0) | (0.1)% | (119.3) | (0.1)% |
| **Total** | **42,571.5** | **100.0%** | **52,534.2** | **100.0%** | **83,532.1** | **100.0%** | **97,149.1** | **100.0%** |

The table below sets out the Pre-tax ROAE for each of our business segments during the Track Record Period. 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, | | | For the six months ended June 30,[(1)] |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed asset management | 31.1% | 36.9% | 26.3% | 26.0% |
| Financial services | 19.2% | 21.5% | 23.6% | 29.6% |
| Asset management and investment | 22.6% | 23.8% | 20.6% | 34.5% |

(1) For illustration, the annualized figure for each of the average return rate on pre-tax net assets for the six months ended June 30, 2015 as set in the table above was calculated by the actual return rate multiplying by two and did not represent the return rate for the twelve months ended December 31, 2015, and was incomparable to that for the twelve months ended December 31, 2012, 2013 and 2014.

The Pre-tax ROAE of the distressed asset management segment decreased to 26.3% in 2014 as compared to 36.9% in 2013, which was primarily due to (i) the decrease of the Company's annualized return on monthly average gross amount of distressed debt assets classified as receivables; (ii) the relatively high profit in 2013 due to our disposal of certain higher-return unlisted DES Assets in 2013, (iii) higher growth in interest expenses in 2014 due to the growth in external debt financing to satisfy the needs of the business expansion of the Company, reflecting the increase in the proportion of interest-bearing liabilities to total liabilities; and (iv) the net asset increased upon the completion of strategic investment introduction in August 2014, resulting in certain equity dilution.

### Distressed Asset Management

The following table sets out selected income statements data of distressed asset management segment for the periods indicated before inter-segment eliminations:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Income from distressed debt assets classified as receivables | 4,645.0 | 8,918.0 | 15,662.0 | 7,014.5 | 11,012.5 |
| Fair value changes on distressed debt assets | 249.8 | 509.1 | 886.2 | 537.6 | 486.0 |
| Fair value changes on other financial assets | (0.0) | 69.9 | 99.7 | 3.9 | 320.0 |
| Interest income | 302.9 | 246.0 | 517.6 | 220.2 | 338.4 |
| Investment Income | 2,650.0 | 5,042.2 | 4,340.8 | 2,168.0 | 4,915.2 |
| Commission and fee income | 3,217.4 | 3,556.9 | 4,195.6 | 1,950.2 | 2,312.2 |
| Net gains on disposal of associates | (59.5) | 12.2 | 128.1 | 13.9 | 175.3 |
| Other income and other net gain/losses | 331.3 | 1,452.3 | 2,817.4 | 1,277.7 | 1,304.7 |
| **Total income** | **11,336.9** | **19,806.6** | **28,647.4** | **13,186.0** | **20,864.3** |
| Interest expense | (3,094.7) | (4,765.1) | (10,320.4) | (4,297.9) | (6,940.8) |
| Commission and fee expense | (165.2) | (235.7) | (266.5) | (128.3) | (83.8) |
| Operating expenses | (1,566.3) | (2,871.1) | (3,714.1) | (1,278.9) | (2,617.6) |
| Impairment losses on assets | (2,484.1) | (4,224.5) | (4,958.4) | (1,839.2) | (4,596.9) |
| **Total expenses** | **(7,310.3)** | **(12,096.4)** | **(19,259.4)** | **(7,544.3)** | **(14,239.1)** |
| Change in net assets attributable to other holders of consolidated structured entities | (0.1) | — | — | — | (1.4) |
| Share of results of associates | 40.6 | (74.2) | (47.7) | (13.0) | (8.9) |
| **Profit before tax** | **4,067.1** | **7,636.0** | **9,340.3** | **5,628.7** | **6,614.9** |

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the income from the distressed asset management segment before elimination increased by 74.7% from RMB11,336.9 million in 2012 to RMB19,806.6 million in 2013, and further increased by 44.6% to RMB28,647.4 million in 2014, and increased by 58.2% to RMB20,864.3 million for the six months ended June 30, 2015 from RMB13,186.0 million for the six months ended June 30, 2014. The income from this segment before inter-segment eliminations represents 43.5%, 53.1%, 56.1% and 55.2% of total income in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the profit before tax from this segment before inter-segment eliminations increased by 87.8% from RMB4,067.1 million in 2012 to RMB7,636.0 million in 2013, and further increased by 22.3% to RMB9,340.3 million in 2014, and increased by 17.5% to RMB6,614.9 million for the six months ended June 30, 2015 from RMB5,628.7 million for the six months ended June 30, 2014, representing 44.6%, 56.0%, 55.7% and 51.6% of our profit before tax in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Total income from distressed asset management primarily consists of (i) income from distressed debt assets classified as receivables of the Company; (ii) investment income, mainly including net gains from disposal of, and dividend income from, our equity interests in DES Companies, and special situations investments of Huarong Rongde; and (iii) commission and fee income, mainly including financial advisory income related to the Company's acquisition-and-restructuring business. Expenses of this segment primarily consist of interest expenses, impairment losses on assets and operating expenses.

*Comparison between six months ended June 30, 2015 and six months ended June 30, 2014*

Total income from our distressed asset management segment increased by 58.2% from RMB13,186.0 million for the six months ended June 30, 2014 to RMB20,864.3 million for the six months ended June 30, 2015, mainly due to (i) the rapid expansion of scale of acquisition-and-restructuring business; (ii) the Company seized business opportunities to dispose certain higher-return DES Assets.

Profit before tax from our distressed asset management segment increased by 17.5% from RMB5,628.7 million for the six months ended June 30, 2014 to RMB6,614.9 million for the six months ended June 30, 2015, primarily due to the increase of income from distressed asset management segment, part of which was offset by the increase of interest expenses and impairment losses on assets.

*Comparison between 2014 and 2013*

Total income from distressed asset management segment increased by 44.6% from RMB19,806.6 million in 2013 to RMB28,647.4 million in 2014, primarily due to the increase in the gross amount of the Company's distressed debt assets classified as receivables increased by 83.1% from RMB92,133.0 million as at December 31, 2013 to RMB168,712.8 million as at December 31, 2014 due to the rapid expansion of the scale of the Company's acquisition-and-restructuring business.

Profit before tax from distressed asset management segment increased by 22.3% from RMB7,636.0 million in 2013 to RMB9,340.3 million in 2014, primarily due to increase in income from distressed asset management segment, which was partially offset by the increase in interest expense.

*Comparison between 2013 and 2012*

Total income from distressed debt management segment increased by 74.7% from RMB11,336.9 million in 2012 to RMB19,806.6 million in 2013, primarily due to (i) the increase in the gross amount of distressed debt assets classified as receivables by 66.8% from RMB55,230.0 million as at December 31, 2012 to RMB92,133.0 million as at December 31, 2013 due to rapid expansion of the scale of our acquisition-and-restructuring business; and (ii) the increase in investment income.

Profit before tax from distressed asset management segment increased by 87.8% from RMB4,067.1 million in 2012 to RMB7,636.0 million in 2013, primarily due to the increase in income from distressed asset management segment.

## Financial Services

The following table sets out selected income statements data of financial services segment for the periods indicated before elimination:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Fair value changes on other financial assets | 428.4 | 864.4 | 1,133.9 | 468.4 | 902.6 |
| Interest income | 9,362.6 | 9,815.1 | 11,373.0 | 5,626.4 | 6,610.3 |
| Investment income | 788.0 | 1,283.8 | 3,224.3 | 1,384.7 | 2,466.7 |
| Commission and fee income | 687.0 | 1,500.3 | 1,994.3 | 864.7 | 2,081.6 |
| Other income and other net gains or losses | 171.0 | 329.0 | 189.7 | 122.9 | 59.9 |
| **Total income** | **11,437.0** | **13,792.6** | **17,915.2** | **8,467.1** | **12,121.1** |
| Interest expense | (5,791.7) | (5,902.1) | (6,791.4) | (3,379.4) | (3,944.4) |
| Commission and fee expense | (108.7) | (139.3) | (192.1) | (82.1) | (479.3) |
| Operating expenses | (2,316.0) | (3,121.1) | (3,709.7) | (1,588.8) | (2,254.2) |
| Impairment losses on assets | (192.2) | (338.4) | (861.2) | (417.9) | (739.4) |
| **Total expenses** | **(8,408.6)** | **(9,500.9)** | **(11,554.4)** | **(5,468.2)** | **(7,417.3)** |
| Change in net assets attributable to other holders of consolidated structured entities | — | (226.6) | (836.9) | (298.8) | (609.4) |
| **Profit before tax** | **3,028.4** | **4,065.1** | **5,523.9** | **2,700.1** | **4,094.4** |

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the total income from this segment before inter-segment eliminations increased by 20.6% from RMB11,437.0 million in 2012 to RMB13,792.6 million in 2013, and further increased by 29.9% to RMB17,915.2 million in 2014, and increased by 43.2% to RMB12,121.1 million for the six months ended June 30, 2015 from RMB8,467.1 million for the six months ended June 30, 2014. The income from this segment before inter-segment eliminations represents 43.9%, 37.0%, 35.1% and 32.0% of total income in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the profit before tax from this segment before inter-segment eliminations increased by 34.2% from RMB3,028.4 million in 2012 to RMB4,065.1 million in 2013, and increased by 35.9% to RMB5,523.9 million in 2014, and increased by 51.6% to RMB4,094.4 million for the six months ended June 30, 2015 from RMB2,700.1 million for the six months ended June 30, 2014, representing 33.2%, 29.8%, 32.9% and 31.9% of our profit before tax in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Total income from this segment primarily consists of (i) interest income, mainly including interest income from loans and advances to customers of Huarong Xiangjiang Bank and interest income from finance lease receivables of Huarong Financial Leasing; (ii) investment income, mainly including the investment income of Huarong Xiangjiang Bank and Huarong Securities; and (iii) commission and fee income, mainly including those from securities and futures business of Huarong Securities and Huarong Futures and banking business of Huarong Xiangjiang Bank. Total expenses of this segment primarily consist of interest expenses, operating expenses and impairment losses of assets.

*Comparison between six months ended June 30, 2015 and six months ended June 30, 2014*

Total income from our financial services business increased by 43.2% from RMB8,467.1 million for the six months ended June 30, 2014 to RMB12,121.1 million for the six months ended

June 30, 2015, which was mainly due to (i) the increase in commission and fee income, which was mainly from Huarong Securities; (ii) the increase in investment income, which was mainly from Huarong Securities and Huarong Xiangjiang Bank; and (iii) the increase in interest income mainly from Huarong Securities and Huarong Financial Leasing.

Profit before tax from our financial services segment increased by 51.6% from RMB2,700.1 million for the six months ended June 30, 2014 to RMB4,094.4 million for the six months ended June 30, 2015, which was mainly due to the increase in income from financial services segment.

*Comparison between 2014 and 2013*

Total income from financial services segment increased by 29.9% from RMB13,792.6 million in 2013 to RMB17,915.2 million in 2014, which was mainly due to (i) the increase in investment income, which was mainly from Huarong Securities; and (ii) the increase in interest income from loans and financial leasing business along with the development of Huarong Xiangjiang Bank and Huarong Financial Leasing.

Profit before tax from financial services segment increased by 35.9% from RMB4,065.1 million in 2013 to RMB5,523.9 million in 2014, which was mainly due to the increase in income from financial services segment.

*Comparison between 2013 and 2012*

Total income from financial services segment increased by 20.6% from RMB11,437.0 million in 2012 to RMB13,792.6 million in 2013, primarily due to (i) the increase in commission and fee income, which was mainly from Huarong Xiangjiang Bank and Huarong Securities; (ii) the increase in investment income, which was mainly from Huarong Xiangjiang Bank and Huarong Securities; and (iii) the increase in interest income, which was mainly from Huarong Financial Leasing.

Profit before tax from financial services segment increased by 34.2% from RMB3,028.4 million in 2012 to RMB4,065.1 million in 2013. The increase was mainly due to the increase in income from financial services segment.

**Asset Management and Investment**

The following table sets out selected income statements data of asset management and investment segment for the periods indicated before elimination:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Fair value changes on other financial assets | 31.2 | 7.3 | 55.5 | 58.5 | 954.7 |
| Interest income | 29.1 | 22.0 | 157.0 | 43.1 | 85.7 |
| Investment Income | 2,048.1 | 1,877.2 | 2,332.1 | 898.4 | 2,528.8 |
| Commission and fee income | 1,896.8 | 2,107.5 | 2,014.9 | 758.7 | 1,173.7 |
| Net gains or losses on disposal of associates | — | 2.1 | (0.1) | — | — |
| Other income and other net gains or losses | 201.1 | 310.4 | 490.3 | 153.8 | 338.7 |
| **Total income** | **4,206.3** | **4,326.5** | **5,049.7** | **1,912.5** | **5,081.6** |
| Interest expense | (306.7) | (294.5) | (891.7) | (266.3) | (1,368.9) |
| Commission and fee expense | — | — | (22.8) | (6.5) | (11.2) |
| Operating expenses | (1,619.5) | (1,551.8) | (1,468.4) | (593.1) | (604.6) |
| Impairment losses on assets | 353.0 | (287.2) | (406.1) | 7.4 | (813.9) |
| **Total expenses** | **(1,573.2)** | **(2,133.5)** | **(2,789.0)** | **(858.5)** | **(2,798.6)** |
| Change in net assets attributable to other holders of consolidated structured entities | (571.0) | (328.2) | (470.2) | (106.2) | (359.8) |
| Share of results of associates | 56.1 | 75.2 | 119.7 | 44.9 | 149.5 |
| **Profit before tax** | **2,118.2** | **1,940.0** | **1,910.2** | **992.7** | **2,072.7** |

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the total income from this segment before elimination increased by 2.9% from RMB4,206.3 million in 2012 to RMB4,326.5 million in 2013, and further increased by 16.7% to RMB5,049.7 million in 2014, and increased by 165.7% to RMB5,081.6 million for the six months ended June 30, 2015 from RMB1,912.5 million for the six months ended June 30, 2014. The total income from this segment before elimination represents 16.1%, 11.6%, 9.9% and 13.4% of total income in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the profit before tax from this segment before elimination decreased by 8.4% from RMB2,118.2 million in 2012 to RMB1,940.0 million in 2013, and further decreased by 1.5% to RMB1,910.2 million in 2014, and increased by 108.8% to RMB2,072.7 million for the six months ended June 30, 2015 from RMB992.7 million for the six months ended June 30, 2014, representing 23.3%, 14.2%, 11.4% and 16.2% of our profit before tax in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Total income from this segment primarily consists of (i) investment income, mainly including investing income of the financial investment of the Company and investment income of subsidiaries, such as Huarong International and Huarong Trust; (ii) commission and fee income, mainly including the fee income of Huarong Trust; and (iii) fair value changes on other financial assets, mainly from Huarong International. Total expenses of this segment primarily consist of interest expenses, operating expenses and impairment losses on assets.

*Comparison between the six months ended June 30, 2015 and the six months ended June 30, 2014*

Total income of asset management and investment segment increased by 168.7% from RMB1,912.5 million for the six months ended June 30, 2014 to RMB5,081.6 million for the six months ended June 30, 2015, mainly due to the increase in investment income and fair value changes on other financial assets.

Profit before tax of asset management and investment segment increased by 108.8% from RMB992.7 million for the six months ended June 30, 2014 to RMB2,072.7 million for the six months ended June 30, 2015, mainly due to the increase of income of this segment, part of which was offset by the increase in interest expenses and impairment losses on assets.

*Comparison between 2014 and 2013*

Total income from asset management and investment segment increased by 16.7% from RMB4,326.5 million in 2013 to RMB5,049.7 million in 2014. The increase was mainly due to the increase in investment income of Huarong Trust and Huarong International.

Profit before tax from asset management and investment segment decreased by 1.5% from RMB1,940.0 million in 2013 to RMB1,910.2 million in 2014. The decrease was mainly due to the increase in interest expenses, reflecting the enlarged scale of external financing of this segment.

*Comparison between 2013 and 2012*

Total income from asset management and investment segment increased by 2.9% from RMB4,206.3 million in 2012 to RMB4,326.5 million in 2013. The increase was mainly due to the increase in commission and fee income of Huarong Trust.

Profit before tax for asset management and investment segment decreased by 8.4% from RMB2,118.2 million in 2012 to RMB1,940.0 million in 2013, mainly due to the fact that certain investment projects of the segment, with provisions made for impairment in previous years, were due and recovered in 2012, resulting in reversal of provisions for impairment, and higher profit before tax in 2012 than that of 2013.

**Selected Consolidated Financial Positions of Our Group**

**Assets**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total assets amounted to RMB315,033.6 million, RMB408,367.3 million, RMB600,521.1 million and RMB734,556.0 million, respectively. Our major assets consist of (i) deposits with financial institutions, (ii) available-for-sale financial assets, (iii) financial assets classified as receivables, (iv) loans and advances to customers; and (v) finance lease receivables. As of June 30, 2015, the above mentioned major assets represented 8.5%, 7.0%, 40.5%, 10.4% and 9.9% of our total assets, respectively.

***Deposits with Financial Institutions***

Deposits with financial institutions mainly refer to our deposits in commercial banks and other financial institutions.

Our deposits with financial institutions increased by 46.2% from RMB20,469.3 million as of December 31, 2012 to RMB29,922.9 million as at December 31, 2013, which was mainly because the proceeds from the issue of bonds at the end of 2013 had not been fully utilized yet.

Our deposits with financial institutions increased by 72.6% from RMB29,922.9 million as of December 31, 2013 to RMB51,633.2 million as at December 31, 2014. The increase was mainly because (i) the settlement of exchange for the proceeds from strategic investment introduction had not been fully completed; (ii) the proceeds from the issue of bonds at the end of 2014 had not been fully utilized yet; (iii) we reserved funds for the development of businesses and repayment of liabilities in the next year.

Our deposits with financial institutions increased by 20.9% from RMB51,633.2 million as of December 31, 2014 to RMB62,426.8 million as of June 30, 2015, generally in line with our business development.

***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, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Debt securities | | | | |
| Government bonds | 358.5 | 85.3 | 85.3 | 85.3 |
| Public sector and quasi-government bonds | 533.8 | 1,226.4 | 3,592.3 | 2,957.8 |
| Financial institution bonds | 80.9 | 146.5 | 4,211.0 | 6,055.0 |
| Corporate bonds | 2,971.9 | 3,733.4 | 5,023.9 | 2,772.6 |
| Subtotal | 3,945.1 | 5,191.6 | 12,912.5 | 11,870.7 |
| Equity instruments | 22,899.0 | 21,842.2 | 27,305.3 | 36,866.5 |
| Wealth management products | 90.1 | 803.1 | 2,803.9 | 1,487.1 |
| Funds | 2,124.3 | 1,058.2 | 255.0 | 210.0 |
| Asset-backed securities | — | — | 624.4 | 591.4 |
| Asset management plans | — | — | — | 185.1 |
| Trust products | — | — | — | 30.0 |
| Others | 76.5 | 70.6 | 65.6 | — |
| **Total** | **29,135.0** | **28,965.7** | **43,966.7** | **51,240.8** |

Available-for-sale financial assets mainly include equity instruments, bonds, wealth management products and funds.

Our available-for-sale financial assets remained relatively stable with a 0.6% decrease from RMB29,135.0 million in 2012 to RMB28,965.7 million in 2013. The change in the major composition of available-for-sale financial assets was due to the flexible adjustment of portfolio based on the market conditions by the Company and relevant subsidiaries in order to increase investment returns.

Our available-for-sale financial assets increased by 51.8% from RMB28,965.7 million in 2013 to RMB43,966.7 million in 2014. This was primarily due to the increase in the amount of equity instruments and bonds. The equity instruments increased by RMB5,463.1 million, which was mainly due to (i) the increase in value of listed shares, which was partially offset by disposals; (ii) the conversion of certain unlisted DES Assets into listed DES Assets in the period and the increase in carrying value of listed DES Assets resulted from the increase in fair value of listed DES Assets. The total increase of bonds amounted to RMB7,720.9 million, primarily due to the increase in allocation of financial bonds and corporate bonds of Huarong Xiangjiang Bank in 2014 with an aim to increase investment income while securing its liquidity.

Our available-for-sale financial assets increased by 16.5% from RMB43,966.7 million as of December 31, 2014 to RMB51,240.8 million as of June 30, 2015, which was mainly due to the increase of the amount of equity instruments, part of which was offset by the decrease of the amount of debt securities and wealth management products. The equity instruments increased by RMB9,561.2 million, mainly due to the increase in equity instruments while maintaining sufficient liquidity in order to seize the opportunities in the capital markets. The debt securities decreased by RMB1,041.8 million, mainly due to the adjustment of investment portfolios by Huarong Xiangjiang Bank. The wealth management products decreased by RMB1,316.8 million, mainly due to the maturity of a U.S. dollar denominated wealth management product in early 2015.

Equity instruments are the largest component of our available-for-sale financial assets. As of December 31, 2012, 2013 and 2014 and June 30, 2015, equity instruments amounted to RMB22,899.0 million, RMB21,842.2 million, RMB27,305.3 million and RMB36,866.5 million, representing 78.6%, 75.4%, 62.1% and 71.9% of the total available-for-sale financial assets, respectively.

The following table sets forth the principal components of our equity instruments under listed or unlisted available-for-sale financial assets as at the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Listed | 9,635.1 | 8,572.2 | 13,231.1 | 15,904.2 |
| Unlisted | 13,263.9 | 13,270.0 | 14,074.2 | 20,962.3 |
| **Total** | **22,899.0** | **21,842.2** | **27,305.3** | **36,866.5** |

We assess whether available-for-sale financial assets are impaired and recognize provisions for impairment losses for the year. See "— Critical Accounting Policies and Estimates — Significant Accounting Policies — Impairment of Financial Assets" and Note IV.5.4 to our consolidated financial statements included in the Accountants' Report in Appendix I of the Prospectus.

Pursuant to relevant accounting policies, we are required to make provisions for impairment losses for investments with evidence showing that the value of financial assets has impaired and for our investments on financial assets when their value is significantly lower than their carrying value or has been continuously below their carrying value for more than one year. According to such policy, as of December 31, 2012, 2013 and 2014 and June 30, 2015, we made provisions for impairment in the amount of nil, RMB14.5 million, RMB60.1 million and RMB1,108.2 million, respectively, for our 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, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Distressed debt assets | | | | |
| Loans acquired from financial institutions | 50,874.8 | 64,255.7 | 59,347.9 | 64,332.6 |
| Distressed debt assets acquired from non-financial enterprises | 4,355.2 | 27,877.3 | 109,364.9 | 147,458.5 |
| Less: allowance for impairment losses | (3,907.6) | (7,247.2) | (11,474.1) | (15,301.8) |
| Subtotal | 51,322.4 | 84,885.8 | 157,238.7 | 196,489.3 |
| Other financial assets classified as receivables | 24,027.2 | 40,153.6 | 70,962.9 | 103,205.8 |
| Less: allowance for impairment losses | (427.9) | (719.4) | (1,168.4) | (2,065.9) |
| Subtotal | 23,599.3 | 39,434.2 | 69,794.5 | 101,139.9 |
| **Total** | **74,921.7** | **124,320.0** | **227,033.2** | **297,629.2** |

Financial assets classified as receivables consist of (i) distressed debt assets, including loans acquired from financial institutions and distressed debt assets acquired from non-financial enterprises; (ii) other financial assets classified as receivables, including debt investments, asset management plans, entrusted loans and trust products.

Financial assets classified as receivables increased by 65.9% from RMB74,921.7 million as of December 31, 2012 to RMB124,320.0 million as at December 31, 2013, primarily because we expanded the acquisition-and-restructuring business in view of market condition.

Financial assets classified as receivables increased by 82.6% from RMB124,320.0 million as of December 31, 2013 to RMB227,033.2 million as of December 31, 2014, primarily because account receivables increased in line with the macroeconomic condition and industrial consolidation, and we seized the opportunities to acquire account receivables from non-financial enterprises.

Financial assets classified as receivables increased by 31.1% from RMB227,033.2 million as of December 31,2014 to RMB297,629.2 million as of June 30, 2015, which was mainly due to (i) our expansion of the acquisition-and-restructuring business in view of the market condition; (ii) we seized investment opportunities and strengthened product innovation and increased the investment of other financial assets classified as receivables.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, distressed debt assets classified as receivables which were impaired amounted to RMB481.7 million, RMB2,491.9 million RMB2,754.7 million and RMB3,430.5 million, respectively, representing 0.9%, 2.7%, 1.6% and 1.6% of the gross amount of distressed debt assets classified as receivables. As of December 31, 2012, 2013 and 2014 and June 30, 2015, provisions for impairment of distressed debt assets classified as receivables amounted to RMB3,907.6 million, RMB7,247.2 million, RMB11,474.1 million and RMB15,301.8 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 7.1%, 7.9%, 6.8% and 7.2%, respectively.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, other financial assets classified as receivables included provisions for impairment of RMB427.9 million, RMB719.4 million, RMB1,168.4 million and RMB2,065.9 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, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Corporate loans and advances | | | | |
| Loans and advances | 32,150.1 | 38,758.5 | 49,007.1 | 56,805.8 |
| Discounted bills | 530.0 | 71.7 | 4.2 | 10.1 |
| Subtotal | 32,680.1 | 38,830.2 | 49,011.3 | 56,815.9 |
| Personal loans and advances | | | | |
| Loans for business operations | 3,144.4 | 4,509.0 | 6,488.7 | 6,905.8 |
| Residential mortgage | 1,144.8 | 2,283.1 | 3,926.7 | 5,271.1 |
| Others | 1,047.8 | 1,792.7 | 1,306.3 | 2,124.9 |
| Subtotal | 5,337.0 | 8,584.8 | 11,721.7 | 14,301.8 |
| Loans to margin clients | 111.9 | 1,519.3 | 3,716.3 | 7,140.8 |
| Gross loans and advances | 38,129.0 | 48,934.3 | 64,449.3 | 78,258.5 |
| Allowance for impairment losses | (483.3) | (757.9) | (1,209.9) | (1,537.2) |
| **Total** | **37,645.7** | **48,176.4** | **63,239.4** | **76,721.3** |

Loans and advances to customers were primarily from Huarong Xiangjiang Bank, mainly consisting of corporate loans and advances and personal loans and advances. Corporate loans and advances include loans and advances and discounted bills, while personal loans and advances include loans for business operations, residential mortgage and other loans. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans and advances to customers amounted to RMB37,645.7 million, RMB48,176.4 million, RMB63,239.4 million and RMB76,721.3 million, respectively.

Our loans and advances to customers increased by 28.0% from RMB37,645.7 million in 2012 to RMB48,176.4 million in 2013, primarily due to (i) increase in the total number of customers in line with the increase of outlets of Huarong Xiangjiang Bank; (ii) the effect of the integration of "Four City Commercial Banks and a Credit Cooperative of Hunan" after Huarong Xiangjiang Bank's incorporation.

Our loans and advances to customers increased by 31.3% from RMB48,176.4 million in 2013 to RMB63,239.4 million in 2014, primarily due to the accelerated development of Huarong Xiangjiang Bank's business mainly by increasing the number of high-quality corporate customers and expanding the business scale of corporate loans with high growth potential through flexible risk pricing mechanism.

Our loans and advances to customers increased by 21.3% from RMB63,239.4 million as of December 31, 2014 to RMB76,721.3 million as of June 30, 2015, primarily due to the accelerated development of Huarong Xiangjiang Bank's business mainly by increasing the number of high-quality corporate customers and expanding the business scale of corporate loans with high growth potential through flexible risk pricing mechanism.

### *Finance Lease Receivables*

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

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Minimum finance lease receivables | | | | |
| Within 1 year (inclusive) | 14,588.9 | 20,713.3 | 24,957.9 | 24,115.4 |
| 1 year to 5 years (inclusive) | 39,243.2 | 43,653.0 | 46,771.7 | 53,575.1 |
| Over 5 years | 2,745.4 | 1,061.2 | 2,220.4 | 7,252.7 |
| Subtotal | 56,577.5 | 65,427.5 | 73,950.0 | 84,943.2 |
| Unearned finance income | (8,138.5) | (9,047.9) | (9,556.8) | (11,106.8) |
| Allowance for impairment losses | (793.8) | (833.3) | (898.9) | (1,144.4) |
| **Net finance lease receivables** | **47,645.2** | **55,546.3** | **63,494.3** | **72,692.0** |
| Present value of minimum finance lease receivables | | | | |
| Within 1 year (inclusive) | 12,208.8 | 17,585.1 | 21,429.1 | 20,637.3 |
| 1 year to 5 years (inclusive) | 33,097.9 | 37,060.3 | 40,158.7 | 45,848.1 |
| Over 5 years | 2,338.5 | 900.9 | 1,906.5 | 6,206.6 |
| **Total** | **47,645.2** | **55,546.3** | **63,494.3** | **72,692.0** |

Finance lease receivables are primarily from Huarong Financial Leasing. As of December 31, 2012, 2013 and 2014 and June 30, 2015, finance lease receivables amounted to RMB47,645.2 million, RMB55,546.3 million, RMB63,494.3 million and RMB72,692.0 million, respectively.

The increase in finance lease receivables from December 31, 2012 to December 31, 2013 was primarily due to the business expansion of Huarong Financial Leasing to industries and regions with higher growth as well as the synergetic effect of our Group.

The increase in finance lease receivables from December 31, 2013 to December 31, 2014 was primarily due to the expansion of leasing business of Huarong Financial Leasing, reflecting the business strengths of Huarong Financial Leasing as well as the synergetic effect of our Group.

The increase in finance lease receivables from December 31, 2014 to June 30, 2015 was primarily due to the expansion of leasing business of Huarong Financial Leasing, reflecting the business strengths of Huarong Financial Leasing as well as the synergetic effect of our Group and the effect of capital injection.

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. The financial assets classified within Level 2 of the fair value measurement hierarchy are primarily debt investments denominated in RMB, whose fair value is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd, which is based on the discounted cash flow model. Level 3 inputs are unobservable inputs for the asset or liability. For more information on valuation techniques and key inputs, please see Note VI.61.1 in Appendix I of the Prospectus. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our financial instruments that are measured at fair value subsequent to initial recognition and grouped into level 3 were RMB5,580.1 million, RMB10,907.8 million, RMB30,552.3 million and RMB55,494.1 million, respectively. The discount rates used in fair value measurement depend on our best estimation of the expected risk level, the range of discount rates applied is from

4.5% to 15.0% for different products. The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily distressed debt assets classified as financial assets designated as at fair value through profit or loss and the underlying assets of which include loans and advances to customers and other distressed assets. We manage our distressed debt assets classified as financial assets designated as at FVTPL through our acquisition-and-disposal business and conduct risk management over these assets. The risk management measures of our acquisition-and-disposal business primarily include:

a. Asset acquisition stage

At the asset acquisition stage, our acquisition-and-disposal business manages relevant risks mainly through strict due diligence, prudent asset pricing and dynamic review and authorization.

- Due diligence. We determine on whether to take a full-scale or sample due diligence investigation based on the scales of the distressed asset portfolio and the conditions and time for such review. We get a complete understanding of the information related to the assets contemplated to be acquired through strict and thorough due diligence investigations in order to minimize operational risks caused by information asymmetry.
- Asset pricing. We accurately price the acquisition-and-disposal distressed debts on an individual basis to control business risks. We determine the break-even point for the assets contemplated to be acquired on the basis of the acquisition price, internal borrowing cost and relevant costs for the anticipated asset acquisition, management and disposal. We take a prudent evaluation of the static and dynamic values of an asset portfolio to avoid irrational quotation and to achieve a match between the acquisition cost and anticipated return.
- Authorization and approval. We implement dynamic and differentiated authorization mechanisms with respect to the acquisition-and-disposal business, based on the business management and risk management level of each Company Branch.

b. Post-acquisition routine management

After acquisition of a distressed debt asset portfolio, we put in place the requirements on risk control by tightening daily management of the debt assets and making corresponding adjustments on the disposal cycle and strategies. The main risk management measures include:

- Timely processing of the notice on debt transfer, change on mortgage and pledge registration; timely collection of debts from the debtor and relevant party; ensuring the enforceability of our rights under the restructuring agreement.
- Timely collection of and monitoring of important information with respect to the debtor's operational condition, the condition of liabilities and any external guarantee and willingness of repayment; thoroughly assess the potential value of the assets.
- Establishing rules on routine visits and regularly visit the assets being administered; proactively monitoring the change in value of the debt assets; based on the actual condition and depreciation situation of the debt assets, make timely warnings with respect to incidents that may result in loss to the new debt assets and prepare asset preservation strategies and related implementation plans.

c. Asset disposal stage

At the asset disposal stage, we strictly adhere to the relevant review and approval procedures, flexibly select assets disposal methods, effectively control risks and maximize the return on asset disposal. The main risk management methods include:

- Review and approval on asset disposal: strictly adhere to the relevant review and approval procedures based on the assets disposal methods and anticipated cash return status.
- Methods for asset disposal: in principle, asset transfer shall take the form of competitive bidding, including invitation to tender, auction, offer invitation and public bidding, in order to fully explore the potential market and enhance the return on asset disposition, to the extent possible.

**Liabilities**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total liabilities amounted to RMB272,462.1 million, RMB355,833.1 million, RMB516,989.0 million and RMB637,406.9 million, respectively. The principal components of our 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 June 30, 2015, each of the above principal liabilities accounted for 46.1%, 3.1%, 21.4% and 12.0% of the total liabilities, respectively.

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

| | As of June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | On demand | Within 1 year | 1-5 years | Over 5 years | Total |
| | (in millions of RMB) | | | | |
| Borrowings | 15,023.2 | 137,045.2 | 107,465.8 | 34,529.8 | 294,064.0 |
| Financial assets sold under repurchase agreements | — | 17,958.3 | 2,058.2 | — | 20,016.5 |
| Due to customers | 73,540.6 | 40,890.6 | 21,591.1 | 350.0 | 136,372.3 |
| Bonds and notes issued | — | 2,000.0 | 65,496.0 | 8,866.1 | 76,362.1 |

***Borrowings***

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our borrowings amounted to RMB89,759.9 million, RMB136,131.1 million, RMB239,885.2 million and RMB294,064.0 million, respectively. The increase of borrowings was primarily due to (i) the increase in borrowings to support the development of investment business 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***

Our financial assets sold under repurchase agreements are mainly from Huarong Xiangjiang Bank. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our financial assets sold under repurchase agreements amounted to RMB48,146.0 million, RMB33,988.6 million, RMB26,203.1 million and RMB20,016.5 million, respectively. The decrease in the amount of financial assets sold under repurchase agreements from December 31, 2012 to June 30, 2015 was mainly due to the change of strategy of short-term operation of 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.

### *Due to Customers*

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

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Demand deposits | | | | |
| Corporate customers | 30,187.8 | 34,575.7 | 38,134.7 | 41,526.6 |
| Individual customers | 9,130.6 | 10,268.3 | 11,622.3 | 12,694.1 |
| Time deposits | | | | |
| Corporate customers | 11,528.2 | 14,086.4 | 27,707.3 | 35,409.5 |
| Individual customers | 11,374.8 | 15,083.2 | 17,522.9 | 21,281.7 |
| Pledged deposits | 7,544.2 | 11,534.3 | 15,071.0 | 17,908.4 |
| Others | 286.2 | 2,338.0 | 7,187.9 | 7,552.0 |
| **Total** | **70,051.8** | **87,885.9** | **117,246.1** | **136,372.3** |

Due to customers mainly consists of due to customers under the banking business of Huarong Xiangjiang Bank. Other due to customers mainly includes structured deposits, policy deposits, remittances outstanding and issued bill of exchange of Huarong Xiangjiang Bank. As of December 31, 2012, 2013 and 2014 and June 30, 2015, due to customers was RMB70,051.8 million, RMB87,885.9 million, RMB117,246.1 million and RMB136,372.3 million, respectively. The increase in due to customers from December 31, 2012 to December 31, 2013 was mainly attributable to the increase in corporate demand deposits, individual time deposits and corporate time deposits, resulting from the increase in the number of outlets of Huarong Xiangjiang Bank. The increase in due to customers from December 31, 2013 to December 31, 2014 was mainly attributable to the increase in corporate time deposits, pledged deposits and corporate demand deposits, resulting from the active expansion of the number of corporate customers with high quality and growth potential of Huarong Xiangjiang Bank. The increase in due to customers from December 31, 2014 to June 30, 2015 was mainly attributable to the increase of deposits of corporate customer.

### *Bonds and Notes Issued*

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

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| 10-year subordinated bonds and mid-term U.S. dollar notes | 1,492.5 | 1,493.3 | 1,494.0 | 13,144.6 |
| 6-year asset-backed securities | — | — | 573.0 | 215.5 |
| 5-year financial bonds | 497.9 | 6,496.0 | 23,646.6 | 30,699.6 |
| 4-year financial bonds | — | 1,500.0 | 1,500.0 | 1,500.0 |
| 3-year financial bonds | 1,496.6 | 7,396.9 | 18,758.5 | 28,502.4 |
| 2-year beneficiary certification | — | — | — | 300.0 |
| 91-day financial bonds | — | 1,000.0 | 1,000.0 | 2,000.0 |
| 90-day financial bonds | — | — | 1,000.0 | — |
| 70-day financial bonds | — | — | 30.0 | — |
| **Total** | **3,487.0** | **17,886.2** | **48,002.1** | **76,362.1** |

Our bonds and notes issued mainly consist of the 5-year and 3-year financial bonds. As at December 31, 2012, 2013 and 2014 and June 30, 2015, our bonds and notes issued amounted to RMB3,487.0 million, RMB17,886.2 million, RMB48,002.1 million and RMB76,362.1 million. The increase in outstanding balance of bonds and notes issued from December 31, 2012 to December 31, 2013 was mainly due to the increase in bonds issued by the Company and Huarong Securities. The increase in outstanding balance of bonds and notes issued from December 31, 2013 to December 31, 2014 was mainly due to the increase in bonds issued by the Company and a wholly-owned subsidiary of Huarong International. The increase in the outstanding balance of bonds and notes issued from December 31, 2014 to June 30, 2015 was primarily due to the increase in bonds issued by a wholly-owned subsidiary of Huarong International.

## Cash Flows

The following table sets forth a selected summary of our consolidated statements of cash flows for the years or periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (unaudited) | |
| | (in millions of RMB) | | | | |
| Net cash from/(used in) operating activities | 5,356.8 | 4,246.7 | (11,737.9) | (1,983.2) | (22,149.7) |
| Net cash used in investment activities | (1,021.5) | (3,350.2) | (28,101.4) | (11,201.0) | (16,631.6) |
| Net cash from financing activities | 5,753.9 | 20,100.5 | 53,197.2 | 8,397.6 | 31,454.5 |
| Net increase in cash and cash equivalents | 10,089.2 | 20,997.0 | 13,357.9 | (4,786.6) | (7,326.8) |
| Cash and cash equivalents at beginning of the year/ the period | 20,827.3 | 30,916.4 | 51,912.6 | 51,912.6 | 65,273.4 |
| Effect of exchange rate changes on cash and cash equivalents | (0.1) | (0.8) | 2.9 | 0.3 | 202.2 |
| **Cash and cash equivalents at end of the year/ the period** | **30,916.4** | **51,912.6** | **65,273.4** | **47,126.3** | **58,148.8** |

***Net Cash From (Used In) Operating Activities***

Cash from operating activities primarily consist of net increase in borrowings of the Company and our subsidiaries due to customers and placements and deposits from financial institutions.

Cash used in operating activities mainly consists of net increase in distressed debt assets classified as receivables, financial assets designated as at fair value through profit or loss and loans and advances to customers.

Net cash from or used in operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as provision for impairment losses, investment income and interest expense from bonds issued; (ii) the effects of changes in working capital, such as the Company's and financial subsidiaries' borrowings, financial assets classified as receivables and due to customers and placements and deposits from financial institutions; and (iii) other cash items such as income tax paid.

Net cash used in operating activities increased from RMB1,983.2 million for the six months ended June 30, 2014 to RMB22,149.7 million for the six months ended June 30, 2015. The main reason of the increase was the net increase in loans and advances to customers, finance lease receivables and financial assets classified as receivable in line with our business expansion and the decrease in net increase in due to customers, partially offset by the net increase in placements and deposits from financial institutions and the decrease in net decrease in financial assets sold under repurchase agreements.

Net cash used in operating activities in 2014 amounted to RMB11,737.9 million, as compared with net cash from operating activities in 2013 of RMB4,246.7 million, primarily due to the increase in the cash outflows resulted from the net increase in financial assets classified as receivables and financial assets designated as at fair value through profit or loss, reflecting the expansion of related businesses, partially offset by the increase in cash inflow from the net increase in borrowings.

Net cash from operating activities decreased by 20.7% from RMB5,356.8 million in 2012 to RMB4,246.7 million in 2013, primarily due to the increase in cash outflow from the increase in financial assets classified as receivables and loans and advances to customers, partially offset by the decrease in the net increase in the financial assets designated as at fair value through profit or loss.

***Net Cash Used In Investment Activities***

Cash from investment activities primarily consists of cash recovered from investment, mainly reflecting cash recovered from the disposal or maturity of available-for-sale financial assets (not including DES Assets), financial assets classified as receivables (not including distressed debt assets classified as receivable), other financial assets, and held-to-maturity investment. Cash used in investment activities mainly includes cash paid for investment, primarily reflecting cash outflows due to the increase in costs of financial assets classified as receivables (not including distressed debt assets classified as receivable), available-for-sale financial assets (not including DES Assets) and held-to-maturity investment.

Net cash used in investment activities increased by 48.5% from RMB11,201.0 million for the six months ended June 30, 2014 to RMB16,631.6 million for the six months ended June 30, 2015. The increase was mainly due to (i) the increase in cash outflows used in investment payment by the Company and subsidiaries, (ii) the net increase in cash from the consolidated structured entities and (iii) the decrease in cash recovered from financial assets classified as receivables.

Net cash used in investment activities increased by 738.8% from RMB3,350.2 million in 2013 to RMB28,101.4 million in 2014. The increase was mainly due to the increase in cash paid for financial assets classified as receivables by Huarong Xiangjiang Bank, which was partially offset by the increases in cash recovered from held-to-maturity investment by Huarong Xiangjiang Bank.

Net cash flow used in investing activities increased from RMB1,021.5 million in 2012 to RMB3,350.2 million in 2013, primarily due to the net increase of held-to-maturity investments held by Huarong Xiangjiang Bank.

#### *Net Cash From Financing Activities*

Cash from financing activities mainly includes cash received from investment, cash proceeds from bonds issue and the increase of borrowings by our non-financial subsidiaries. Cash used in financing activities mainly includes cash dividends or interests payment.

Net cash from financing activities increased from RMB8,397.6 million for the six months ended June 30, 2014 to RMB31,454.5 million for the six months ended June 30, 2015, primarily due to the net increase as a result of the issuance of bonds.

Net cash from financing activities increased by 164.7% from RMB20,100.5 million in 2013 to RMB53,197.2 million in 2014. The increase was mainly due to (i) the net increase in bonds issued; (ii) strategic investments in the Company in 2014, which was partially offset by the increase in cash dividends and interests paid.

Net cash from financing activities increased by 249.3% from RMB5,753.9 million in 2012 to RMB20,100.5 million in 2013. The increase was mainly due to (i) the net increase in bonds issued; (ii) net increase in borrowings of our non-financial subsidiaries.

## LIQUIDITY AND CAPITAL RESOURCES

We fund our working capital and other capital requirements primarily from shareholders' capital contribution, borrowings, proceeds from bonds and notes issued, due to customers and cash flows from our operating activities. As of June 30, 2015, we had aggregate cash and cash equivalents of RMB58,148.8 million, consisting primarily of deposits with financial institutions, placements with financial institutions and financial assets held under resale agreements.

The Directors are of the opinion that, after due and careful enquiry and consideration of the financial resources available to us, including the internally generated funds, net proceeds from bonds and notes issuance and the estimated net proceeds of the Global Offering, we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

### Liquidity

The focus of our liquidity risk management is on assets and liabilities management. We have taken initiatives to moderately control the scale of assets and liabilities and optimize assets and liabilities structure to ensure that the mismatch of maturities of assets and liabilities is within an acceptable liquidity risk level. In addition, we have determined our target gearing ratio in compliance with applicable regulatory requirements to effectively control gearing and ensure long-term liquidity. On the assets side, we have improved the cash management for better planning of funds and position monitoring. Project risk review is enhanced to have reasonable control on the maturity and repayment schedule of projects. We manage the liquidity by controlling the investment schedule. Collection is also enhanced to improve the turnover of funds and to maintain the liquidity at a reasonable level. On the liabilities side, we seek to explore more sources of funds to secure the provision of funds. The structure of our liabilities is effectively improved by adding more mid-to-long term funding. Please refer to "Risk Management—Management of Liquidity Risk".

The following table sets forth the remaining maturities of our financial assets and financial liabilities as of June 30, 2015.

| | As of June 30, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| | | | | (in millions of RMB) | | | | |
| Cash and balances with central bank | 20,837.7 | 6,249.8 | — | — | — | — | — | 27,087.5 |
| Deposits with financial institutions | — | 48,915.2 | 6,549.0 | 3,068.5 | 3,594.1 | 300.0 | — | 62,426.8 |
| Placements with financial institutions | — | — | 5,500.8 | 611.4 | — | — | — | 6,112.2 |
| Financial assets held for trading | 3,326.8 | 85.4 | 101.9 | 1,514.8 | 145.0 | 2,624.0 | 4,019.0 | 11,816.9 |
| Financial assets designated as at fair value through profit or loss | 38,945.4 | 70.0 | 1,766.8 | 1,045.4 | 600.8 | 6,146.4 | — | 48,574.8 |
| Financial assets held under resale agreements | — | — | 8,540.9 | 2,658.6 | 10,199.5 | 842.2 | — | 22,241.2 |
| Available-for-sale financial assets | 37,259.5 | 2.2 | 2,944.3 | 2,007.6 | 2,995.9 | 4,713.5 | 1,317.8 | 51,240.8 |
| Held-to-maturity investments | — | — | 248.6 | 210.0 | 2,226.2 | 14,345.3 | 5,322.4 | 22,352.5 |
| Financial assets classified as receivables | 5,206.8 | 60.0 | 14,177.8 | 19,577.7 | 143,072.0 | 114,118.9 | 1,416.0 | 297,629.2 |
| Loans and advances to customer | 2,025.0 | — | 2,472.0 | 4,892.9 | 31,451.9 | 26,081.8 | 9,797.7 | 76,721.3 |
| Finance lease receivables | 370.8 | — | 2,184.4 | 3,727.1 | 17,359.9 | 47,140.9 | 1,908.9 | 72,692.0 |
| Other financial assets | 226.2 | — | 503.8 | 244.8 | 4,131.4 | 15.0 | — | 5,121.2 |
| **Total financial assets** | **108,198.2** | **55,382.6** | **44,990.3** | **39,558.8** | **215,776.7** | **216,328.0** | **23,781.8** | **704,016.4** |
| Borrowings | — | (15,023.2) | (24,367.9) | (24,707.3) | (87,970.0) | (107,465.8) | (34,529.8) | (294,064.0) |
| Borrowings from central bank | — | — | — | — | (60.0) | — | — | (60.0) |
| Deposits from financial institutions | — | (221.0) | — | (1,760.0) | (6,633.0) | (1,750.0) | — | (10,364.0) |
| Placements from financial institution | — | — | (1,652.9) | (244.5) | (950.0) | — | — | (2,847.4) |
| Financial assets sold under repurchase agreements | — | — | (11,494.6) | (5,170.1) | (1,293.6) | (2,058.2) | — | (20,016.5) |
| Due to customers | — | (73,540.6) | (6,647.6) | (8,820.2) | (25,422.8) | (21,591.1) | (350.0) | (136,372.3) |
| Bonds and notes issued | — | — | (1,000.0) | (1,000.0) | — | (65,496.0) | (8,866.1) | (76,362.1) |
| Other financial liabilities | (5,232.5) | (13,272.1) | (6,371.3) | (4,711.7) | (10,328.3) | (35,811.2) | (548.3) | (76,275.4) |
| **Total financial liabilities** | **(5,232.5)** | **(102,056.9)** | **(51,534.3)** | **(46,413.8)** | **(132,657.7)** | **(234,172.3)** | **(44,294.2)** | **(616,361.7)** |
| **Net position** | **102,965.7** | **(46,674.3)** | **(6,544.0)** | **(6,855.0)** | **83,119.0** | **(17,844.3)** | **(20,512.4)** | **87,654.7** |

During Track Record Period, our total financial assets were higher than our total financial liabilities. As of June 30, 2015, the aggregate net position amounted to RMB87,654.7 million, including a negative aggregate net position of RMB98,430.0 million in maturities of on demand, within one month, one to three months, one to five years and over five years, and a positive aggregate net position of RMB186,084.7 million in maturities of three to twelve months and undated, which was significantly higher than negative aggregate net position and the liquidity gap could be covered.

The Group plans to cover the liquidity gap primarily include (i) formulating disposal plans for assets with undated maturities (mainly including DES Assets and distressed debt assets designated as at fair value through profit and loss) and generating cash inflow from the disposal of such assets to eliminate the liquidity gap and ensure our sufficient liquidity; (ii) converting assets with low liquidity into assets with high liquidity through securitization, managing the liquidity level and adjusting the maturity structure of assets and liabilities in order to eliminate the liquidity gap; and (iii) exploring various financing channels to maintain stable sources of capital, including increasing borrowings and issuing bonds.

The monitoring and controlling of our liquidity risk mainly include: (i) monitoring indicators. Our liquidity management department regularly analyzes and monitors our liquidity risk and controls various liquidity indicators in respect of our cash flow, the mismatch of the maturities of assets and liabilities, liabilities diversification and stability, quality current asset reserves and market liquidity; (ii) alert management. Our alert management includes internal and external alerts and aims to identify our future potential liquidity risk as soon as possible. We effectively prevent and mitigate the liquidity risk by taking initiatives in timing and strategies and implementing precaution measures; (iii) stress test. We analyze our tolerances through stress test. We consider and prevent future potential liquidity crisis and enhance our ability to perform the obligations under the liquidity stress; and (iv) contingency plan. Our contingency plans aim to enhance the priority of liquidity issue control when the liquidity stress and contingency event occurs, and to resolve our liquidity by using our internal and external resources in accordance with the pre-determined procedures and strategies.

We mainly take the following measures to manage liquidity risks: (i) implement assets and liabilities and economical capital management, and keep the scale of the business growth at a reasonable pace, and continuously improve the transaction structure of business to maintain a reasonable fund position; (ii) enforce the fund planning and centralize cash management, and regulate the fund management system; (iii) implement a unified loan and return system and an integrated system for external financing, and achieve the diversification and stability of the sources of the fund; (iv) follow the market changes, analyze the inter-bank market and seize various financing opportunities; and (v) make regular estimation to the status of cash flows and liquidity exposure, and test and analyze report of the liquidity risk stress regularly.

The Group's liquidity management policies are effective in addressing the mismatch of the maturities of its assets and liabilities. In particular, (i) the maturities of newly acquired distressed debt assets classified as receivables have generally matched the maturities of the corresponding liabilities; (ii) the Group has reduced the duration of distressed debt assets designated as at fair value through profit or loss and DES Assets in a cost-effective manner; (iii) the Group has formulated plans to convert assets with undated or long maturities into cash based on liquidity needs and market conditions on an annual basis; and (iv) the Group has expanded long-term and steady sources of funds, increased the proportion of the mid-to-long term liability and improved the assets and liabilities structure. Based on the Group's experience, such plans could effectively maintain liquidity sufficiency.

**Capital Management**

Our primary objectives of capital management are to ensure our compliance with regulatory requirements, fully reflect the risk of assets and the utilization of funds, continuously optimize the capital measurement, planning, utilization, monitoring and efficiency assessment mechanisms, optimize our internal capital allocation, ensure the security of our capital and maintain sound capital base in order to support the sustainable operation and steady growth of our business.

Our capital management policies take into account of the following factors: the development strategies of the Company, requirement of external regulatory authorities on capital measurement and adequacy and annual operating plan and total resources. We reasonably allocate capital to all assets, business lines and segments. Through refining our capital incentive and restraint mechanisms to control the increase of assets with risks, we maintain adequate capital at least meeting the requirement of regulatory authorities. We put a great effort in balancing capital, risk and income to maximize the value of the Company. Our capital management policy is based on the assets and liabilities management policy, and serves as the major foundation of total quantity management and capital structure management. Our capital management measures include planning for total capital, formulating annual fund use plan, management of capital adequacy, forecast of capital utilization by products and business lines, economic capital management and formulating allocation and supplementary plan of capital. Currently, our capital management also includes limit management and quantity monitoring.

We manage our capital in accordance with relevant regulations such as the Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (《金融資產管理公司併表監管指引(試行)》) ("Guidelines on Supervision of Statement Consolidation") promulgated on March 8, 2011, the Off-site Supervision Information System for Financial Asset Management Companies (Provisional) (《金融資產管理公司非現場監管報表指標體系(試行)》) ("Off-site Supervision Standard Information System") promulgated on May 18, 2012 by the CBRC and the Measures for the Regulation of Financial Asset Management Companies (《金融資產管理公司監管辦法》) issued by the CBRC, MOF, the PBOC, CSRC and CIRC on August 14, 2014. The minimum capital of the Company shall not fall below 12.5% of the risk-weighted assets (including off-balance sheet assets). Risk weighting is mainly determined based on factors such as the risk exposure of specific assets and the correlation with the Company's primary businesses. In addition, the leverage ratio of the Company shall not fall below 6% and the liquidity ratio shall not fall below 15%.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, pursuant to the requirements of the Off-site Supervision Standard Information System, the Company's capital adequacy ratio was 13.70%, 13.45% 13.58% and 12.83%, respectively, which were calculated by dividing net qualified capital by risk weighted assets. The risk weighted assets were calculated according to different risk weighting and by taking into account the effects of qualified collateral, pledge and guarantees. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net qualified capital was RMB18,247 million, RMB23,908 million, RMB37,745 million and RMB44,185.1 million, respectively.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the gearing ratio of the Company (equals to 1 divided by the leverage ratio) was 5.0:1, 5.6:1, 6.3:1 and 6.4:1, respectively. The increase in the gearing ratio was mainly due to the rapid growth of on and off-balance assets as we put a great effort in developing all businesses. Pursuant to the Notice on the Issuance of Off-site Supervision Information System for Financial Asset Management Companies (Provisional) (Yin Jian Ban Fa [2012] No.153) (《關於印發金融資產管理公司非現場監管報表指標體系(試行)的通知》(銀監辦發[2012]153號)), leverage ratio equals the balance of core capital divided by the adjusted total assets.

Since the Off-site Supervision Standard Information System became effective in May 2012, we have complied with the regulatory requirements for leverage ratios and liquidity ratios. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we complied with all the requirements on capital adequacy ratio and risk control indicators set out in the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Consolidated Financial Statements Basis and the Off-site Supervision Standard Information System issued by the CBRC. In 2012, 2013, 2014 and the six months ended June 30, 2015, the subsidiaries within our Group which are engaged in financial services such as securities, financial leasing, banking, trust and futures, shall meet the regulatory requirements set forth by their respective regulatory authorities with respect to the minimum capital. Consolidated qualified capital of our Group shall also meet the minimum regulatory capital requirement.

### Shareholders' Equity

The following table sets forth, for the periods indicated, the components of the changes in our total equity attributable to equity holders of the Company.

| | Total equity attributable to equity holders of the Company | Perpetual capital instruments | Non-controlling interests | Total |
|---|---|---|---|---|
| | (in millions of RMB) | | | |
| **As of January 1, 2012** | **26,615.6** | **—** | **7,057.2** | **33,672.8** |
| Profit for the year | 5,892.2 | — | 1,094.4 | 6,986.6 |
| Other comprehensive (expense)/income | (587.9) | — | 1.2 | (586.7) |
| Total comprehensive (expense)/income for the year | 5,304.3 | — | 1,095.6 | 6,399.9 |
| Revaluation of assets | 1,767.3 | — | — | 1,767.3 |
| Capital contribution from shareholders | 500.0 | — | 558.6 | 1,058.6 |
| Dividends paid to shareholders | — | — | (316.0) | (316.0) |
| Others | (11.1) | — | — | (11.1) |
| **As of December 31, 2012** | **34,176.1** | **—** | **8,395.4** | **42,571.5** |
| Profit for the year | 8,659.6 | — | 1,433.6 | 10,093.2 |
| Other comprehensive income/(expense) | 390.7 | — | (67.5) | 323.2 |
| Total comprehensive income for the year | 9,050.3 | — | 1,366.1 | 10,416.4 |
| Capital contribution from shareholders | — | — | 1,328.2 | 1,328.2 |
| Dividends paid to shareholders | (1,248.1) | — | (539.2) | (1,787.3) |
| Others | (11.7) | — | 17.1 | 5.4 |
| **As of December 31, 2013** | **41,966.6** | **—** | **10,567.6** | **52,534.2** |
| Profit for the year | 10,656.2 | 0.7 | 2,373.9 | 13,030.8 |
| Other comprehensive income | 3,976.0 | — | 68.5 | 4,044.5 |
| Total comprehensive income for the year | 14,632.2 | 0.7 | 2,442.4 | 17,075.3 |
| Capital contribution from shareholders | 14,500.0 | — | 574.5 | 15,074.5 |
| Issuance of perpetual capital instruments by subsidiary | — | 1,450.0 | — | 1,450.0 |
| Dividends paid to shareholders | (1,754.6) | — | (878.4) | (2,633.0) |
| Others | 64.0 | — | (32.9) | 31.1 |
| **As of December 31, 2014** | **69,408.2** | **1,450.7** | **12,673.2** | **83,532.1** |
| Profit for the period | 8,373.3 | 83.9 | 1,410.6 | 9,867.8 |
| Other comprehensive income / (expenses) | 3,625.9 | — | 19.9 | 3,645.8 |
| Total income for the period | 11,999.2 | 83.9 | 1,430.5 | 13,513.6 |
| Capital contribution from shareholders | — | — | 113.7 | 113.7 |
| Dividends paid to shareholders | — | — | (658.4) | (658.4) |
| Issuance of perpetual capital instruments by subsidiary | — | 800.0 | — | 800.0 |
| Dividends paid to perpetual capital instruments | — | (80.2) | — | (80.2) |
| Others | (91.4) | — | 19.7 | (71.7) |
| **As of June 30, 2015** | **81,316.0** | **2,254.4** | **13,578.7** | **97,149.1** |

Shareholders' total equity increased by 23.4% from RMB42,571.5 million as of December 31, 2012 to RMB52,534.2 million as of December 31, 2013. The increase was mainly due to the profit of RMB10,093.2 million realized in 2013, which was partially offset by the dividends paid to Shareholders.

Shareholders' total equity increased by 59.0% from RMB52,534.2 million as of December 31, 2013 to RMB83,532.1 million as of December 31, 2014. The increase was mainly due to (i) the profit of RMB13,030.8 million realized in 2014, which was partially offset by the dividends paid to Shareholders; and (ii) strategic investment introduced in 2014.

Shareholders' total equity increased by 16.3% from RMB83,532.1 million as of December 31, 2014 to RMB97,149.1 million as of June 30, 2015, which was mainly due to (i) the profit of RMB9,867.8 million realized for the six months ended June 30, 2015; (ii) increase of other comprehensive income as a result of the increase of change of fair value for financial assets available for sale.

## INDEBTEDNESS

### Borrowings

We have borrowings primarily from banks and other financial institutions to fund our acquisitions of distressed debt assets and other investments. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our borrowings from the above channels amounted to RMB89,759.9 million, RMB136,131.1 million, RMB239,885.2 million and RMB294,064.0 million. As of August 31, 2015 (being the latest practicable date for the purpose of ascertaining such information), our borrowings was RMB274,266.4 million, out of which RMB18,649.5 million were unguaranteed and secured borrowings, RMB11,865.8 million were guaranteed and unsecured borrowings, RMB35.1 million were guaranteed and secured borrowings, and RMB243,716.0 million were unsecured and unguaranteed borrowings. For further information on our borrowings during the Track Record Period, please refer to Appendix I of this prospectus.

### Bonds and Notes Issued

As of August 31, 2015, being the latest practicable date for determining such data, we had the following bonds issued, all of which were unsecured except for those noted below:

(1) Huarong Xiangjiang Bank issued 10-year fixed rate subordinate bonds with a principal of RMB1,500.0 million at 6.3% per annum on November 29, 2012, payable annually. Huarong Xiangjiang Bank has the right to exercise early redemption partially or on whole on November 29, 2017. If no early redemption is exercised, the interested rate will remain fixed at 6.3% per annum.

(2) Huarong Xiangjiang Bank issued 10-year fixed rate Tier II capital bonds with a principal of RMB3,000.0 million at 6.0% per annum on June 29, 2015. Huarong Xiangjiang Bank has the right to exercise early redemption partially or wholly on June 29, 2020. If no early redemption is exercised, the interested rate will remain fixed at 6.0% per annum.

(3) The 10-year fixed rate mid-term U.S. dollar Notes with principal of USD1,400.0 million were issued in January 2015 by Huarong Finance II Co. Ltd. in Hong Kong, a wholly-owned subsidiary of Huarong International, with coupon rate of 5.5% per annum, payable semi-annually.

(4) Huarong Financial Leasing issued RMB644.0 million of leasing asset-backed securities in December 2014 with tenure of 6 years. 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 the due course and therefore the corresponding liabilities have been settled in advance.

(5) The Company issued 5-year fixed rate financial bonds in November 2013 with a principal of RMB6,000.0 million and a coupon rate of 5.66% per annum payable annually. Huarong Xiangjiang Bank acquired a total of RMB400.0 million in principal of the above financial bonds in November 2013.

(6) The Company issued 5-year fixed rate financial bonds with a principal of RMB10,000.0 million at a coupon rate of 4.8% per annum in December 2014, payable annually. Huarong Xiangjiang Bank acquired the above financial bonds with a par value of RMB55.0 million in principal in December 2014.

(7) The 5-year fixed rate mid-term U.S. dollar Notes with principal of USD1,200.0 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of Huarong International with coupon rate of 4.5% per annum, payable semi-annually.

(8) The 5-year fixed rate U.S. dollar bonds with principal of USD1,200.0 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of Huarong International with coupon rate of 4.0% per annum, payable annually.

(9) Huarong Financial Leasing issued 5-year floating rate financial bonds in September 2013 with a principal of RMB400.0 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.7% and reset annually, payable annually.

(10) Huarong Securities issued 4-year fixed rate subordinate bonds in July 2013 with a principal of RMB1,500.0 million and at a coupon rate of 6.25% per annum, payable annually.

(11) Huarong Securities issued 3-year fixed rate bonds in August 2014 with a principal of RMB600.0 million and at a coupon rate of 6.8% per annum, payable annually.

(12) Huarong Securities issued 3-year fixed rate financial bonds in March 2015 with a principal of RMB1,500.0 million and at a coupon rate of 5.7% per annum, payable annually.

(13) The Company issued 3 year fixed rate financial bonds with a principal of RMB6,000.0 million and at a coupon rate of 5.55% per annum in November 2013, payable annually.

(14) Huarong Securities issued 3-year fixed rate financial bonds in May 2015 with a principal of RMB1,500.0 million and at a coupon rate of 5.39% per annum, payable annually.

(15) Huarong Securities issued 3-year fixed rate beneficiary certification with a principal of RMB2,000.0 million and at a coupon rate of 4.9% per annum in April 2015, payable annually.

(16) The Company issued 3-year fixed rate financial bonds with a principal of RMB10,000.0 million and at a coupon rate of 4.6% per annum in December 2014, payable annually.

(17) The 3-year fixed rate mid-term U.S. dollar Notes with principal of USD600.0 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of Huarong International with coupon rate of 3.5% per annum, payable semi-annually.

(18) The 3-year fixed rate U.S. dollar bonds with principal of USD300.0 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of Huarong International with coupon rate of 3% per annum, payable annually.

(19) Huarong Financial Leasing issued 3-year floating rate financial bonds in September 2013 with a principal of RMB400.0 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.5% and reset annually, payable annually.

(20) Huarong Financial Leasing issued 3-year floating rate financial bonds in June 2015 with a principal of RMB1,000.0 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 3.05% and reset annually, payable annually.

(21) Huarong Securities issued 2 year fixed rate beneficiary certification with a principal of RMB300.0 million and at a coupon rate of 5.6% per annum in June 2015, payable on maturity date.

(22) Huarong Securities issued 91-day fixed rate financial bonds with a principal of RMB1,000.0 million and at a coupon rate of 3.09% per annum in June 2015, payable on maturity date.

(23) Huarong Securities issued 85-day fixed rate financial bonds with a principal of RMB1,000.0 million and at a coupon rate of 3.10% per annum in July 2015, payable on maturity date.

(24) The Company issued 3-year fixed rate financial bonds in July 2015 with a principal of RMB17,500.0 million and a coupon rate of 4.01% per annum, payable annually.

(25) The Company issued 5-year fixed rate financial bonds in July 2015 with a principal of RMB17,500.0 million and a coupon rate of 4.21% per annum, payable annually. Huarong Xiangjiang Bank acquired the above financial bonds with a par value of RMB300.0 million in principal in July 2015.

(26) Huarong Securities issued 181-day fixed rate beneficiary certification with a principal of RMB62.6 million and at a coupon rate of 3.8% per annum in August 2015, payable on maturity date.

In particular, items 3, 7 and 17 listed above are under the USD5,000.00 million U.S. dollar medium-term note program that we established through a wholly-owned subsidiary of Huarong International in January 2015. We may draw down from time to time the remaining USD1,800.00 million of the U.S. dollar medium-term note program.

**Authorized or Created But Unissued Debt Securities**

On March 30, 2015, the shareholders granted approval for Huarong Financial Leasing to issue financial bond in an aggregate principal amount of up to RMB4,000.0 million in the interbank bond market in China. On August 4, 2015, we have obtained CBRC approval for the proposed bond issue.

On July 13, 2015, we have made CBRC filing submission for Huarong Financial Leasing to issue the first tranche of leasing asset-backed securities in 2015 of up to RMB2,860.0 million.

In August 2015, Huarong Rongde have obtained regulatory approval to issue corporate bond of up to RMB3,000.0 million to qualified investors. In September 2015, Huarong Rongde issued three-year corporate bond of RMB3,000.0 million with a fixed coupon rate of 4.95% per annum from September 1, 2015, payable annually.

### Amount Due to the MOF

As of August 31, 2015, we had an amount due to the MOF of RMB7,875.8 million.

### Others

In addition to the indebtedness stated above, we have the following indebtedness arising from our ordinary course of business: (i) due to customers, deposits from financial institutions and balances under repurchase agreements from our banking business; and (ii) loan commitments, bank bill acceptance, letter of guarantee and credit enhancement from our off-balance sheet business.

The Directors believe that there is no major or non-traditional covenant in our Group's liabilities which would significantly limit our ability to obtain follow-up financing. During the Track Record Period and as at the Latest Practicable Date, the Directors have confirmed that we did not have any defaults on major covenants and/or covenants under our Group's liabilities.

Other than disclosed elsewhere in this prospectus and apart from intra-group liabilities, we did not have, as of August 31, 2015, being the latest practicable date for the purpose of ascertaining such information, any material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any material guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness of our Group since August 31, 2015, being the latest practicable date for the purpose of ascertaining such information.

## CONTINGENT LIABILITIES

### Litigation

Due to the nature of our business, the Company and subsidiaries are involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. We make provision, from time to time, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings, in light of the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when our management believes that the probability of loss is remote or that any resulting legal liabilities will not have a material adverse effect on our financial condition or business operations.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we made provisions of RMB101.7 million, RMB178.0 million, RMB117.5 million and RMB110.1 million, respectively, based on court judgments or legal counsels' advice. Our directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our contingent liabilities since June 30, 2015.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we did not have any material contingent liabilities other than those disclosed in Note VI.56 to the Accountants' Report set forth in Appendix I of this prospectus, and our provision for probable losses as a result of legal proceedings or other disputes and claims are based on the best estimates of our management. The Directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our contingent liabilities since June 30, 2015.

## OFF-BALANCE SHEET COMMITMENTS

### Operating Lease Commitments

We lease certain of our office premises from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under irrevocable operating leases as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Within 1 year | 13.4 | 61.6 | 293.5 | 274.3 |
| 1-5 years | 77.2 | 153.8 | 467.0 | 486.4 |
| Above 5 years | 414.1 | 449.3 | 263.9 | 198.2 |
| **Total** | **504.7** | **664.7** | **1,024.4** | **958.9** |

### Credit Enhancement

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the credit exposure of credit enhancement provided by the Company was RMB10,606.0 million, RMB13,443.2 million, RMB12,523.2 million and RMB13,146.6 million, respectively. The Company provided guarantees of RMB2,200.0 million, RMB3,304.7 million, RMB7,520.7 million and RMB10,607.6 million, respectively, for our subsidiaries.

### Credit Commitment

The following table sets forth our credit committee on dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Loan commitment | 1,637.6 | 3,407.7 | 5,289.7 | 5,083.4 |
| Bank bill acceptance | 16,274.1 | 23,592.5 | 29,195.7 | 36,390.3 |
| Credit card commitment | 32.3 | 430.3 | 554.5 | 829.8 |
| Letters of guarantee issued | 735.3 | 3,400.9 | 3,271.0 | 3,344.9 |
| Letters of credit issued | 269.2 | 357.8 | 171.6 | 174.0 |
| **Total** | **18,948.5** | **31,189.2** | **38,482.5** | **45,822.4** |

The Group's credit commitments are primarily from Huarong Xiangjiang Bank's bank acceptance business. The Huarong Xiangjiang Bank applies the same review and approval procedures as well as post-lending management for bank acceptance business as those for Huarong Xiangjiang

Bank's credit risk management. Furthermore, Huarong Xiangjiang Bank also verifies the truthfulness of the transactions underlying bank acceptance applications and pay close attention to the cash flow of the applicant. Huarong Xiangjiang Bank also requires the customers to pay a deposit in respect of bank acceptances and demand collateral, pledges and/or guarantees to fully cover the risk exposure.

**Other Commitments**

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Contracted but not provide for | | | | |
| Commitments for the acquisition of property and equipment | 588.6 | 593.8 | 876.3 | 589.6 |
| **Total** | **588.6** | **593.8** | **876.3** | **589.6** |

As disclosed elsewhere in this subsection, during the Track Record Period, we had various off-balance sheet commitments and arrangements arising in our ordinary course of business. As of August 31, 2015 (being the latest practicable date for the purpose of ascertaining such information), other than those commitments and arrangements that arose in our ordinary course of business or otherwise disclosed elsewhere in this prospectus, we did not have any material consolidated off-balance sheet commitments or arrangements as defined under IFRS.

**CAPITAL EXPENDITURES**

Our capital expenditures mainly consist of fixed assets, intangible assets and projects under construction. In 2012, 2013 and 2014 and June 30, 2015, in line with our business growth, our capital expenditures amounted to RMB1,087.2 million, RMB1,057.7 million, RMB1,660.9 million and RMB487.8 million, respectively.

## QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

We have designed a series of risk management policies in response to financial risks in the ordinary course of our businesses with measures to identify, monitor, report and supervise risks. See "Risk Management" and Note VI. 60 to the Accountants' Report in Appendix I of this prospectus for an overview of our risk management process.

The main financial risks we face in the ordinary course of business are credit risk, liquidity risk and market risk. Credit risk is the risk of potential loss arising from a debtor or counterparty's failure to perform its contract obligations or from unfavorable changes of its credit. For details of liquidity risks we are exposed to, please refer to "—Liquidity and Capital Resources". Market risk is the risk arising from adverse changes or movements in interest rates, currency exchange rates and market prices.

### Credit Risk

We pay close attention to credit risk arising from the default of counterparty caused by uncertainties, including the overall macroeconomic condition. We have formulated policies on risk, refined approval procedure and formulated approval criteria so as to hold on to the bottom line of risk and impose effective and sufficient guarantee measures. We manage the scale of credit risk assets according to the risk control ability and capital level of our Group, and maintain sufficient provision for impairment. We have developed a credit risk management system to identify and measure, monitor and control and report on credit risks mainly based on repayment records and changes in the quality of credit assets. For more information, see "Risk Management —Management of Major Risks — Management of Credit Risk" of this prospectus.

The following credit risk discussion is based on the total amount of (i) distressed debt assets classified as receivables, (ii) loans and advances to customers and (iii) finance lease receivables. For ease of reference, in this section, we refer to such assets as "assets with credit risk exposure." For the credit risks relating to distressed debt assets classified as receivables, please refer to Note VI. 60.1 to the Accountants' Report set out in Appendix I of this prospectus. The following table sets forth the total amount of different assets with credit risk exposure, provision for asset impairment and net carrying value at the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Total amount | | | | |
| Distressed debt assets classified as receivables | 55,230.0 | 92,133.0 | 168,712.8 | 211,791.0 |
| Loans and advances to customers | 38,129.0 | 48,934.3 | 64,449.3 | 78,258.5 |
| Finance lease receivables | 48,439.0 | 56,379.5 | 64,393.1 | 73,836.4 |
| Allowance for impairment losses | | | | |
| Distressed debt assets classified as receivables | (3,907.6) | (7,247.2) | (11,474.1) | (15,301.8) |
| Loans and advances to customers | (483.3) | (757.9) | (1,209.9) | (1,537.2) |
| Finance lease receivables | (793.8) | (833.2) | (898.8) | (1,144.4) |
| Net carrying amount | | | | |
| Distressed debt assets classified as receivables | 51,322.4 | 84,885.8 | 157,238.7 | 196,489.2 |
| Loans and advances to customers | 37,645.7 | 48,176.4 | 63,239.4 | 76,721.3 |
| Finance lease receivables | 47,645.2 | 55,546.3 | 63,494.3 | 72,692.0 |

*Distribution by Geographical Location*

We classify assets with credit risk exposure geographically based on the location of the branch or subsidiary that holds the asset. The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by geographic region. For definitions of our geographic regions, please refer to Note VI.60.1 to the Accountants' Report set out in Appendix I of this prospectus.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except for percentages) | | | | | | | |
| Central Region | 55,327.4 | 39.0 | 70,037.9 | 35.5 | 105,432.2 | 35.4 | 127,476.0 | 35.0 |
| Western Region | 27,780.3 | 19.6 | 45,519.1 | 23.1 | 66,072.3 | 22.2 | 87,288.8 | 24.0 |
| Yangtze River Delta | 30,674.8 | 21.6 | 41,257.2 | 20.9 | 61,646.2 | 20.7 | 69,055.0 | 19.0 |
| Bohai Rim | 16,159.8 | 11.4 | 20,786.2 | 10.5 | 26,298.8 | 8.8 | 30,667.2 | 8.4 |
| Pearl River Delta | 7,610.3 | 5.4 | 9,310.3 | 4.7 | 21,889.2 | 7.4 | 30,245.9 | 8.3 |
| Northeastern Region | 4,245.4 | 3.0 | 10,536.1 | 5.3 | 16,216.5 | 5.5 | 19,153.0 | 5.3 |
| **Total** | **141,798.0** | **100.0** | **197,446.8** | **100.0** | **297,555.2** | **100.0** | **363,885.9** | **100.0** |

*Distribution by Industry*

The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by industry classification.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except for percentages) | | | | | | | |
| Corporate business | | | | | | | | |
| Real estate | 46,690.7 | 32.9 | 67,278.7 | 34.0 | 113,080.2 | 38.0 | 145,016.4 | 39.9 |
| Manufacturing | 32,911.5 | 23.2 | 35,938.7 | 18.2 | 46,884.5 | 15.8 | 61,210.8 | 16.8 |
| Water, environment and public utilities management | 7,202.5 | 5.1 | 14,420.3 | 7.3 | 23,136.5 | 7.8 | 27,813.5 | 7.6 |
| Construction | 4,386.4 | 3.1 | 6,608.6 | 3.3 | 14,200.1 | 4.8 | 13,792.3 | 3.8 |
| Leasing and commercial services | 5,605.2 | 4.0 | 8,026.9 | 4.1 | 13,363.0 | 4.5 | 16,443.6 | 4.5 |
| Transportation, logistics and postal services | 8,487.5 | 6.0 | 11,331.3 | 5.7 | 14,367.8 | 4.8 | 13,645.3 | 3.7 |
| Mining | 3,766.2 | 2.7 | 5,283.2 | 2.7 | 7,266.7 | 2.4 | 10,043.3 | 2.8 |
| Others | 27,299.1 | 19.2 | 38,456.4 | 19.5 | 49,818.6 | 16.7 | 54,478.0 | 15.0 |
| Subtotal | 136,349.1 | 96.2 | 187,344.1 | 94.8 | 282,117.4 | 94.8 | 342,443.2 | 94.1 |
| Personal business | | | | | | | | |
| Loans for operations | 3,144.4 | 2.2 | 4,509.0 | 2.3 | 6,488.7 | 2.2 | 6,905.8 | 1.9 |
| Mortgage | 1,144.8 | 0.8 | 2,283.1 | 1.1 | 3,926.7 | 1.3 | 5,271.1 | 1.4 |
| Others | 1,159.7 | 0.8 | 3,310.6 | 1.8 | 5,022.4 | 1.7 | 9,265.8 | 2.6 |
| Subtotal | 5,448.9 | 3.8 | 10,102.7 | 5.2 | 15,437.8 | 5.2 | 21,442.7 | 5.9 |
| **Total** | **141,798.0** | **100.0** | **197,446.8** | **100.0** | **297,555.2** | **100.0** | **363,885.9** | **100.0** |

(1) Other industry primarily comprises production of electricity, gas and water, agriculture, forestry, animal husbandry and fishery and financial industry.

Our assets under credit risk are primarily in the real estate and manufacturing industries. As at December 31, 2012, 2013 and 2014 and June 30, 2015, assets with credit risk exposure in the real estate industry amounted to RMB46,690.7 million, RMB67,278.7 million, RMB113,080.2 million and RMB145,016.4 million, accounting for 32.9%, 34.0%, 38.0% and 39.9% of our total assets with credit exposure, respectively. As at December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, assets with credit risk exposure in the manufacturing industry amounted to RMB32,911.5 million, RMB35,938.7 million, RMB46,884.5 million and RMB61,210.8 million, accounting for 23.2%, 18.2%, 15.8% and 16.8% of our total assets with credit exposure, respectively.

*Types of Collateral*

We adopt various risk mitigation measures to control credit risk. In particular, we require the counterparties of transactions to provide appropriate guarantees, mortgages, pledges or other collateral. We also strive to ensure that we could effectively and efficiently realize the value of collateral when the counterparties default by using various risk mitigation methods, such as selecting collateral that can be sold easily and enforcing of our claims on collateral. The following table sets forth, as of the dates indicated, the distribution by types of collateral.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| Unsecured | 1,512.9 | 1.1 | 3,521.1 | 1.8 | 6,168.6 | 2.1 | 8,306.5 | 2.3 |
| Guaranteed | 43,079.2 | 30.4 | 54,112.0 | 27.4 | 72,608.1 | 24.4 | 81,286.8 | 22.3 |
| Mortgage | 90,468.3 | 63.8 | 124,283.8 | 62.9 | 196,983.6 | 66.2 | 248,800.6 | 68.4 |
| Pledged | 6,737.6 | 4.7 | 15,529.9 | 7.9 | 21,794.9 | 7.3 | 25,492.0 | 7.0 |
| **Total** | **141,798.0** | **100.0** | **197,446.8** | **100.0** | **297,555.2** | **100.0** | **363,885.9** | **100.0** |

*Maturity Profiles under Contracts*

The following table sets forth assets under credit risk by maturity profiles under contracts at the dates indicated.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (in millions of RMB, except percentages) | | | | | | | |
| 1 year | 26,978.9 | 19.0 | 27,904.8 | 14.1 | 37,983.5 | 12.8 | 50,256.3 | 13.8 |
| 1 to 5 years | 106,940.1 | 75.4 | 158,840.2 | 80.4 | 243,602.4 | 81.9 | 286,892.7 | 78.9 |
| Over 5 years | 7,879.0 | 5.6 | 10,701.8 | 5.5 | 15,969.3 | 5.3 | 26,736.9 | 7.3 |
| **Total** | **141,798.0** | **100.0** | **197,446.8** | **100.0** | **297,555.2** | **100.0** | **363,885.9** | **100.0** |

*Asset Quality*

The following table sets forth the asset quality of our assets with credit exposure at the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| Neither past due nor impaired | 139,380.2 | 190,770.4 | 288,973.4 | 351,719.9 |
| Past due but not impaired | 1,349.2 | 3,426.2 | 4,673.0 | 7,362.1 |
| Impaired | 1,068.6 | 3,250.2 | 3,908.8 | 4,803.9 |
| Subtotal | 141,798.0 | 197,446.8 | 297,555.2 | 363,885.9 |
| Allowance for impairment losses | (5,184.7) | (8,838.3) | (13,582.8) | (17,983.4) |
| **Net carrying amount** | **136,613.3** | **188,608.5** | **283,972.4** | **345,902.5** |

***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument fluctuates because of changes in market interest rates. Our interest rate risk exposure is primarily related to our fixed and floating interest rate financial instruments. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk.

### *Repricing Gap Analysis*

The following table sets forth, as of June 30, 2015, the carrying amount based on the earlier of (i) the contractual repricing dates and (ii) the maturity dates for our financial assets and liabilities:

| | As of June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years (inclusive) | Over 5 years | Non-interest bearing | Total |
| | (in millions of RMB) | | | | | | |
| Cash and balances with central bank | 26,660.1 | — | — | — | — | 427.4 | 27,087.5 |
| Deposits with financial institutions | 55,986.9 | 2,920.9 | 3,219.0 | 300.0 | — | — | 62,426.8 |
| Placements with financial institutions | 5,500.9 | 611.3 | — | — | — | — | 6,112.2 |
| Financial assets held for trading | 187.4 | 1,514.8 | 145.0 | 2,623.8 | 4,019.0 | 3,326.9 | 11,816.9 |
| Financial assets designated as at fair value through profit or loss | 1,836.8 | 1,045.4 | 600.8 | 6,146.5 | — | 38,945.3 | 48,574.8 |
| Financial assets held under resale agreements | 8,540.9 | 2,658.6 | 10,199.5 | 842.2 | — | — | 22,241.2 |
| Available-for-sale financial assets | 3,557.1 | 2,031.1 | 3,047.8 | 4,218.9 | 1,126.4 | 37,259.5 | 51,240.8 |
| Held-to-maturity investments | 749.2 | 611.7 | 2,074.5 | 13,594.6 | 5,322.5 | — | 22,352.5 |
| Financial assets classified as receivables | 16,975.0 | 7,694.0 | 119,353.5 | 152,190.7 | 1,416.0 | — | 297,629.2 |
| Loans and advances to customers | 9,176.8 | 4,632.6 | 35,374.9 | 22,728.6 | 4,808.4 | — | 76,721.3 |
| Finance lease receivables | 65,342.5 | 2.4 | 7,036.9 | 290.8 | 19.4 | — | 72,692.0 |
| Other financial assets | — | — | — | 1,633.9 | — | 3,487.3 | 5,121.2 |
| **Total financial assets** | **194,513.6** | **23,722.8** | **181,051.9** | **204,570.0** | **16,711.7** | **83,446.4** | **704,016.4** |
| Borrowings from central bank | — | — | (60.0) | — | — | — | (60.0) |
| Deposits from financial institutions | (221.0) | (1,760.0) | (6,633.0) | (1,750.0) | — | — | (10,364.0) |
| Placements from financial institutions | (1,652.9) | (244.5) | (950.0) | — | — | — | (2,847.4) |
| Borrowings | (48,446.3) | (32,683.2) | (86,622.4) | (91,812.1) | (34,500.0) | — | (294,064.0) |
| Financial assets sold under repurchase agreements | (11,825.0) | (5,016.2) | (1,117.1) | (2,058.2) | — | — | (20,016.5) |
| Due to customers | (79,907.7) | (8,820.2) | (25,422.8) | (21,591.1) | (350.0) | (280.5) | (136,372.3) |
| Bonds and notes issued | (1,000.0) | (1,797.3) | (215.5) | (64,698.7) | (8,650.6) | — | (76,362.1) |
| Other financial liabilities | (13,534.1) | (2,149.3) | (1,747.4) | (35,106.3) | — | (23,738.3) | (76,275.4) |
| **Total financial liabilities** | **(156,587.0)** | **(52,470.7)** | **(122,768.2)** | **(217,016.4)** | **(43,500.6)** | **(24,018.8)** | **(616,361.7)** |
| **Interest rate gap** | **37,926.6** | **(28,747.9)** | **58,283.7** | **(12,446.4)** | **(26,788.9)** | **59,427.6** | **87,654.7** |

### *Sensitivity Analysis*

We use sensitivity analysis to assess the effect of the potential changes in interest rates on our profit before tax and other comprehensive income. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our interest-earning assets and interest-bearing liabilities.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income |
| | (in millions of RMB) | | | | | | | |
| 100 basis points increase | 90.9 | (119.1) | 83.8 | (130.7) | 63.6 | (223.2) | 171.2 | (105.1) |
| 100 basis points decrease | (90.9) | 126.5 | (83.8) | 138.0 | (63.6) | 234.8 | (171.2) | 108.0 |

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of other comprehensive income.

## Foreign Exchange Risk

Foreign exchange risk is the risk of losses arising from changes in currency exchange rates. We are exposed to the fluctuations in the prevailing foreign exchange rates on our financial condition and results of operations. We operate our businesses primarily in Renminbi and have some transactions dominated in U.S. dollars, Hong Kong dollars and other foreign currencies. The following table sets forth our financial assets and liabilities by currency as of June 30, 2015.

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | **RMB** | **USD** | **HK$** | **Others** | **Total** |
| | | **(in RMB)** | **(in RMB)** | **(in RMB)** | **(in RMB)** |
| | | | **(in millions)** | | |
| Cash and balances with central bank | 27,069.6 | 17.9 | 0.0 | — | 27,087.5 |
| Deposits with financial institutions | 58,843.6 | 648.6 | 2,932.5 | 2.1 | 62,426.8 |
| Placements with financial institutions | 4,700.0 | 1,412.2 | — | — | 6,112.2 |
| Financial assets held for trading | 9,675.7 | 261.1 | 1,880.1 | — | 11,816.9 |
| Financial assets designated as at fair value through profit or loss | 43,584.2 | 1,025.9 | 3,964.7 | — | 48,574.8 |
| Financial assets held under resale agreements | 22,241.2 | — | — | — | 22,241.2 |
| Available-for-sale financial assets | 44,685.7 | 217.2 | 6,337.9 | — | 51,240.8 |
| Held-to-maturity investments | 22,352.5 | — | — | — | 22,352.5 |
| Financial assets classified as receivables | 282,676.3 | 2,519.8 | 12,433.1 | — | 297,629.2 |
| Loans and advances to customers | 76,299.7 | 421.6 | — | — | 76,721.3 |
| Finance lease receivables | 72,692.0 | — | — | — | 72,692.0 |
| Other financial assets | 5,001.8 | 2.3 | 117.1 | — | 5,121.2 |
| **Total financial assets** | **669,822.3** | **6,526.6** | **27,655.4** | **2.1** | **704,016.4** |
| Borrowings from central bank | (60.0) | — | — | — | (60.0) |
| Deposits from financial institutions | 10,364.0 | — | — | — | (10,364.0) |
| Placements from financial institutions | (2,847.4) | — | — | — | (2,847.4) |
| Borrowings | (289,760.3) | (1.2) | (4,302.5) | — | (294,064.0) |
| Financial assets sold under repurchase agreements | (20,016.5) | — | — | — | (20,016.5) |
| Due to customers | (136,021.0) | (351.3) | 0.0 | — | (136,372.3) |
| Bonds and notes issued | (47,338.9) | (29,023.2) | — | — | (76,362.1) |
| Other financial liabilities | (76,249.1) | (24.3) | (2.0) | — | (76,275.4) |
| **Total financial liabilities** | **(582,657.2)** | **(29,400.0)** | **(4,304.5)** | **—** | **(616,361.7)** |
| **Net positions** | **87,165.1** | **(22,873.4)** | **23,360.9** | **2.1** | **87,654.7** |

The appreciation of Renminbi to U.S. dollar or any other foreign currency will result in a decrease in the value of assets denominated in foreign currencies. See "Risk Factors — Risks Relating to China — Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations".

The following table sets forth, at the dates indicated, the changes in our profit before tax caused by appreciation or depreciation by 5% of the Renminbi exchange rate to foreign currencies.

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | (in millions of RMB) | | | |
| RMB against foreign currencies | | | | |
| 5% appreciation | (7.3) | (12.7) | (158.5) | (106.1) |
| 5% depreciation | 7.3 | 12.7 | 158.5 | 106.1 |

**Price Risk**

Our investments designated as held-for-trading financial assets and part of our investments in available-for-sale financial assets are measured at their fair values at the end of each reporting period. We are exposed to price risks that may cause losses to us as a result of changes in market prices of these financial assets.

The abovementioned investments are exposed to price risk due to changes in the market prices of such financial assets, which may be caused by factors relating to the financial instrument itself or the issuer or other market factors.

The following table illustrates the impact of an increase or decrease of 1% in the price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on our profit before tax and equity.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity |
| | (in millions of RMB) | | | | | | | |
| 1% increase | 193.4 | 361.0 | 210.6 | 376.2 | 411.7 | 738.2 | 603.9 | 1,005.1 |
| 1% decrease | (193.4) | (361.0) | (210.6) | (376.2) | (411.7) | (738.2) | (603.9) | (1,005.1) |

## DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect to dividend payments, if any, to the Shareholders' general meeting for approval. Whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deems relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of accumulated losses, if any, for previous years;

- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches 50% of our registered capital, no further allocations to this statutory reserve will be required;
- appropriation to required general reserve; and
- appropriation for discretionary reserve upon approval at Shareholders' general meeting.

According to the requirements of the MOF, we shall maintain a general reserve, which is an integral part of our reserves, through appropriation of net profit after tax, of not less than 1.5% of the total risk assets.

According to our Articles of Association, dividend can only be paid out of the distributable profits determined in accordance with the PRC GAAP or IFRS or the accounting standards in the place where the Company's Shares are listed, whichever is lower.

We declared dividends of RMB1,248.1 million, RMB1,754.6 million and RMB1,893.0 million to Shareholders based on profit in 2012, 2013 and 2014, respectively. Our Board of Directors passed a resolution in respect to dividend payments in August 2015, proposing that we pay dividends out of our distributable net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis, which shall not be less than 10%; in particular, for the years ending December 31, 2016 and 2017, we pay approximately 30% of our distributable net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis as dividends. The actual dividend amount and means of distribution will be approved by the Shareholders' general meeting.

At an extraordinary general meeting of the Shareholders held on June 14, 2015, Shareholders adopted a proposal on dividend distribution. A cash dividend (the "Special Dividend") in respect of the period (the "Special Dividend Period") from the next calendar day after the benchmark date of the accountants' report used in our initial public offering of H Shares to the last day of the calendar month immediately prior to the completion of our initial public offering of H Shares (the "Special Dividend Date"), was declared to Shareholders whose name appeared on our register of members as at the Special Dividend Date. Based on the latest available management accounts of the Company and the estimates of our management, we currently estimate the Special Dividend to be approximately RMB1,245.0 million. The amount of the Special Dividend will be determined according to the audited unconsolidated net profit of the Company in accordance with the PRC GAAP or IFRS, whichever is lower.

Although the Special Dividend will only be paid after the Listing of the H Shares, the Directors consider the cash resources prior to the Special Dividend Date to be sufficient to cover the full payment of the Special Dividend. We have sufficient cash resources to finance our operations from internally generated cashflow and to maintain a robust financial position derived from the steady growth of our business. As of June 30, 2015, our total cash and cash equivalents amounted to RMB58,148.8 million, which consisted primarily of deposits with financial institutions of RMB37,698.1 million. The directors are of the view that we have, and will have, sufficient funds to make payment of the Special Dividends. The estimated amount of the Special Dividend accounted for 1.5% of equity of our Group attributable to Shareholders and 0.2% of our total assets as of June 30, 2015, which is insignificant to the financial position of our Group and is not expected to affect our daily operation. The Directors further confirm that the payment of the Special Dividend is not expected to adversely affect our overall financial position.

The actual amount of the Special Dividend will be determined upon the completion of an audit in the first half of 2016, and the Special Dividend will be paid in the first half of 2016. We will make an announcement regarding the actual amount of the Special Dividend before we pay such Special Dividend. Any distributable profit for distribution to Shareholders after the initial public offering of H shares shall exclude the Special Dividend. Our existing and new Shareholders will be entitled to our accumulated undistributed profits prior to the Global Offering (except for the Special Dividend).

You should not rely on the Special Dividend as an indication of our net profit or our dividend distribution for the full year of 2015, or rely on previous dividend distributions as an indication of our future dividend distribution policy or practice.

## RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

## LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees. Listing expenses to be borne by us are estimated to be approximately HK$609.0 million. Listing expenses of approximately HK$1.1 million have been incurred as of June 30, 2015. Listing expenses of approximately HK$607.9 million are expected to be incurred after June 30, 2015, of which HK$69.1 million is expected to be included in our consolidated statement of profit or loss and other comprehensive income and HK$538.8 million is expected to be accounted for as a deduction from equity.

The listing expenses above are the latest practicable estimate for illustration only and the actual amount may differ from this estimate. The Directors do not expect such expenses to have a material adverse impact on our financial results for the year ended December 31, 2015.

## UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of June 30, 2015, adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of our consolidated financial position as of June 30, 2015 or any future date following the Global Offering.

The statement of unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders has been prepared to show the effect on our audited consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2015 as if the Global Offering had occurred on June 30, 2015.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to Shareholders per share is calculated in accordance with Rule 4.29 of the Listing Rules.

| | Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of June 30, 2015[(1)] | Estimated net proceeds from the Global Offering[(2)] | Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company | Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share | |
|---|---|---|---|---|---|
| | in millions of RMB | | | RMB[(3)] | HK$[(4)] |
| Based on the Offer Price of HK$3.03 per Offer Share . . . | 81,184.7 | 13,871.3 | 95,056.0 | 2.47 | 3.01 |
| Based on the Offer Price of HK$3.39 per Offer Share . . . | 81,184.7 | 15,533.5 | 96,718.2 | 2.51 | 3.06 |

(1) Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of June 30, 2015 is derived from the Accountants' Report set out in Appendix I of the prospectus, which is based on audited consolidated net assets attributable to equity holders of the Company as of June 30, 2015 of approximately RMB81,316.0 million with an adjustment for goodwill and other intangible assets in an aggregate amount of approximately RMB131.3 million as of June 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.03 per share and HK$3.39 per share, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is calculated after the adjustments referred to in note (2) above and on the basis that 38,465,750,462 shares are issued and outstanding following the completion of the Global Offering and assuming that the Over-allotment Option for the Global Offering is not exercised.

(4) The conversion between Renminbi and Hong Kong dollars has been made at the rate of RMB0.82081 to HK$1.00, the exchange rate set by the PBOC prevailing at September 30, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate, or at any other rate or at all.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company to reflect any trading results or other transactions entered into by us subsequent to June 30, 2015. In particular, the unaudited pro forma adjusted consolidated net tangible assets in the table above have not been adjusted to show the effect of the Special Dividend. Pursuant to the resolution of the extraordinary general meeting of the Company held on June 14, 2015, the shareholders approved the resolution of the Special Dividend. For further details relating to the Special Dividend please refer to the section entitled "Financial Information—Dividend Policy".

## NO MATERIAL ADVERSE CHANGE

The Directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our financial condition, business and prospects after June 30, 2015.

## EXCLUDED DES COMPANIES

As of June 30, 2015, with respect to our equity interests in six unlisted DES Companies (the "Excluded DES Companies") of the top 40 Unlisted DES Assets in terms of carrying amount, we could not obtain all the information needed for Value Calculation due to restriction from the Protection of State Secret Laws. As a result, the equity interests we hold in the Excluded DES Companies were not included in the Calculated Value Report issued by Jones Lang LaSalle. The equity interests we hold in the Excluded DES Companies and the income contributed by these equity interests only account for an insignificant amount of the total assets and total income of the Group. As of June 30, 2015, the carrying amount of the equity interests we hold in the Excluded DES Companies was RMB1,142.2 million, accounting for 4.3% of the carrying amount of all DES Assets and 0.2% of the total assets of the Group. For the year ended December 31, 2014, the income we derived from the Excluded DES Companies was RMB 21.9 million, accounting for 0.04% of the total income of the Group.

In order to identify and monitor any reputational and other risks relating to the Excluded DES Companies, in addition to the internal control policies and procedures generally applicable to all DES Assets, we have put in place a series of internal control policies and procedures. We are in the process of disposing our equity interest in one of the Excluded DES Companies, and will commence the disposal procedures for our equity interests in the other five Excluded DES Companies immediately upon listing. We will use our best efforts to complete the disposal within 12 months from the Listing Date. We will also disclose an update on the progress of disposal in our 2015 annual and 2016 interim financial reports, and, if we could not complete the disposal within 12 months from the Listing Date due to reasons beyond our control, such as approval process or market conditions, continue to disclose an update on the progress of disposal in our interim and annual financial reports thereafter until our equity interests in all Excluded DES Companies are disposed of. One of our executive directors will be in charge of the disposal process, will monitor the progress of the disposal and will report to the audit committee of the Board every six months. The executive director in charge of the disposal process will be subject to the formal monitoring and oversight by the independent non-executive directors of the Company, including discussion of disposal planning and progress every six months during which the executive director in charge of the disposal process will present the disposal planning and progress and the independent non-executive directors will discuss the disposal planning and progress with the executive director in charge of the disposal process and seek responses from the executive director in charge of the disposal process for any questions that they may have. We will retain a compliance advisor until all the Excluded DES Companies have been disposed of. We will not increase any further investments in the Excluded DES Companies or increase our portfolio of DES Assets for which we cannot obtain sufficient information for Value Calculation due to restriction from the Protection of State Secret Laws. Although we could not obtain all the information needed for Value Calculation due to restriction from the Protection of State Secret Laws, we have adopted relevant risk control policy and procedures in monitoring the operation and assessing the impairment, for accounting purposes, of the Excluded DES Companies. For all DES Assets, including the Excluded DES Companies, we believe that we have obtained sufficient relevant financial information for our preparation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards, including impairment assessment of these available-for-sales investments, and for our auditors and Reporting Accountants to carry out the audit or relevant assurance procedures, without any scope limitation, on the investment in Excluded DES Companies, for the purpose of issuing the Accountants' Report. The Reporting Accountants have given a true and fair view of the affairs of the Group as of December 31, 2012, 2013 and 2014 and June 30, 2015 and of the consolidated results and consolidated cash flows of the Group for each of the relevant year/period. For more details, please see "Appendix I—Accountants' Report." We confirm that we will continue to obtain sufficient relevant financial information of these available-for-sales investments for our preparation and audit of the consolidated financial statements of the Group in the future. For more details regarding the Excluded DES Companies, please see "Risk Factors—Risks Relating to our Group—Risks Relating to Our Distressed Asset Management Business—We do not participate in the daily management of the DES Companies and, as a result, our limited influence on these enterprises may affect our ability to receive dividends or exit from such investments and to realize the value of our investment in such DES Companies", "Business—Our Principal Businesses—Distressed asset management business—DES asset management" and "Risk Management—Internal Controls, Compliance and Internal Audit—Internal Control Measures for the Excluded DES Companies" and "Financial Information—Excluded DES Companies".

## FUTURE PLANS

Please see the section entitled "Business — Our Strategies" for a detailed discussion of our future plans.

## USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK$3.21 per Offer Share (being the mid-point of the range of the Offer Price as stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$17,912.0 million from the Global Offering after deducting the underwriting expenses, commissions and estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for capital replenishment to further strengthen the operation of distressed assets, refine the comprehensive financial service platform and develop asset management and investment business. The allocation of proceeds from the Global Offering is as follows (subject to adjustment based on our business needs and changes in market conditions):

- approximately 60%, or HK$10,747.2 million, will be used to develop distressed asset management, our core business. We are devoted to continuous innovation and to seizing the opportunities brought by the structural transformation of the Chinese economy, increasing the scale of distressed assets acquired, further developing the management of distressed assets acquired from financial and non-financial enterprises, and enhancing the overall profitability of distressed asset management business through structural adjustment of capital source and other means;
- approximately 30%, or HK$5,373.6 million, will be used to develop business of financial services by increasing capital contribution to our subsidiaries of such business segment. We will provide flexible, customized and diversified financing channels and financial products and services to our customers through a multi-license financial service platform, and effectively integrate the distressed assets operation with our asset management and investment business to form a comprehensive financial service system with coverage of various life cycles of customers and a long service chain covering all upstream and downstream industries; and
- approximately 10%, or HK$1,791.2 million, will be used to develop asset management and investment business, expand the investment business of the Company and increase capital contribution to our subsidiaries of such business segment.

Assuming the Over-allotment Option is not exercised, (i) the net proceeds will increase by approximately HK$1,012.5 million if the Offer Price is fixed at HK$3.39 per Offer Share (being the high end of the range of the Offer Price as stated in this prospectus); and (ii) the net proceeds will decrease by approximately HK$1,012.5 million if the Offer Price is fixed at HK$3.03 per Offer Share (being the low end of the range of the Offer Price as stated in this prospectus).

If the Over-allotment Option is exercised in full, the additional net proceeds will be approximately HK$2,708.5 million, assuming an Offer Price of HK$3.21 per Offer Share (being the mid-point of the range of the Offer Price as stated in this prospectus). We intend to use such additional proceeds for the same purposes as set out above on a pro rata basis. Assuming the Over-allotment Option is exercised in full, (i) the net proceeds will increase by approximately HK$1,164.4 million if the Offer Price is fixed at HK$3.39 per Offer Share (being the high end of the range of the Offer Price as stated in this prospectus); and (ii) the net proceeds will decrease by approximately HK$1,164.4 million if the Offer Price is fixed at HK$3.03 per Offer Share (being the low end of the range of the Offer Price as stated in this prospectus).

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to place the net proceeds into short-term demand deposits and/or to buy money market instruments.

## HONG KONG UNDERWRITERS

The Hongkong and Shanghai Banking Corporation Limited
Goldman Sachs (Asia) L.L.C.
CCB International Capital Limited
Credit Suisse (Hong Kong) Limited
ICBC International Securities Limited
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
Merrill Lynch Far East Limited
Huarong International Securities Limited
BOCI Asia Limited
CMB International Capital Limited
GF Securities (Hong Kong) Brokerage Limited
China Merchants Securities (HK) Co., Limited
DBS Asia Capital Limited
BOCOM International Securities Limited
ABCI Securities Company Limited
Deutsche Bank AG, Hong Kong Branch
Jefferies Hong Kong Limited
Nomura International (Hong Kong) Limited
Morgan Stanley Asia Limited
CLSA Limited
China Securities (International) Corporate Finance Company Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 288,494,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus, the application forms and the Hong Kong Underwriting Agreement. Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the application forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions of the Hong Kong Underwriting Agreement is that the Offer Price must be agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the application forms contain the terms and conditions of the Hong Kong Public Offering. The

International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed.

*Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(A) there develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change or any event or series of events likely to result in or representing a change in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God) in or affecting any Relevant Jurisdiction; or

(d) (A) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Exchange, the London Stock Exchange, or (B) any general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(e) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(f) a petition is presented for the winding-up or liquidation of the Company or any of its principal subsidiaries, or the Company or any of its principal subsidiaries makes any composition or arrangement with its creditors or enters into a scheme of arrangement, or any resolution is passed for the winding-up of the Company or any of its principal subsidiaries, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its principal subsidiaries, or anything analogous thereto occurs in respect of the Company or any of its principal subsidiaries; or

(g) non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters): (A) is or is likely to or will be materially adverse to, or materially and prejudicially affects, the business, results of operations, financial or trading position, or prospects of the Group as a whole; or (B) has or is likely to have or will have a material adverse effect on the success of the Global Offering and/or has made or will make it impracticable, inadvisable or incapable, for Global Offering to proceed; or (C) makes or will make it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the application forms, the formal notice, or the offering circular.

(B) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in the this prospectus, the application forms, the formal notice, and any announcements in the agreed form issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respects; or

(b) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an material omission therefrom; or

(c) any of the warranties given by the Company in the Hong Kong Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any material respects; or

(d) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Group as a whole; or

(e) any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement;

then the Joint Global Coordinators may (for themselves and on behalf of the other Hong Kong Underwriters), in their sole discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

***Undertakings by Us***

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Hong Kong Stock Exchange that it will not issue any further shares or other securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement or arrangement to such issue within six months from the Listing Date (whether or not such issue of shares or such other securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the

Over-allotment Option, no further shares or securities convertible into shares of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing of our H Shares).

We have undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (and are expected to undertake to the International Underwriters) that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date, we will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the shares of the Company as underlying securities as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any share capital of the Company); or

(c) enter into any transaction with the same economic effect as any transaction described above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that the Company will or may enter into any transaction described above. In the event of an issue or disposal of any H Shares or any interest therein after the date falling six months from the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange, we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

***Undertakings by the MOF***

The MOF has undertaken to the Hong Kong Stock Exchange and us that, it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), except pursuant to the Global Offering and the Over-allotment Option, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, except pursuant to the Global Offering and the Over-allotment Option, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder.

The MOF has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications. We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the MOF and announce such as soon as possible after being so informed by the MOF.

**The International Offering**

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue, up to an aggregate of 865,482,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over-allocations (if any) in the International Offering. It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

**Total Commission and Expenses**

The Hong Kong Underwriters will receive an underwriting commission of 1.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. In addition, the Company agrees at its sole discretion to pay any one or all of the Underwriters an additional incentive fee of up to an aggregate of no more than 1% of the Offer Price for each Offer Share. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK$3.21 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by the Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately HK$609.0 million (assuming the Over-allotment Option is not exercised) in total.

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

**Hong Kong Underwriters' Interests in the Company**

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in the Company or any other member of the Group or the right or option (whether legally enforceable or not) to subscribe for or nominate other persons to subscribe for securities in the Company or any other member of the Group.

Goldman Sachs (Asia) L.L.C. is a wholly-owned subsidiary of Goldman Sachs, which owns Goldman Sachs SSG, a shareholder of the Company. See "Strategic Investors".

China International Capital Corporation Hong Kong Securities Limited is a wholly-owned subsidiary of CICC, which indirectly controls CICC Strategic Investment, a shareholder of the Company. See "Strategic Investors".

Huarong International Securities Limited is an indirectly owned subsidiary of Simsen International.

Deutsche Bank AG indirectly holds a 40.7% interest in one of the Company's subsidiaries, Huarong Rongde.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

## STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C. (as the Stabilizing Manager) or its affiliates or any person acting for it (on behalf of the Underwriters), may over-allocate or effect transactions with a view to stabilize or support the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for it to do this. Such stabilization (if commenced), will be conducted at the absolute discretion of Goldman Sachs (Asia) L.L.C., or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any decline in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

(B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Saturday, November 21, 2015. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 865,482,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include providing financing to investors for the H Shares in their ordinary course of business, acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated. It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Share, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Share), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Share at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 288,494,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 5,481,386,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) (i) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and (ii) in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A.

Investors may either apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15% of the enlarged registered share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the enlarged registered share capital immediately after the completion of the Global Offering and the exercise of the Over-allotment Option as described in "The International Offering—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "The Hong Kong Public Offering—Reallocation" below.

## THE HONG KONG PUBLIC OFFERING

### Number of Offer Shares Initially Offered

The Company is initially offering 288,494,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 5.0% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.75% of the Company's registered share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the satisfaction or exemption of conditions as set out in the section headed "Conditions of the Hong Kong Public Offering" below.

### Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 144,247,000 Offer Shares for pool A and 144,247,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "**price**" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 144,247,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

**Reallocation**

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-applications, the Joint Global Coordinators shall apply a claw-back mechanism following the closing of the application lists on the following basis:

- 288,494,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available under the Global Offering;

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 432,742,000 H Shares, representing approximately 7.5% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 576,988,000 H Shares, representing 10% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 1,153,976,000 H Shares, representing 20% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

**Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$3.39 per Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum Offer price of HK$3.39 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

## THE INTERNATIONAL OFFERING

### Number of Offer Shares Offered

Subject to over-allotment and reallocation as described above, the International Offering will consist of an aggregate of 5,481,386,000 Offer Shares to be offered by us.

### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "**book-building**" process described in "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

### Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 865,482,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.20% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

## PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "**book-building**" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, October 23, 2015, and in any event on or before Thursday, October 29, 2015, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.39 per Offer Share and is expected to be not less than HK$3.03 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the prior consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, promptly following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notices and to be posted on the website of the Hong Kong Stock Exchange at (**www.hkexnews.hk**) and the website of the Company at (**www.chamc.com.cn)** of the reduction. Upon issue of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to the Company (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$16,899.5 million, assuming an Offer Price per H Share of HK$3.03, or approximately HK$18,924.6 million, assuming an Offer Price per H Share of HK$3.39 (or if the Over-allotment Option is exercised in full, approximately HK$19,456.1 million, assuming an Offer Price per H Share of HK$3.03, or approximately HK$21,785.0 million, assuming an Offer Price per H Share of HK$3.39).

The Offer Price for H Shares under the Global Offering is expected to be announced on Thursday, October 29, 2015.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, October 29, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at (www.hkexnews.hk) and on the website of the Company at (www.chamc.com.cn).

## HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "**Underwriting**."

## H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants approval for the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, October 30, 2015, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, October 30, 2015. Our H Shares will be traded in board lots of 1,000 H Shares each.

## CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among other things:

(i) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in (i) the H shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the H Shares which will be converted from Domestic Shares and transferred to the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned Shares; (iii) the H shares which will be converted from Domestic Shares held by the MOF; and (iv) the H Shares to be converted from Shares held by Warburg Pincus Financial International, CSI AMC, Pantai Juara Investments, CICC Strategic Investment, COFCO (HK), Fidelidade and Goldman Sachs SSG pursuant to their respective Share Subscription Agreements;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and time specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and time).

**If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Thursday, October 29, 2015 but will only become valid certificates of title at 8:00 a.m. on Friday, October 30, 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

## 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** application form;
- apply online via the **White Form eIPO** at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** application form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, Supervisor or Chief Executive Officer of the Company and/or any of its subsidiaries;
- an associate or a close associate (both as defined in the Listing Rules) of any of the above;

- a connected person or a core connected person (both as defined in the Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

## 3. APPLYING FOR HONG KONG OFFER SHARES

### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** application form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** application form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

### Where to Collect the Application Forms

You can collect a **WHITE** application form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 16, 2015 to 12:00 noon on Thursday, October 22, 2015 from:

(i) the following offices of the Hong Kong Underwriters:

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

Merrill Lynch Far East Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Huarong International Securities Limited
28/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America
12 Harcourt Road
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Jefferies Hong Kong Limited
22/F, Cheung Kong Centre
2 Queen's Road
Central
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

(ii) the following branches of the receiving banks:

**Bank of China (Hong Kong) Limited**

| | Branch | Address |
|---|---|---|
| **Hong Kong Island** | Bank of China Tower Branch | 3/F, 1 Garden Road |
| | Wan Chai (Wu Chung House) Branch | 213 Queen's Road East, Wan Chai |
| | King's Road Branch | 131-133 King's Road, North Point |
| **Kowloon** | Whampoa Garden Branch | Shop G8B, Site 1, Whampoa Garden, Hung Hom |
| **New Territories** | Shatin Branch | Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin |
| | Tuen Mun Town Plaza Branch | Shop 2, Tuen Mun Town Plaza Phase II |

**Bank of Communications Co., Ltd. Hong Kong Branch**

| | Branch | Address |
|---|---|---|
| **Hong Kong Island** | Hong Kong Branch | 20 Pedder Street, Central |
| | Chai Wan Sub-Branch | G/F., 121-121A Wan Tsui Road, Chai Wan Cinema Building, Chai Wan |
| **Kowloon** | Shamshuipo Sub-Branch | Shop G1-G3, G11-G13, G19-G21, G/F., Golden Centre, 94 Yen Chow Street, Sham Shui Po |
| **New Territories** | Tseung Kwan O Sub-Branch | Shops Nos. 252A, 252B, 253-255 on Podium Level 2, Metro City Phase I, Tseung Kwan O |

**Industrial and Commercial Bank of China (Asia) Limited**

| | Branch | Address |
|---|---|---|
| **Hong Kong Island** | Central Branch | 1/F, 9 Queen's Road Central |
| **Kowloon** | Tsimshatsui East Branch | Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon |
| | Kwun Tong Branch | Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong |
| **New Territories** | Tsuen Wan Castle Peak Road Branch | G/F, 423-427 Castle Peak Road Tsuen Wan |

**Standard Chartered Bank (Hong Kong) Limited**

| | Branch | Address |
|---|---|---|
| **Hong Kong Island** | Hennessy Road Branch | 399 Hennessy Road, Wanchai |
| | Causeway Bay Branch | G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay |
| **Kowloon** | Mongkok Branch | Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok |
| | Lok Fu Shopping Centre Branch | Shop G201, G/F., Lok Fu Shopping Centre |
| | Mei Foo Stage I Branch | G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok |
| **New Territories** | Metroplaza Branch | Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung |

**Wing Lung Bank Limited**

| | Branch | Address |
|---|---|---|
| **Hong Kong Island** | Head Office | 45 Des Voeux Road Central |
| | Kennedy Town Branch | 28 Catchick Street |
| **Kowloon** | Tsim Sha Tsui Branch | 4 Carnarvon Road |
| | To Kwa Wan Branch | 64 To Kwa Wan Road |
| **New Territories** | Yuen Long Branch | 37 On Ning Road |

You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 16, 2015 till 12:00 noon on Thursday, October 22, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

**Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** application form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited— China Huarong Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, October 16, 2015 – 9:00 a.m. to 5:00 p.m.
Saturday, October 17, 2015 – 9:00 a.m. to 1:00 p.m.
Monday, October 19, 2015 – 9:00 a.m. to 5:00 p.m.
Tuesday, October 20, 2015 – 9:00 a.m. to 5:00 p.m.
Thursday, October 22, 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 am to 12:00 noon on Thursday, October 22, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

## 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the application form carefully; otherwise, your application may be rejected.

By submitting an application form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the application form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the application form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the section "Personal Collection" to collect H Share certificate(s) and/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the application form or give electronic application instructions on behalf of that other person as their agent.

**Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** application form for details.

## 5. APPLYING THROUGH WHITE FORM eIPO SERVICE

**General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website at **www.eipo.com.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at **www.eipo.com.hk**, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

**Time for Submitting Applications under the White Form eIPO Service**

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, October 16, 2015 until 11:30 a.m. on Thursday, October 22, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, October 22, 2015 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

**No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

**Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

**Environmental Protection**

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the **White Form eIPO** Service Provider, will contribute HK$2.00 for each "**China Huarong Asset Management Co., Ltd.**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

**General**

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the **CCASS Phone System** by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

**Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** application form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms, conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each Director, Supervisor, senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and
- authorize the Company to enter into a contract on its behalf with each director and senior officer of the Company whereby each such director and senior officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

**Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** application form and in this prospectus.

**Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the application forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

**Time for Inputting Electronic Application Instructions**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, October 16, 2015 – 9:00 a.m. to 8:30 p.m.[(1)]
- Monday, October 19, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, October 20, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, October 22, 2015 – 8:00 a.m.[(1)] to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, October 16, 2015 until 12:00 noon on Thursday, October 22, 2015 (24 hours daily, except Saturday, October 17, 2015 and the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, October 22, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

**No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

**Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

**Personal Data**

The section of the application form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** application form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on October 22, 2015 or such later time under the "Effect of Bad Weather on the Opening of the Application Lists" below.

## 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the application form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** application form (whether individually or jointly) or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** application forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the application forms.

You may submit an application using a **WHITE** or **YELLOW** application form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the application form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing of the Global Offering".

## 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "**black**" rainstorm warning,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Thursday, October 22, 2015. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Thursday, October 22, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "**black**" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

## 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, October 29, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.chamc.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the time and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.chamc.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, October 29, 2015;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, October 29, 2015 to 12:00 mid-night on Wednesday, November 4, 2015;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, October 29, 2015 to Sunday, November 1, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, October 29, 2015 to Saturday, October 31, 2015 at the designated receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

### (i) If your application is revoked:

By completing and submitting an application form or giving electronic application instructions to HKSCC or through the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your application form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

## 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.39 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, October 29, 2015.

## 14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** application forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** application form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** application forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Thursday, October 29, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, October 30, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

### Personal Collection

#### (v) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your application form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, October 29, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant application form on or before Thursday, October 29, 2015, by ordinary post and at your own risk.

**(vi) If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant application form on or before Thursday, October 29, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** application form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your application form on Thursday, October 29, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 29, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(vii) If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell

Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 29, 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, October 29, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

**(viii) If you apply via Electronic Application Instructions to HKSCC**

**Allocation of Hong Kong Offer Shares**

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

**Deposit of H Share Certificates into CCASS and Refund of Application Monies**

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, October 29, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, October 29, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 29, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures

contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, October 29, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, October 29, 2015.

## 15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

October 16, 2015

The Directors
China Huarong Asset Management Co., Ltd.
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
Goldman Sachs (Asia) L.L.C.
HSBC Corporate Finance (Hong Kong) Limited
ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 (the "Relevant Periods") (the "Financial Information") for inclusion in the prospectus of the Company dated October 16, 2015 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was transformed from 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. Pursuant to the MOF's Approval of China Huarong Asset Management Corporation State Shares Administration Plan (Caijin [2012] No.100) issued by the MOF on September 20, 2012, the Former Huarong was transformed to a joint stock company by issuing a total of 25,835.87 million promoters' shares to the MOF and China Life Insurance (Group) Company at par value of RMB1 each and at a total subscription price of RMB25,835.87 million, representing 100% of share capital of the Company on September 28, 2012. Details of the Company's financial restructuring are set out in note II to section A of this report.

The Company and all its subsidiaries have adopted December 31 as their financial year end dates. During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in subsidiaries as set out in note VI.31 to section A of this report.

The statutory financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP") for each of the years ended December 31, 2012, 2013 and 2014 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a firm of certified public accountants registered in the PRC. The statutory financial statements of the principal subsidiaries, directly or indirectly held by the Company, were audited by independent auditors as set out in note VI.31 to section A of this report.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods in accordance with the International

Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012, 2013 and 2014 and June 30, 2015 and of the consolidated results and consolidated cash flows of the Group for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015.

The comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2014 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "June 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the June 2014 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review of the June 2014 Financial Information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

## A. FINANCIAL INFORMATION
## CONSOLIDATED INCOME STATEMENTS
**(Amounts in thousands of RMB, unless otherwise stated)**

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | Note VI | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | | (Unaudited) | |
| Income from distressed debt assets classified as receivables | 1 | 4,645,000 | 8,918,040 | 15,662,033 | 7,014,450 | 11,012,476 |
| Fair value changes on distressed debt assets | 2 | 249,838 | 509,079 | 886,187 | 537,595 | 485,999 |
| Fair value changes on other financial assets | 3 | 459,581 | 941,650 | 1,289,186 | 530,833 | 2,177,313 |
| Interest income | 4 | 9,686,515 | 10,075,641 | 12,047,610 | 5,883,054 | 7,030,768 |
| Investment income | 5 | 5,328,266 | 8,179,483 | 9,803,565 | 4,396,721 | 9,828,617 |
| Commission and fee income | 6 | 5,243,938 | 6,784,553 | 7,985,645 | 3,477,774 | 5,517,596 |
| Net (losses)/gains on disposal of associates | | (59,493) | 14,295 | 128,037 | 13,927 | 175,329 |
| Other income and other net gains or losses | 7 | 509,677 | 1,896,627 | 3,258,441 | 1,447,807 | 1,597,951 |
| Total | | 26,063,322 | 37,319,368 | 51,060,704 | 23,302,161 | 37,826,049 |
| Interest expense | 8 | (9,083,998) | (10,930,568) | (17,903,653) | (7,882,546) | (12,126,660) |
| Commission and fee expense | 9 | (211,106) | (328,420) | (452,468) | (215,330) | (564,295) |
| Operating expenses | 10 | (4,861,095) | (7,016,607) | (8,469,479) | (3,260,293) | (5,331,195) |
| Impairment losses on assets | 11 | (2,323,323) | (4,850,175) | (6,225,587) | (2,249,732) | (6,150,212) |
| Total | | (16,479,522) | (23,125,770) | (33,051,187) | (13,607,901) | (24,172,362) |
| Change in net assets attributable to other holders of consolidated structured entities | | (571,047) | (554,754) | (1,307,220) | (405,037) | (970,717) |
| Share of results of associates | | 96,657 | 902 | 72,129 | 31,980 | 140,611 |
| Profit before tax | | 9,109,410 | 13,639,746 | 16,774,426 | 9,321,203 | 12,823,581 |
| Income tax expense | 12 | (2,122,856) | (3,546,557) | (3,743,581) | (2,242,548) | (2,955,815) |
| Profit for the year/period | | 6,986,554 | 10,093,189 | 13,030,845 | 7,078,655 | 9,867,766 |
| Profit attributable to: | | | | | | |
| Equity holders of the Company | | 5,892,163 | 8,659,592 | 10,656,207 | 5,678,298 | 8,373,349 |
| Holders of perpetual capital instruments | | — | — | 723 | — | 83,909 |
| Non-controlling interests | | 1,094,391 | 1,433,597 | 2,373,915 | 1,400,357 | 1,410,508 |
| | | 6,986,554 | 10,093,189 | 13,030,845 | 7,078,655 | 9,867,766 |
| Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)—Basic | 13 | 0.23 | 0.34 | 0.38 | 0.22 | 0.26 |

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**(Amounts in thousands of RMB, unless otherwise stated)**

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Profit for the year/period | 6,986,554 | 10,093,189 | 13,030,845 | 7,078,655 | 9,867,766 |
| Other comprehensive income/(expense): | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Actuarial gains/(losses) on defined benefit obligations | — | — | 1,688 | (12,793) | 1,693 |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Fair value changes on available-for-sale financial assets | (213,647) | (14,645) | 5,244,608 | 617,795 | 4,778,086 |
| Income tax effect | (16,295) | (2,386) | (1,248,055) | (154,449) | (1,194,522) |
| | (229,942) | (17,031) | 3,996,553 | 463,346 | 3,583,564 |
| Share of other comprehensive (expense) / income of associates | (356,741) | 341,520 | 49,132 | 11,752 | 51,444 |
| Exchange differences arising on translation of foreign operations | — | (1,286) | (2,921) | 356 | 9,140 |
| Other comprehensive (expense) /income for the year/period, net of income tax | (586,683) | 323,203 | 4,044,452 | 462,661 | 3,645,841 |
| Total comprehensive income for the year/period | 6,399,871 | 10,416,392 | 17,075,297 | 7,541,316 | 13,513,607 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | 5,304,278 | 9,050,265 | 14,632,233 | 6,110,552 | 11,999,179 |
| Holders of perpetual capital instruments | — | — | 723 | — | 83,909 |
| Non-controlling interests | 1,095,593 | 1,366,127 | 2,442,341 | 1,430,764 | 1,430,519 |
| | 6,399,871 | 10,416,392 | 17,075,297 | 7,541,316 | 13,513,607 |

## A. FINANCIAL INFORMATION
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**(Amounts in thousands of RMB, unless otherwise stated)**

| | | As at December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | Note VI | 2012 | 2013 | 2014 | 2015 |
| Assets | | | | | |
| Cash and balances with central bank | 17 | 16,897,809 | 21,151,976 | 26,945,320 | 27,087,549 |
| Deposits with financial institutions | 18 | 20,469,283 | 29,922,868 | 51,633,232 | 62,426,838 |
| Placements with financial institutions | 19 | 950,000 | 3,070,713 | 13,628,330 | 6,112,242 |
| Financial assets held for trading | 20 | 3,217,696 | 798,320 | 8,055,147 | 11,816,873 |
| Financial assets designated as at fair value through profit or loss | 21 | 16,125,619 | 20,264,041 | 33,115,178 | 48,574,803 |
| Financial assets held under resale agreements | 22 | 39,784,932 | 40,463,684 | 21,841,924 | 22,241,220 |
| Available-for-sale financial assets | 23 | 29,135,021 | 28,965,684 | 43,966,734 | 51,240,812 |
| Held-to-maturity investments | 24 | 9,741,939 | 12,623,756 | 18,817,891 | 22,352,540 |
| Financial assets classified as receivables | 25 | 74,921,669 | 124,319,993 | 227,033,219 | 297,629,167 |
| Loans and advances to customers | 27 | 37,645,668 | 48,176,387 | 63,239,421 | 76,721,252 |
| Finance lease receivables | 28 | 47,645,242 | 55,546,273 | 63,494,344 | 72,691,990 |
| Investment properties | 29 | 650,831 | 627,992 | 977,183 | 1,028,484 |
| Interests in associates | 30 | 2,903,487 | 2,855,252 | 2,863,368 | 3,971,886 |
| Property and equipment | 35 | 3,708,022 | 4,128,953 | 3,990,679 | 4,003,116 |
| Deferred tax assets | 36 | 915,101 | 2,036,729 | 2,671,833 | 2,723,633 |
| Other assets | 37 | 10,321,269 | 13,414,657 | 18,247,339 | 23,933,582 |
| Total assets | | 315,033,588 | 408,367,278 | 600,521,142 | 734,555,987 |
| Liabilities | | | | | |
| Borrowings from central bank | 38 | 40,000 | 52,300 | 80,000 | 60,000 |
| Deposits from financial institutions | 39 | 11,889,318 | 16,017,916 | 13,660,007 | 10,363,986 |
| Placements from financial institutions | 40 | — | 5,828,035 | 2,111,021 | 2,847,398 |
| Borrowings | 41 | 89,759,932 | 136,131,143 | 239,885,200 | 294,063,961 |
| Financial assets sold under repurchase agreements | 42 | 48,145,992 | 33,988,637 | 26,203,099 | 20,016,457 |
| Due to customers | 43 | 70,051,836 | 87,885,938 | 117,246,072 | 136,372,276 |
| Bonds and notes issued | 44 | 3,487,000 | 17,886,181 | 48,002,139 | 76,362,072 |
| Tax payable | 45 | 2,037,110 | 2,190,286 | 2,276,686 | 2,243,195 |
| Deferred tax liabilities | 36 | 55,905 | 160,751 | 123,265 | 470,716 |
| Other liabilities | 46 | 46,995,021 | 55,691,936 | 67,401,539 | 94,606,858 |
| Total liabilities | | 272,462,114 | 355,833,123 | 516,989,028 | 637,406,919 |
| Equity | | | | | |
| Share capital | 47 | 25,835,870 | 25,835,870 | 32,695,870 | 32,695,870 |
| Capital reserve | 48 | 1,370,215 | 1,374,413 | 9,078,345 | 8,986,986 |
| Surplus reserve | 49 | 416,046 | 1,000,912 | 1,631,898 | 1,631,898 |
| General reserve | 50 | 964,266 | 3,185,334 | 4,677,946 | 5,291,580 |
| Other reserves | 51 | (559,281) | (168,608) | 3,807,418 | 7,433,248 |
| Retained earnings | | 6,148,967 | 10,738,665 | 17,516,675 | 25,276,390 |
| Equity attributable to equity holders of the Company | | 34,176,083 | 41,966,586 | 69,408,152 | 81,315,972 |
| Perpetual capital instruments | 53 | — | — | 1,450,723 | 2,254,406 |
| Non-controlling interests | | 8,395,391 | 10,567,569 | 12,673,239 | 13,578,690 |
| Total equity | | 42,571,474 | 52,534,155 | 83,532,114 | 97,149,068 |
| Total equity and liabilities | | 315,033,588 | 408,367,278 | 600,521,142 | 734,555,987 |

## A. FINANCIAL INFORMATION

## STATEMENTS OF FINANCIAL POSITION

## (Amounts in thousands of RMB, unless otherwise stated)

| | | As at December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | Note VI | 2012 | 2013 | 2014 | 2015 |
| Assets | | | | | |
| Cash and balances with central bank | 17 | 1,886 | 1,827 | 1,834 | 1,938 |
| Deposits with financial institutions | 18 | 10,385,772 | 13,140,661 | 20,474,113 | 17,632,967 |
| Placements with financial institutions | 19 | — | 2,600,000 | 12,800,000 | 4,000,000 |
| Financial assets held for trading | 20 | — | — | 40,464 | 202,324 |
| Financial assets designated as at fair value through profit or loss | 21 | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 |
| Financial assets held under resale agreements | 22 | 138,600 | 544,000 | 2,200,000 | — |
| Available-for-sale financial assets | 23 | 22,655,622 | 21,645,434 | 29,385,052 | 30,957,444 |
| Financial assets classified as receivables | 25 | 58,397,745 | 91,775,451 | 166,713,736 | 210,121,146 |
| Amounts due from subsidiaries | 26 | 1,040,194 | 1,200,000 | 1,433,700 | 4,251,732 |
| Investment properties | 29 | 407,505 | 394,084 | 529,842 | 590,348 |
| Interests in associates | 30 | 2,843,533 | 2,799,869 | 2,823,984 | 2,948,927 |
| Interests in subsidiaries | 31 | 14,398,508 | 15,498,581 | 17,497,909 | 18,929,838 |
| Interests in consolidated structured entities | 33 | 661,000 | 121,233 | 1,918,730 | 3,958,981 |
| Property and equipment | 35 | 1,441,437 | 1,359,758 | 1,120,724 | 993,335 |
| Deferred tax assets | 36 | 722,737 | 1,601,507 | 2,048,662 | 1,947,934 |
| Other assets | 37 | 786,378 | 1,664,013 | 1,781,134 | 2,658,411 |
| Total assets | | 117,007,170 | 162,480,582 | 283,107,439 | 333,769,963 |
| Liabilities | | | | | |
| Placements from financial institutions | 40 | — | 4,000,000 | — | — |
| Borrowings | 41 | 57,728,000 | 87,880,000 | 171,890,000 | 211,210,000 |
| Financial assets sold under repurchase agreements | 42 | — | — | — | 1,409,400 |
| Bonds and notes issued | 44 | — | 12,000,000 | 31,882,703 | 31,891,602 |
| Tax payable | 45 | 1,685,558 | 1,715,449 | 1,308,493 | 1,341,448 |
| Other liabilities | 46 | 25,455,671 | 19,659,149 | 17,888,997 | 19,285,981 |
| Total liabilities | | 84,869,229 | 125,254,598 | 222,970,193 | 265,138,431 |
| Equity | | | | | |
| Share capital | 47 | 25,835,870 | 25,835,870 | 32,695,870 | 32,695,870 |
| Capital reserve | 48 | 126,631 | 132,011 | 7,803,134 | 7,837,186 |
| Surplus reserve | 49 | 416,046 | 1,000,912 | 1,631,898 | 1,631,898 |
| General reserve | 50 | — | 1,546,510 | 2,189,070 | 2,189,070 |
| Other reserves | 51 | (606,648) | (124,509) | 3,700,369 | 7,307,471 |
| Retained earnings | 52 | 6,366,042 | 8,835,190 | 12,116,905 | 16,970,037 |
| Total equity | | 32,137,941 | 37,225,984 | 60,137,246 | 68,631,532 |
| Total equity and liabilities | | 117,007,170 | 162,480,582 | 283,107,439 | 333,769,963 |

## A. FINANCIAL INFORMATION
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## (Amounts in thousands of RMB, unless otherwise stated)

| | | Equity attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Paid-in capital | Share capital | Capital reserve | Surplus reserve | General reserve | Other reserves | Retained earnings | Subtotal | Perpetual capital instruments | Non-controlling interests | Total |
| As at January 1, 2012 | | 10,000,000 | — | 4,449,441 | — | 361 | 2,878,856 | 9,286,989 | 26,615,647 | — | 7,057,129 | 33,672,776 |
| Profit for the year | | — | — | — | — | — | — | 5,892,163 | 5,892,163 | — | 1,094,391 | 6,986,554 |
| Other comprehensive (expense)/income | | — | — | — | — | — | (587,885) | — | (587,885) | — | 1,202 | (586,683) |
| Total comprehensive (expense)/income for the year | | — | — | — | — | — | (587,885) | 5,892,163 | 5,304,278 | — | 1,095,593 | 6,399,871 |
| Revaluation of assets | II.2 | — | — | 6,081,694 | — | — | — | (4,314,396) | 1,767,298 | — | — | 1,767,298 |
| Capitalization of reserves | II.3 | 9,254,176 | — | (3,068,086) | — | — | (2,850,252) | (3,335,838) | — | — | — | — |
| Financial restructuring | II.5 | (19,254,176) | 25,335,870 | (6,081,694) | — | — | — | — | — | — | — | — |
| Capital contribution from shareholders | II.5 | — | 500,000 | — | — | — | — | — | 500,000 | — | 558,620 | 1,058,620 |
| Appropriation to surplus reserve | VI.49 | — | — | — | 416,046 | — | — | (416,046) | — | — | — | — |
| Appropriation to general reserve | VI.50 | — | — | — | — | 963,905 | — | (963,905) | — | — | — | — |
| Dividends paid to shareholders | | — | — | — | — | — | — | — | — | — | (315,951) | (315,951) |
| Others | | — | — | (11,140) | — | — | — | — | (11,140) | — | — | (11,140) |
| As at December 31, 2012 | | — | 25,835,870 | 1,370,215 | 416,046 | 964,266 | (559,281) | 6,148,967 | 34,176,083 | — | 8,395,391 | 42,571,474 |
| Profit for the year | | — | — | — | — | — | — | 8,659,592 | 8,659,592 | — | 1,433,597 | 10,093,189 |
| Other comprehensive income/(expense) | | — | — | — | — | — | 390,673 | — | 390,673 | — | (67,470) | 323,203 |
| Total comprehensive income for the year | | — | — | — | — | — | 390,673 | 8,659,592 | 9,050,265 | — | 1,366,127 | 10,416,392 |
| Capital contribution from shareholders | | — | — | — | — | — | — | — | — | — | 1,328,204 | 1,328,204 |
| Appropriation to surplus reserve | VI.49 | — | — | — | 584,866 | — | — | (584,866) | — | — | — | — |
| Appropriation to general reserve | VI.50 | — | — | — | — | 2,221,068 | — | (2,221,068) | — | — | — | — |
| Dividends paid to shareholders | | — | — | — | — | — | — | (1,248,139) | (1,248,139) | — | (539,156) | (1,787,295) |
| Others | | — | — | 4,198 | — | — | — | (15,821) | (11,623) | — | 17,003 | 5,380 |
| As at December 31, 2013 | | — | 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 |
| Capital contribution from shareholders | VI.47 | — | 6,860,000 | 7,640,013 | — | — | — | — | 14,500,013 | — | 574,526 | 15,074,539 |
| Issuance of perpetual capital instruments by subsidiary | VI.53 | — | — | — | — | — | — | — | — | 1,450,000 | — | 1,450,000 |
| Appropriation to surplus reserve | VI.49 | — | — | — | 630,986 | — | — | (630,986) | — | — | — | — |
| Appropriation to general reserve | VI.50 | — | — | — | — | 1,492,612 | — | (1,492,612) | — | — | — | — |
| Dividends paid to shareholders | | — | — | — | — | — | — | (1,754,599) | (1,754,599) | — | (878,388) | (2,632,987) |
| Others | | — | — | 63,919 | — | — | — | — | 63,919 | — | (32,809) | 31,110 |
| 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 |

## A. FINANCIAL INFORMATION
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
## (Amounts in thousands of RMB, unless otherwise stated)

| | Notes | Equity attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Surplus reserve | General reserve | Other reserves | Retained earnings | Subtotal | Perpetual capital instruments | Non-controlling interests | Total |
| 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 period | | — | — | — | — | — | 5,678,298 | 5,678,298 | — | 1,400,357 | 7,078,655 |
| Other comprehensive income | | — | — | — | — | 432,254 | — | 432,254 | — | 30,407 | 462,661 |
| Total comprehensive income for the period | | — | — | — | — | 432,254 | 5,678,298 | 6,110,552 | — | 1,430,764 | 7,541,316 |
| Capital contribution from shareholders | | — | — | — | — | — | — | — | — | 18,230 | 18,230 |
| Dividends paid to shareholders | | — | — | — | — | — | (1,754,599) | (1,754,599) | — | (535,580) | (2,290,179) |
| Appropriation to general reserve | VI.50 | — | — | — | 1,057,151 | — | (1,057,151) | — | — | — | — |
| Others | | — | 45,542 | — | — | — | — | 45,542 | — | — | 45,542 |
| As at June 30, 2014 (unaudited) | | 25,835,870 | 1,419,955 | 1,000,912 | 4,242,485 | 263,646 | 13,605,213 | 46,368,081 | — | 11,480,983 | 57,849,064 |
| 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 period | | — | — | — | — | — | 8,373,349 | 8,373,349 | 83,909 | 1,410,508 | 9,867,766 |
| Other comprehensive income | | — | — | — | — | 3,625,830 | — | 3,625,830 | — | 20,011 | 3,645,841 |
| Total comprehensive income for the period | | — | — | — | — | 3,625,830 | 8,373,349 | 11,999,179 | 83,909 | 1,430,519 | 13,513,607 |
| Capital contribution from shareholders | | — | — | — | — | — | — | — | — | 113,642 | 113,642 |
| Dividends paid to shareholders | | — | — | — | — | — | — | — | — | (658,359) | (658,359) |
| Issuance of perpetual capital instruments by subsidiary | VI.53 | — | — | — | — | — | — | — | 800,000 | — | 800,000 |
| Distribution relating to perpetual capital instruments | VI.53 | — | — | — | — | — | — | — | (80,226) | — | (80,226) |
| Appropriation to general reserve | VI.50 | — | — | — | 613,634 | — | (613,634) | — | — | — | — |
| Others | | — | (91,359) | — | — | — | — | (91,359) | — | 19,649 | (71,710) |
| As at June 30, 2015 | | 32,695,870 | 8,986,986 | 1,631,898 | 5,291,580 | 7,433,248 | 25,276,390 | 81,315,972 | 2,254,406 | 13,578,690 | 97,149,068 |

## A. FINANCIAL INFORMATION
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (Amounts in thousands of RMB, unless otherwise stated)

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| OPERATING ACTIVITIES | | | | | |
| Profit before tax | 9,109,410 | 13,639,746 | 16,774,426 | 9,321,203 | 12,823,581 |
| Adjustments for: | | | | | |
| Impairment losses on assets | 2,323,323 | 4,850,175 | 6,225,587 | 2,249,732 | 6,150,212 |
| Depreciation of property and equipment and investment properties | 389,804 | 344,009 | 372,744 | 180,233 | 198,496 |
| Amortization of intangible assets and other assets | 29,626 | 44,811 | 94,991 | 70,181 | 91,541 |
| Share of results of associates | (96,657) | (902) | (72,129) | (31,980) | (140,611) |
| Fair value changes on financial assets | (29,887) | 226,964 | (293,123) | (271,209) | (664,714) |
| Investment income | (2,999,377) | (3,181,145) | (5,212,394) | (2,137,386) | (6,269,864) |
| Interest expense of bonds and notes issued | 111,308 | 371,111 | 1,105,936 | 517,848 | 1,689,066 |
| Net gains on disposal of property and equipment | (18,791) | (33,406) | (16,263) | (17,529) | (632) |
| Interest income arising from impaired financial assets | (20,137) | (69,416) | (113,585) | (56,565) | (101,482) |
| Net foreign exchange losses/(gains) | 65 | 793 | 34,239 | (284) | (202,171) |
| Operating cash flows before movements in working capital | 8,798,687 | 16,192,740 | 18,900,429 | 9,824,244 | 13,573,422 |
| Net increase in loans and advances to customers | (8,312,176) | (10,799,291) | (15,559,265) | (5,968,647) | (13,860,792) |
| Net increase in finance lease receivables | (9,772,529) | (7,947,199) | (8,211,712) | (4,454,773) | (9,440,903) |
| Net increase in balances with central bank and deposits with financial institutions | (6,105,340) | (4,940,130) | (11,414,856) | (8,899,206) | (10,288,448) |
| Net increase in financial assets at FVTPL | (7,356,907) | (2,325,499) | (19,814,831) | (7,986,053) | (18,556,637) |
| Net (increase)/decrease in placements with financial institutions | (38,182) | (322,787) | (161,411) | (3,059,031) | 522,380 |
| Net decrease/(increase) in financial assets held under resale agreements | 3,432,324 | 9,751,901 | 5,497,465 | 18,041,922 | (1,177,614) |
| Net increase in financial assets classified as receivable | (24,380,484) | (35,914,185) | (76,061,461) | (45,871,963) | (49,001,985) |
| Net decrease in available-for-sale financial assets | 633,016 | 598,219 | 1,060,579 | 144,792 | 1,354,952 |
| Net increase in due to customers | 15,463,647 | 17,834,102 | 29,360,134 | 29,370,563 | 19,126,204 |
| Net (decrease)/increase in borrowings from central bank | (10,000) | 12,300 | 27,700 | 27,700 | (20,000) |
| Net increase/(decrease) in placements and deposits from financial institutions | 3,622,230 | 9,956,633 | (6,074,923) | (10,888,618) | (2,559,644) |
| Net increase/(decrease) in financial assets sold under repurchase agreements | 8,108,693 | (14,157,355) | (7,785,538) | (19,634,893) | (6,186,642) |
| Net increase in borrowings from financial institutions | 22,299,534 | 39,839,718 | 93,458,395 | 57,514,674 | 49,577,153 |
| Other changes in operating receivables | (4,857,484) | (7,616,955) | (16,208,762) | (7,116,651) | (7,005,585) |
| Other changes in operating payables | 4,980,189 | (1,502,948) | 6,827,890 | 575,353 | 15,912,497 |
| Cash generated from/(used in) operations | 6,505,218 | 8,659,264 | (6,160,167) | 1,619,413 | (18,031,642) |
| Income tax paid | (1,148,366) | (4,412,549) | (5,577,826) | (3,602,631) | (4,118,035) |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | 5,356,852 | 4,246,715 | (11,737,993) | (1,983,218) | (22,149,677) |
| INVESTING ACTIVITIES | | | | | |
| Cash receipts from disposal of investment securities | 23,482,323 | 52,706,717 | 70,340,820 | 55,353,666 | 29,873,427 |
| Cash receipts from interest income arising from investment securities | 2,343,551 | 2,716,235 | 4,695,117 | 2,191,001 | 6,217,794 |
| Cash receipts from dividend income | 130,004 | 92,734 | 77,267 | 130,753 | 26,522 |
| Cash receipts from disposal of associates and consolidated structured entities | 92,359 | 926,714 | 240,074 | 17,105 | 265,233 |
| Cash receipts from disposal of property and equipment, investment properties and other assets | 40,575 | 98,597 | 227,705 | 137,798 | 41,229 |
| Cash payments for purchase of investment securities | (24,641,065) | (69,033,384) | (106,895,575) | (67,741,301) | (63,636,694) |
| Cash payments for purchase of property and equipment, investment properties and other assets | (1,087,219) | (1,057,669) | (1,660,941) | (1,306,548) | (498,529) |
| Net cash flows from consolidated structured entities | (1,382,055) | 10,199,863 | 4,874,161 | 16,495 | 11,288,058 |
| Net cash outflow on acquisition of a subsidiary | — | — | — | — | (208,690) |
| NET CASH USED IN INVESTING ACTIVITIES | (1,021,527) | (3,350,193) | (28,101,372) | (11,201,031) | (16,631,650) |

## A. FINANCIAL INFORMATION
## CONSOLIDATED STATEMENTS OF CASH FLOWS—continued
## (Amounts in thousands of RMB, unless otherwise stated)

| | Note VI | Year ended December 31, 2012 | 2013 | 2014 | Six months ended June 30, 2014 (Unaudited) | 2015 |
|---|---|---|---|---|---|---|
| FINANCING ACTIVITIES | | | | | | |
| Proceeds from issue of shares | | 500,000 | — | 14,500,013 | — | — |
| Capital contribution from non-controlling interests of subsidiaries of the Company | | 558,620 | 1,328,204 | 574,526 | 18,230 | 113,642 |
| Issue of perpetual capital instruments | | — | — | 1,450,000 | — | 800,000 |
| Increase in borrowings from non-financial institutions | | 7,310,000 | 13,032,493 | 19,764,942 | 13,087,109 | 13,434,858 |
| Decrease in borrowings from non-financial institutions | | (3,683,171) | (6,501,000) | (9,469,280) | (4,484,450) | (8,833,250) |
| Cash receipts from bonds and notes issued | | 1,501,982 | 14,867,278 | 36,380,500 | 2,000,000 | 32,180,410 |
| Cash payments for transaction cost of bonds and notes issued | | (1,982) | (19,616) | (48,000) | — | (272,738) |
| Cash repayments for bonds and notes redeemed | | — | (500,000) | (6,000,000) | (2,000,000) | (4,666,880) |
| Dividends paid | | (315,951) | (1,787,295) | (2,632,987) | (186,179) | (356,765) |
| Cash payments for distribution to holders of perpetual capital instruments | | — | — | — | — | (80,226) |
| Interest paid on bonds issued | | (115,583) | (319,592) | (1,322,478) | (37,120) | (864,534) |
| NET CASH FROM FINANCING ACTIVITIES | | 5,753,915 | 20,100,472 | 53,197,236 | 8,397,590 | 31,454,517 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 10,089,240 | 20,996,994 | 13,357,871 | (4,786,659) | (7,326,810) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD | | 20,827,251 | 30,916,426 | 51,912,627 | 51,912,627 | 65,273,390 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | (65) | (793) | 2,892 | 284 | 202,171 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD | 54 | 30,916,426 | 51,912,627 | 65,273,390 | 47,126,252 | 58,148,751 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE: | | | | | | |
| Interest received | | 14,763,336 | 19,541,440 | 27,345,770 | 12,733,153 | 18,871,798 |
| Interest paid | | (8,834,999) | (10,193,934) | (16,324,258) | (6,304,874) | (10,642,230) |
| Net interest income | | 5,928,337 | 9,347,506 | 11,021,512 | 6,428,279 | 8,229,568 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION**
**(Amounts in thousands of RMB, 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 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 Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the MOF's Notice on Matters about the Pilot Reform of China Huarong Asset Management Corporation issued by the MOF on February 8, 2012 (the "Restructuring Plan"), the Former Huarong has completed the following financial restructuring and joint stock reformation measures (the "Financial Restructuring"):

1. Continuation of the Former Huarong's commercial business

The Former Huarong was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as "policy business"). The Former Huarong also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business of the Former Huarong has been operated by the Company continuously. On this basis, the financial statements of the Company for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 are prepared as a continuation of the Former Huarong's commercial business.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY—continued**

2. Revaluation of the Former Huarong's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Huarong engaged China United Appraisals Group Co., Ltd. ("CUA"), located at Chemsunny World Trade Center, No. 28 Fuxingmen Nei Avenue, Xicheng District, Beijing, PRC, a certified asset appraiser in the PRC to carry out an independent valuation on the assets and liabilities of its commercial business. CUA issued a valuation report (Zhonglian Pingbaozi [2012] No.198) (the "Valuation Report") which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Huarong Asset Management Corporation (Caijin [2012] No. 90). The revalued net assets of the Former Huarong amounting to RMB25,335.87 million were recognized in the financial statements of the Company on September 28, 2012 by reference to the valuation of such assets, including interests in subsidiaries, interests in associates, property and equipment, available-for-sale financial assets and other assets set out in the valuation report, and the revaluation surplus amounting to RMB6,081.69 million was credited to capital reserve accordingly.

3. Capitalization of reserves

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Huarong Asset Management Corporation State Shares Administration Plan (Caijin [2012] No. 100) (the "State Shares Administration Plan") issued by the MOF on September 20, 2012, RMB9,254.18 million of the Former Huarong's reserves including (i) distributable profit of RMB3,335.84 million, and (ii) capital reserve and other reserves amounting to RMB5,918.34 million were capitalized as paid-in capital.

4. Acquisition of policy business related assets

Pursuant to the Restructuring Plan, the Former Huarong acquired the assets in the policy business portfolio from the MOF at a value of RMB18,588.85 million that was determined based on an independent valuation.

5. Incorporation of joint stock company

Pursuant to the State Shares Administration Plan, the MOF and China Life Insurance (Group) Company (the "China Life") established the Company by subscribing for 25,835.87 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,835.87 million. The MOF subscribed for 25,335.87 million shares representing 98.06% of share capital of the Company, and settled this by Former Huarong's net assets. China Life subscribed for 500.00 million shares representing 1.94% of share capital of the Company, and paid for this by cash.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on January 1, 2015 throughout the Relevant Periods.

In addition, the Group has early applied the following amendments.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

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.

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] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[2] |
| Amendments to IAS 1 | Disclosure Initiative[2] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization[2] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012-2014 Cycle[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception[2] |

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2016

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

*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.

- 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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

*IFRS 9 Financial Instruments—continued*

model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are 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.

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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

*Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

*Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

For the application of the above mentioned new and revised IFRSs, the directors of the Company are in the process of assessing their impact on the Financial Information.

The directors of the Company anticipate that the application of the other new and revised IFRSs not discussed above will have no significant impact on the Group's Financial Information.

## IV. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

The Financial Information has 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 Financial Information 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:

- 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## IV. SIGNIFICANT ACCOUNTING POLICIES—continued

The principal accounting policies are set out below.

1. Basis of consolidation

The Financial Information 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.

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 subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated income statements 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## IV. SIGNIFICANT ACCOUNTING POLICIES—continued

1. Basis of consolidation—continued

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.

In the Company's statement of financial position, its investments in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

Changes in the Group's ownership interests in existing subsidiaries 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.

2. 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;

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

2. Business combinations—continued

- 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.

3. 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.

4. 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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## IV. SIGNIFICANT ACCOUNTING POLICIES—continued

4. Foreign currency transactions—continued

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

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

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

For the purposes of presenting the Financial Information, 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).

5. 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.1 Determination of fair value

Fair value is determined in the manner described above.

5.2 Effective interest method

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

5.3 Classification, recognition and measurement of financial assets

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

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

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

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

- it has been acquired principally for the purpose of selling it in the near 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.

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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.3 Classification, recognition and measurement of financial assets—continued

- 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.

*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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.3 Classification, recognition and measurement of financial assets—continued

*Available-for-sale financial assets—continued*

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.

5.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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;

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.4 Impairment of financial assets—continued

(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.

*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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.4 Impairment of financial assets—continued

*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.

*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.

5.5 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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.5 Transfers of financial assets—continued

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.

5.6 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

5. Financial instruments—continued

5.7 Derecognition of financial liabilities

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

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

5.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at 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.

5.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group 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.

6. Interests in associates

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

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates 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

**A. FINANCIAL INFORMATION**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

6. Interests in associates—continued

are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of 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. 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.

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition 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. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' Financial Information only to the extent of interests in the associate that are not related to the Group.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

7. 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.

Investment properties are depreciated on a straight-line basis over 30 years.

8. 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.

**A. FINANCIAL INFORMATION**
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## IV. SIGNIFICANT ACCOUNTING POLICIES—continued

8. Property and equipment—continued

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 period | 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.

9. 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.

10. Intangible assets

Intangible assets include trading seat fee and computer software, 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

**A. FINANCIAL INFORMATION**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

10. Intangible assets—continued

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.

11. Impairment on tangible and intangible assets

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.

**A. FINANCIAL INFORMATION**
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**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

12. Resale and repurchase agreements

12.1 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.

12.2 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.

13. 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 all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

14. 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:

14.1 Income from distressed debt assets classified as receivables

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables. Interest income is recognized in profit or loss using the effective interest method.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

14. Revenue recognition—continued

14.2 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.

14.3 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.

14.4 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.

14.5 Investment income

Net trading gain 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

14. Revenue recognition—continued

14.6 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.

14.7 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.

15. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

15.1 Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

15. Taxation—continued

15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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.

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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

16. 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.

16.1 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.

16.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

16.3 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## IV. SIGNIFICANT ACCOUNTING POLICIES—continued

17. 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.

18. 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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**IV. SIGNIFICANT ACCOUNTING POLICIES—continued**

18. Employee benefits—continued

*Post-retirement benefits—continued*

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.

*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.

19. 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 statements 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## V. CRITICAL ACCOUNTING JUDGMENTS 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 Financial Information 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## V. CRITICAL ACCOUNTING JUDGMENTS 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 VI.33 to section A.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in note IV.1 to section A.

## VI. EXPLANATORY NOTES

1. Income from distressed debt assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see note VI.25 to section A).

Interest income accrued on impaired financial assets included in income from distressed debt assets classified as receivables are RMB20.14 million, RMB69.42 million, RMB99.39 million, RMB52.35 million (unaudited) and RMB68.78 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 respectively.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at FVTPL during the Relevant Periods (see note VI.21 to section A).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

3. Fair value changes on other financial assets

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Fair value changes on financial assets held for trading | 97,508 | 72,330 | 603,689 | 137,256 | 1,353,489 |
| Fair value changes on financial assets designated as at FVTPL | 362,073 | 869,320 | 685,497 | 393,577 | 823,824 |
| Total | 459,581 | 941,650 | 1,289,186 | 530,833 | 2,177,313 |

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, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Finance lease receivables | 3,771,335 | 4,254,185 | 5,040,859 | 2,435,479 | 2,791,501 |
| Loans and advances to customers | | | | | |
| —Corporate loans and advances | 2,657,891 | 3,199,425 | 3,852,390 | 1,872,558 | 2,329,533 |
| —Personal loans and advances | 143,445 | 233,209 | 331,095 | 129,998 | 189,705 |
| —Loans to margin clients | 1,898 | 72,192 | 169,070 | 68,784 | 253,314 |
| Financial assets held under resale agreements | 2,026,322 | 1,494,237 | 1,021,411 | 603,385 | 620,459 |
| Deposits with financial institutions | 866,875 | 468,364 | 1,046,921 | 528,884 | 508,233 |
| Balances with central bank | 191,964 | 276,477 | 352,336 | 169,849 | 179,514 |
| Placements with financial institutions | 26,785 | 77,552 | 233,528 | 74,117 | 158,509 |
| Total | 9,686,515 | 10,075,641 | 12,047,610 | 5,883,054 | 7,030,768 |
| Interest income accrued on impaired financial assets (included within interest income) | — | — | 14,198 | 4,213 | 31,389 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

### 5. Investment income

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Interest income from | | | | | |
| Available-for-sale debt securities | 157,360 | 213,118 | 368,130 | 175,497 | 317,221 |
| Held-to-maturity debt securities | 361,923 | 398,072 | 652,975 | 292,226 | 401,201 |
| Other financial assets classified as receivables | 2,753,025 | 3,605,037 | 6,177,814 | 2,615,032 | 4,459,859 |
| Net realized gains from disposal of available-for-sale financial assets | 1,609,540 | 3,472,457 | 2,283,378 | 1,131,842 | 4,597,928 |
| Dividend income from available-for-sale financial assets | 351,699 | 411,138 | 280,940 | 170,410 | 41,321 |
| Others | 94,719 | 79,661 | 40,328 | 11,714 | 11,087 |
| Total | 5,328,266 | 8,179,483 | 9,803,565 | 4,396,721 | 9,828,617 |

### 6. Commission and fee income

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Asset management business | | | | | |
| —Distressed asset management | 2,725,803 | 3,210,269 | 4,024,316 | 1,969,113 | 2,332,084 |
| —Other asset management | 505,723 | 326,885 | 562,530 | 111,464 | 501,336 |
| Trust business | 1,344,439 | 1,718,760 | 1,444,378 | 540,153 | 599,176 |
| Securities and futures business | 394,699 | 661,793 | 1,047,602 | 288,255 | 1,517,884 |
| Banking business | 218,240 | 776,792 | 893,296 | 560,427 | 562,120 |
| Fund management and other business | 55,034 | 90,054 | 13,523 | 8,362 | 4,996 |
| Total | 5,243,938 | 6,784,553 | 7,985,645 | 3,477,774 | 5,517,596 |

### 7. Other income and other net gains or losses

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Revenue from properties development | — | 1,268,758 | 2,487,140 | 1,060,953 | 881,128 |
| Net (losses)/gains on exchange differences | (65) | (793) | (34,239) | 284 | 202,171 |
| Gains on acquisition of subsidiary[(1)] | — | — | — | — | 172,247 |
| Rental income | 130,160 | 113,628 | 191,312 | 118,681 | 96,655 |
| Others | 379,582 | 515,034 | 614,228 | 267,889 | 245,750 |
| Total | 509,677 | 1,896,627 | 3,258,441 | 1,447,807 | 1,597,951 |

(1) In May 2015, the Group acquired 70% equity interest in Chongqing Dong He Guang Cheng Real Estate Development Co., Ltd. at a consideration of RMB300.00 million and the entity became a subsidiary of the Group. The financial impact of such acquisition on the Group was insignificant. Net cash outflow of such acquisition amounted to RMB208.69 million.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

8. Interest expense

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Borrowings | | | | | |
| — wholly repayable within five years | (4,333,096) | (6,104,297) | (11,268,162) | (4,671,015) | (7,022,965) |
| — not wholly repayable within five years | (65,443) | (127,651) | (1,151,231) | (408,786) | (979,513) |
| Financial assets sold under repurchase agreements | (2,454,199) | (1,556,479) | (1,027,970) | (655,017) | (456,527) |
| Due to customers | (1,080,679) | (1,660,995) | (2,347,082) | (1,070,457) | (1,418,471) |
| Bonds and notes issued | (111,308) | (371,111) | (1,105,936) | (517,848) | (1,689,066) |
| Deposits from financial institutions | (535,688) | (598,291) | (536,950) | (311,234) | (329,084) |
| Amount due to the MOF | (134,017) | (361,661) | (283,573) | (163,449) | (121,960) |
| Placements from financial institutions | (368,141) | (148,499) | (180,701) | (84,129) | (108,314) |
| Borrowings from central bank | (1,427) | (1,584) | (2,048) | (611) | (760) |
| Total | (9,083,998) | (10,930,568) | (17,903,653) | (7,882,546) | (12,126,660) |

Above interest expenses mainly arise from the distressed asset management, banking and leasing business of the Group.

9. Commission and fee expense

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Asset management business | (102,419) | (189,094) | (260,339) | (126,743) | (83,846) |
| Securities and futures business | (86,266) | (102,455) | (135,878) | (57,345) | (440,152) |
| Banking business and others | (22,421) | (36,871) | (56,251) | (31,242) | (40,297) |
| Total | (211,106) | (328,420) | (452,468) | (215,330) | (564,295) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

### 10. Operating expenses

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Employee benefits[1] | (1,985,819) | (3,176,097) | (3,486,707) | (1,454,919) | (2,131,491) |
| Business tax and surcharges | (1,029,504) | (1,380,907) | (1,931,396) | (783,286) | (1,321,047) |
| Others | (1,845,772) | (2,459,603) | (3,051,376) | (1,022,088) | (1,878,657) |
| Including: | | | | | |
| Cost of properties development | — | (350,733) | (515,657) | (17,077) | (485,427) |
| Depreciation of property and equipment | (377,274) | (321,585) | (336,225) | (165,064) | (177,659) |
| Depreciation of investment properties | (12,530) | (22,424) | (36,519) | (15,169) | (20,837) |
| Long-term prepaid and deferred expenses | (11,015) | (22,528) | (51,371) | (50,138) | (63,731) |
| Amortization | (18,611) | (22,283) | (43,620) | (20,043) | (27,810) |
| Auditor's remuneration | (4,518) | (6,754) | (16,920) | (1,880) | (29,500) |
| Total | (4,861,095) | (7,016,607) | (8,469,479) | (3,260,293) | (5,331,195) |

(1) Employee benefits

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Wages or salaries, bonuses, allowances and subsidies | (1,488,408) | (2,330,147) | (2,556,996) | (1,084,725) | (1,678,576) |
| Social insurance | (117,272) | (132,980) | (150,973) | (64,999) | (87,954) |
| Housing funds | (111,874) | (155,207) | (163,898) | (71,786) | (86,983) |
| Staff welfare | (112,331) | (143,423) | (170,076) | (51,839) | (49,049) |
| Early retirement benefits | (14,990) | (128,079) | (44,184) | (11,695) | (15,414) |
| Labor union and staff education expenses | (106,888) | (89,876) | (104,224) | (30,113) | (44,974) |
| Annuity scheme | (14,149) | (172,089) | (264,384) | (127,844) | (161,298) |
| Others | (19,907) | (24,296) | (31,972) | (11,918) | (7,243) |
| Total | (1,985,819) | (3,176,097) | (3,486,707) | (1,454,919) | (2,131,491) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

11. Impairment losses on assets

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Reversal of/(allowance for) impairment losses on assets | | | | | |
| Available-for-sale financial assets | 104,204 | (785,435) | (506,676) | (42,571) | (594,597) |
| Distressed debt assets classified as receivables | (2,550,053) | (3,407,420) | (4,334,110) | (1,772,118) | (3,902,003) |
| Other financial assets classified as receivables | 305,037 | (293,026) | (441,161) | (77,104) | (893,239) |
| Loans and advances to customers | (107,989) | (268,572) | (510,429) | (263,654) | (410,350) |
| Finance lease receivables | (84,576) | (46,168) | (263,641) | (72,760) | (243,257) |
| Property and equipment | — | (24,792) | — | — | — |
| Other assets | 10,054 | (24,762) | (169,570) | (21,525) | (106,766) |
| Total | (2,323,323) | (4,850,175) | (6,225,587) | (2,249,732) | (6,150,212) |

12. Income tax expense

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Current income tax | (2,845,653) | (4,565,725) | (5,664,226) | (2,539,211) | (4,084,544) |
| —PRC Enterprise Income tax | (2,845,653) | (4,558,872) | (5,360,412) | (2,530,504) | (3,970,207) |
| —Hong Kong Profits Tax | — | (6,853) | (303,814) | (8,707) | (114,337) |
| Deferred income tax | 722,797 | 1,019,168 | 1,920,645 | 296,663 | 1,128,729 |
| Total | (2,122,856) | (3,546,557) | (3,743,581) | (2,242,548) | (2,955,815) |

The statutory income tax rate applicable to PRC enterprise was 25% throughout the Relevant Periods.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit throughout the Relevant Periods.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

12. Income tax expense—continued

Reconciliation of profit before tax to income tax expense is as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Profit before tax | 9,109,410 | 13,639,746 | 16,774,426 | 9,321,203 | 12,823,581 |
| Income tax calculated at the tax rate of 25% | (2,277,353) | (3,409,937) | (4,193,607) | (2,330,301) | (3,205,895) |
| Tax effect of income not taxable for tax purpose(1) | 200,573 | 172,970 | 209,881 | 84,609 | 95,024 |
| Tax effect of expenses not deductible for tax purpose(2) | (198,196) | (305,831) | (428,575) | (46,348) | (67,713) |
| Tax effect of different tax rate of subsidiaries | — | 2,642 | 31,808 | 7,980 | 167,192 |
| Recognition of deferred tax asset previously not recognized | 156,358 | 12,798 | 561,253 | — | — |
| Others | (4,238) | (19,199) | 75,659 | 41,512 | 55,577 |
| Income tax expense | (2,122,856) | (3,546,557) | (3,743,581) | (2,242,548) | (2,955,815) |

(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 employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

13. Earnings per share

The calculation of basic earnings per share is as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Earnings: | | | | | |
| Profit attributable to equity holders of the Company | 5,892,163 | 8,659,592 | 10,656,207 | 5,678,298 | 8,373,349 |
| Number of shares: | | | | | |
| Weighted average number of shares in issue (in thousand) | 25,465,651 | 25,835,870 | 27,940,856 | 25,835,870 | 32,695,870 |
| Basic earnings per share (RMB Yuan) | 0.23 | 0.34 | 0.38 | 0.22 | 0.26 |

Paid-in capital of the Former Huarong was RMB10,000.00 million. After the Financial Restructuring as detailed in note II to section A, the MOF and China Life established the Company on September 28, 2012 by subscribing for 25,835.87 million promoters' shares at par value of RMB1 each.

The basic earnings per share for 2012 is calculated based on the assumption that the shares subscribed by MOF under the Financial Restructuring had been effective on January 1, 2012.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

13. Earnings per share—continued

On September 11, 2014, the Company issued a total of 6,860.00 million shares at par value of RMB1 each to 8 strategic investors for a total consideration of RMB14,500.01 million with share premium of RMB7,640.01 million.

There was no potential ordinary share outstanding during the Relevant Periods.

14. Dividends

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Dividends recognized as distribution during the year/period | — | 1,248,139 | 1,754,599 | 1,754,599 | — |

(1) Distribution of final dividend for 2012

A cash dividend of RMB1,248.14 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on May 24, 2013.

The above dividend had been recognized as distribution during the year ended December 31, 2013.

(2) Distribution of final dividend for 2013

A cash dividend of RMB1,754.60 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.

(3) Pursuant to the resolution of the 25th extraordinary general meeting for 2015 of the Company held on June 14, 2015, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the Relevant Periods to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Date") will be declared to shareholders on the Company's register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from the date immediately after the Relevant Periods to the Special Dividend Date, after the required appropriations to statutory reserve and general reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with PRC GAAP and IFRSs, whichever is lower.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

15. Emoluments of directors and supervisors

| | Year ended December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Fees | Salary and other benefits | Discretionary bonus | | Total (before tax) |
| | | | Paid | Deferred | |
| Executive directors | | | | | |
| LAI Xiaomin(1) | — | 714 | 589 | 589 | 1,892 |
| KE Kasheng(2) | — | 171 | 131 | 131 | 433 |
| WANG Keyue(3) | — | 631 | 513 | 513 | 1,657 |
| Non-executive directors | | | | | |
| TIAN Yuming(4) | — | — | — | — | — |
| WANG Cong(4) | — | — | — | — | — |
| DAI Lijia(4) | — | — | — | — | — |
| Independent non-executive director | | | | | |
| SONG Fengming(5) | 63 | — | — | — | 63 |
| Supervisors | | | | | |
| SUI Yunsheng(6) | — | 660 | 523 | 523 | 1,706 |
| WANG Qi(7) | 50 | — | — | — | 50 |
| ZHU Fang(8)(10) | 5 | — | — | — | 5 |
| Total | 118 | 2,176 | 1,756 | 1,756 | 5,806 |

| | Year ended December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Fees | Salary and other benefits | Discretionary bonus | | Total (before tax) |
| | | | Paid | Deferred | |
| Executive directors | | | | | |
| LAI Xiaomin(1) | — | 729 | 618 | 618 | 1,965 |
| KE Kasheng(2) | — | 628 | 556 | 556 | 1,740 |
| WANG Keyue(3) | — | 633 | 544 | 544 | 1,721 |
| Non-executive directors | | | | | |
| TIAN Yuming(4) | — | — | — | — | — |
| WANG Cong(4) | — | — | — | — | — |
| DAI Lijia(4) | — | — | — | — | — |
| Independent non-executive director | | | | | |
| SONG Fengming(5) | 250 | — | — | — | 250 |
| Supervisors | | | | | |
| SUI Yunsheng(6) | — | 648 | 550 | 550 | 1,748 |
| WANG Qi(7) | 200 | — | — | — | 200 |
| ZHU Fang(8)(10) | 20 | — | — | — | 20 |
| Total | 470 | 2,638 | 2,268 | 2,268 | 7,644 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

15. Emoluments of directors and supervisors—continued

| | Year ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | | Discretionary bonus[16] | | | |
| | Fees | Salary and other benefits | Paid | Deferred | Employer's contribution to pension scheme | Total (before tax) |
| Executive directors | | | | | | |
| LAI Xiaomin[1] | — | 695 | 590 | 590 | 31 | 1,906 |
| KE Kasheng[2] | — | 605 | 523 | 523 | 24 | 1,675 |
| WANG Keyue[3] | — | 600 | 512 | 512 | 26 | 1,650 |
| Non-executive directors | | | | | | |
| TIAN Yuming[4] | — | — | — | — | — | — |
| WANG Cong[4] | — | — | — | — | — | — |
| DAI Lijia[4] | — | — | — | — | — | — |
| Independent non-executive director | | | | | | |
| SONG Fengming[5] | 250 | — | — | — | — | 250 |
| Supervisors | | | | | | |
| SUI Yunsheng[6] | — | 609 | 523 | 523 | 26 | 1,681 |
| WANG Qi[7] | 200 | — | — | — | — | 200 |
| ZHU Fang[8][10] | 3 | | | | | 3 |
| ZHENG Shengqin[9][10] | 17 | — | — | — | — | 17 |
| Total | 470 | 2,509 | 2,148 | 2,148 | 107 | 7,382 |

| | Six months ended June 30, 2014 (Unaudited) | | | |
|---|---|---|---|---|
| | Fees | Paid remuneration and other benefits[16] | Employer's contribution to pension scheme | Total (before tax) |
| Executive directors | | | | |
| LAI Xiaomin[1] | — | 628 | 13 | 641 |
| KE Kasheng[2] | — | 553 | 9 | 562 |
| WANG Keyue[3] | — | 543 | 10 | 553 |
| Non-executive directors | | | | |
| TIAN Yuming[4] | — | — | — | — |
| WANG Cong[4] | — | — | — | — |
| DAI Lijia[4] | — | — | — | — |
| Independent non-executive director | | | | |
| SONG Fengming[5] | 125 | — | — | 125 |
| Supervisors | | | | |
| SUI Yunsheng[6] | — | 553 | 10 | 563 |
| WANG Qi[7] | 100 | — | — | 100 |
| ZHU Fang[8][10] | 3 | — | — | 3 |
| ZHENG Shengqin[9][10] | 7 | — | — | 7 |
| Total | 235 | 2,277 | 42 | 2,554 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

15. Emoluments of directors and supervisors—continued

| | Six months ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Fees | Paid remuneration and other benefits[16] | Employer's contribution to pension scheme | Total (before tax) |
| Executive directors | | | | |
| LAI Xiaomin[1] | — | 346 | 22 | 368 |
| KE Kasheng[2] | — | 327 | 17 | 344 |
| WANG Keyue[3] | — | 303 | 19 | 322 |
| Non-executive directors | | | | |
| TIAN Yuming[4] | — | — | — | — |
| WANG Cong[4] | — | — | — | — |
| DAI Lijia[4] | — | — | — | — |
| LI Hui[12] | — | — | — | — |
| WANG Sidong[13] | — | — | — | — |
| Independent non-executive directors | | | | |
| SONG Fengming[5] | 125 | — | — | 125 |
| WU Xiaoqiu[14] | 82 | — | — | 82 |
| TSE Hau Yin[15] | 69 | — | — | 69 |
| Supervisors | | | | |
| SUI Yunsheng[6] | — | 326 | 19 | 345 |
| WANG Qi[7] | 100 | — | — | 100 |
| ZHENG Shengqin[9][10] | 10 | — | — | 10 |
| XU Dong[10][11] | 5 | — | — | 5 |
| Total | 391 | 1,302 | 77 | 1,770 |

(1) LAI Xiaomin was appointed as the Chairman of the Board of Directors in September 2012.
(2) KE Kasheng was appointed as executive director in September 2012. KE Kasheng was also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
(3) WANG Keyue was appointed as executive director in September 2012. WANG Keyue was also the Vice Chief Executive and his emoluments disclosed above include those for services rendered by him as the Vice Chief Executive.
(4) TIAN Yuming, WANG Cong and DAI Lijia were appointed as non-executive directors in September 2012. These non-executive directors did not receive any fees from the Company.
(5) SONG Fengming was appointed as independent non-executive director in September 2012.
(6) SUI Yunsheng was appointed as the Chairman of the Board of Supervisors in September 2012.
(7) WANG Qi was appointed as external supervisor in September 2012.
(8) ZHU Fang was appointed as employee representative supervisor in September 2012, and ceased to be employee representative supervisor in February 2014.
(9) ZHENG Shengqin was appointed as employee representative supervisor in February 2014.
(10) The amounts only included fees for their services as supervisors.
(11) XU Dong was appointed as employee representative supervisor in March 2015.
(12) LI Hui was appointed as non-executive director in February 2015. This non-executive director did not receive any fees from the Company.
(13) WANG Sidong was appointed as non-executive director in March 2015. This non-executive director did not receive any fees from the Company.
(14) WU Xiaoqiu was appointed as independent non-executive director in March 2015.
(15) TSE Hau Yin was appointed as independent non-executive director in March 2015.
(16) The total compensation packages for these directors and supervisors for the year ended December 31, 2014 and the six months ended June 30, 2014 and 2015 have not been approved by the general meeting, nor finalized in accordance with regulations of the relevant authorities in the PRC.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

15. Emoluments of directors and supervisors—continued

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in note VI.16 to section A below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the Relevant Periods. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

16. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services excluding the directors, supervisors and Chief Executive whose details have been reflected in note VI.15 to section A is as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Emoluments of key management personnel | | | | | |
| —Salary and other benefits | 3,653 | 5,598 | 5,343 | 2,531 | 2,064 |
| —Employer's contribution to pension scheme | — | — | 228 | 144 | 170 |
| —Discretionary and performance related incentive payments | 5,838 | 9,557 | 9,114 | 2,280 | 934 |
| Total (before tax) | 9,491 | 15,155 | 14,685 | 4,955 | 3,168 |

The total compensation packages for the above key management personnel for the year ended December 31, 2014 and the six months ended June 30, 2014 and 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, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| RMB nil to RMB500,000 | 4 | — | — | — | 10 |
| RMB500,001 to RMB1,000,000 | — | — | — | 9 | — |
| RMB1,500,001 to RMB2,000,000 | 5 | 9 | 9 | — | — |
| | 9 | 9 | 9 | 9 | 10 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

16. Key management personnel and five highest paid individuals—continued

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group during the Relevant Periods were as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Salary and other benefits | 1,670 | 1,783 | 3,352 | 1,221 | 1,414 |
| Employer's contribution to pension scheme | 121 | — | 310 | 337 | 335 |
| Discretionary and performance related incentive payments | 12,159 | 15,107 | 17,799 | 3,271 | 2,993 |
| Total | 13,950 | 16,890 | 21,461 | 4,829 | 4,742 |

Among the five individuals with the highest emoluments in the Group, none of them was director. The number of these five individuals whose emoluments fall within the following bands is as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| RMB500,001 to RMB1,000,000 | — | — | — | 4 | 4 |
| RMB1,000,001 to RMB1,500,000 | — | — | — | 1 | 1 |
| RMB2,500,001 to RMB3,000,000 | 5 | 3 | — | — | — |
| RMB3,000,001 to RMB3,500,000 | — | — | 2 | — | — |
| RMB3,500,001 to RMB4,000,000 | — | 1 | — | — | — |
| RMB4,000,001 to RMB4,500,000 | — | — | 1 | — | — |
| RMB4,500,001 to RMB5,000,000 | — | 1 | — | — | — |
| RMB5,000,001 to RMB5,500,000 | — | — | 1 | — | — |
| RMB5,500,001 to RMB6,000,000 | — | — | 1 | — | — |
| | 5 | 5 | 5 | 5 | 5 |

17. Cash and balances with central bank

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Cash | 247,480 | 305,860 | 367,287 | 386,973 |
| Mandatory reserve deposits with central bank (1) | 12,870,471 | 16,687,417 | 21,085,693 | 20,796,015 |
| Surplus reserve deposits with central bank (2) | 3,525,539 | 4,080,875 | 5,392,097 | 5,862,862 |
| Other deposits with central bank | 254,319 | 77,824 | 100,243 | 41,699 |
| Total | 16,897,809 | 21,151,976 | 26,945,320 | 27,087,549 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

17. Cash and balances with central bank—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Cash | 675 | 605 | 606 | 705 |
| Other deposits with central bank | 1,211 | 1,222 | 1,228 | 1,233 |
| Total | 1,886 | 1,827 | 1,834 | 1,938 |

The balance of the Group mainly arises from its banking business (the "Bank").

(1) The Bank places mandatory reserve deposits with the People's Bank of China (the "PBOC"). These 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, 2012, 2013 and 2014 and June 30, 2015, the Bank's RMB mandatory reserve deposits placed with the PBOC were based on 18%, 18%, 18% and 15.5%, respectively of eligible RMB deposits; foreign currency mandatory reserve deposits were based on 5%, 5%, 5% and 5% respectively of eligible foreign currency deposits from customers. 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.

18. Deposits with financial institutions

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | 19,658,125 | 28,830,832 | 49,366,307 | 57,647,710 |
| Clearing settlement funds | 431,451 | 826,759 | 1,973,292 | 4,226,512 |
| Other financial institutions | 379,707 | 265,277 | 293,633 | 552,616 |
| Total | 20,469,283 | 29,922,868 | 51,633,232 | 62,426,838 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | 10,344,840 | 13,106,664 | 20,208,068 | 17,308,701 |
| Clearing settlement funds | 40,932 | 33,997 | 266,045 | 324,266 |
| Total | 10,385,772 | 13,140,661 | 20,474,113 | 17,632,967 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

19. Placements with financial institutions

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | 950,000 | 3,070,713 | 13,628,330 | 6,112,242 |
| Total | 950,000 | 3,070,713 | 13,628,330 | 6,112,242 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | — | 2,600,000 | 12,800,000 | 4,000,000 |
| Total | — | 2,600,000 | 12,800,000 | 4,000,000 |

20. Financial assets held for trading

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Debt securities | | | | |
| —Government bonds | 746,821 | — | — | — |
| —Public sector and quasi-government bonds | 328,759 | — | 827,924 | 2,378,793 |
| —Financial institution bonds | — | 24,909 | 55,494 | 790,754 |
| —Corporate bonds | 1,396,297 | 163,654 | 6,026,956 | 5,235,118 |
| Subtotal | 2,471,877 | 188,563 | 6,910,374 | 8,404,665 |
| Equity instruments listed or traded on exchanges | 569,709 | 541,954 | 1,024,207 | 2,694,785 |
| Funds | 176,110 | 67,803 | 120,556 | 632,013 |
| Wealth management products | — | — | — | 85,410 |
| Derivatives | — | — | 10 | — |
| Total | 3,217,696 | 798,320 | 8,055,147 | 11,816,873 |
| Analyzed as: | | | | |
| Listed in Hong Kong | — | 203,869 | 668,246 | 1,825,274 |
| Listed outside Hong Kong | 3,217,696 | 594,451 | 7,386,891 | 9,704,456 |
| Unlisted | — | — | 10 | 287,143 |
| Total | 3,217,696 | 798,320 | 8,055,147 | 11,816,873 |
| Including: | | | | |
| Debt securities analyzed as: | | | | |
| Listed in Hong Kong | — | — | — | 92,230 |
| Listed outside Hong Kong[(1)] | 2,471,877 | 188,563 | 6,910,374 | 8,312,435 |
| Total | 2,471,877 | 188,563 | 6,910,374 | 8,404,665 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

### 20. Financial assets held for trading—continued

Group—continued

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Equity instruments listed or traded on exchanges analyzed as: | | | | |
| Listed in Hong Kong | — | 203,869 | 668,246 | 1,733,044 |
| Listed outside Hong Kong | 569,709 | 338,085 | 355,961 | 961,741 |
| Total | 569,709 | 541,954 | 1,024,207 | 2,694,785 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Funds | — | — | 40,464 | 202,324 |
| Total | — | — | 40,464 | 202,324 |
| Analyzed as: | | | | |
| Listed outside Hong Kong | — | — | 40,464 | 202,324 |
| Total | — | — | 40,464 | 202,324 |

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

### 21. Financial assets designated as at fair value through profit or loss

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets | 3,126,253 | 8,134,164 | 23,612,200 | 37,504,154 |
| Wealth management products[(1)] | 9,756,247 | 6,591,681 | 5,756,336 | 2,872,124 |
| Equity instruments | 1,494,522 | 1,838,196 | 1,780,238 | 1,441,260 |
| Structured products[(2)] | — | — | 1,417,919 | 3,083,090 |
| Convertible bonds | — | — | 347,975 | 1,907,512 |
| Trust products | — | — | — | 1,566,663 |
| Asset management plans | 1,748,597 | 3,700,000 | 200,510 | 200,000 |
| Total | 16,125,619 | 20,264,041 | 33,115,178 | 48,574,803 |
| Analyzed as: | | | | |
| Listed in Hong Kong | — | — | 383,431 | 3,780 |
| Listed outside Hong Kong[(3)] | — | — | 41,228 | 95,175 |
| Unlisted | 16,125,619 | 20,264,041 | 32,690,519 | 48,475,848 |
| Total | 16,125,619 | 20,264,041 | 33,115,178 | 48,574,803 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

21. Financial assets designated as at fair value through profit or loss—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 |
| Total | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 |
| Analyzed as: | | | | |
| Unlisted | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 |
| Total | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 |

(1) This mainly represents wealth management products issued by banking institutions outside the Group.
(2) A subsidiary of the Company 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.
(3) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

22. Financial assets held under resale agreements

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| By collateral type: | | | | |
| Bills | 39,460,283 | 35,453,379 | 14,078,721 | 7,379,273 |
| Securities | 324,649 | 2,660,305 | 7,743,203 | 14,404,240 |
| Others | — | 2,350,000 | 20,000 | 457,707 |
| Total | 39,784,932 | 40,463,684 | 21,841,924 | 22,241,220 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| By collateral type: | | | | |
| Securities | 138,600 | 544,000 | 2,200,000 | — |
| Total | 138,600 | 544,000 | 2,200,000 | — |

The majority of the Group balance arises from its banking business.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group had received securities with a fair value of approximately RMB40,100.26 million, RMB41,718.25 million, RMB30,229.13 million and RMB26,628.78 million, of which RMB39,912.79 million, RMB39,642.21 million, RMB16,504.43 million and RMB7,427.46 million can be resold or repledged by the Group in the absence of default by their owners. As at December 31, 2012, 2013 and 2014 and June 30, 2015, the

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

22. Financial assets held under resale agreements—continued

Group repledged securities with a fair value of approximately RMB37,567.60 million, RMB27,481.84 million, RMB9,411.97 million and RMB3,737.16 million, respectively. The Group has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

The Company had received securities with a fair value of approximately RMB138.63 million, RMB515.89 million, RMB2,304.43 million and nil, all of which can be resold or repledged. None of these was resold or repledged as at December 31, 2012, 2013, and 2014 and June 30, 2015 by the Company. The Company has an obligation to return the securities to its counterparties on the maturity date of the resale agreement.

23. Available-for-sale financial assets

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Debt securities | | | | |
| Government bonds | 358,529 | 85,263 | 85,296 | 85,296 |
| Public sector and quasi-government bonds | 533,779 | 1,226,418 | 3,592,250 | 2,957,837 |
| Financial institution bonds | 80,874 | 146,493 | 4,211,003 | 6,054,992 |
| Corporate bonds | 2,971,966 | 3,733,382 | 5,023,901 | 2,772,612 |
| Subtotal | 3,945,148 | 5,191,556 | 12,912,450 | 11,870,737 |
| Equity instruments | 22,899,031 | 21,842,243 | 27,305,318 | 36,866,481 |
| Wealth management products | 90,124 | 803,124 | 2,803,898 | 1,487,115 |
| Funds | 2,124,316 | 1,058,221 | 255,028 | 209,965 |
| Asset-backed securities | — | — | 624,422 | 591,446 |
| Trust products | — | — | — | 30,000 |
| Asset management plans | — | — | — | 185,068 |
| Others | 76,402 | 70,540 | 65,618 | — |
| Total | 29,135,021 | 28,965,684 | 43,966,734 | 51,240,812 |
| Analyzed as: | | | | |
| Listed in Hong Kong | 242,460 | 506,091 | 640,310 | 925,962 |
| Listed outside Hong Kong | 15,462,068 | 14,315,915 | 29,080,161 | 27,460,324 |
| Unlisted | 13,430,493 | 14,143,678 | 14,246,263 | 22,854,526 |
| Total | 29,135,021 | 28,965,684 | 43,966,734 | 51,240,812 |
| Including: | | | | |
| Debt securities analyzed as: | | | | |
| Listed outside Hong Kong[(1)] | 3,945,148 | 5,191,556 | 12,912,450 | 11,870,737 |
| Equity instruments analyzed as: | | | | |
| Listed in Hong Kong | 242,460 | 506,091 | 640,310 | 925,962 |
| Listed outside Hong Kong | 9,392,604 | 8,066,138 | 12,590,784 | 14,978,181 |
| Unlisted[(2)] | 13,263,967 | 13,270,014 | 14,074,224 | 20,962,338 |
| Total | 22,899,031 | 21,842,243 | 27,305,318 | 36,866,481 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

23. Available-for-sale financial assets—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Debt securities | | | | |
| Financial institution bonds(1) | — | — | 1,364,882 | 1,744,508 |
| Equity instruments | 22,573,640 | 21,542,096 | 24,679,912 | 27,620,216 |
| Wealth management products | — | — | 2,755,279 | 1,000,000 |
| Asset-backed securities | — | — | 497,792 | 296,145 |
| Funds | 81,982 | 103,338 | 87,187 | 113,549 |
| Asset management plans | — | — | — | 183,026 |
| Total | 22,655,622 | 21,645,434 | 29,385,052 | 30,957,444 |
| Analyzed as: | | | | |
| Listed in Hong Kong | 242,460 | 506,091 | 562,212 | 846,598 |
| Listed outside Hong Kong | 9,320,806 | 7,985,080 | 16,783,600 | 16,652,377 |
| Unlisted | 13,092,356 | 13,154,263 | 12,039,240 | 13,458,469 |
| Total | 22,655,622 | 21,645,434 | 29,385,052 | 30,957,444 |
| Including: | | | | |
| Equity instruments analyzed as: | | | | |
| Listed in Hong Kong | 242,460 | 506,091 | 562,212 | 846,598 |
| Listed outside Hong Kong | 9,238,824 | 7,881,742 | 12,184,881 | 14,521,650 |
| Unlisted(2) | 13,092,356 | 13,154,263 | 11,932,819 | 12,251,968 |
| Total | 22,573,640 | 21,542,096 | 24,679,912 | 27,620,216 |

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(2) Included in the balances of the Group and the Company are equity instruments of RMB12,381.07 million, RMB12,405.15 million, RMB11,319.47 million and RMB11,118.62 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively that were measured at cost because their fair values cannot be reliably measured.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

24. Held-to-maturity investments

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Debt securities | | | | |
| —Government bonds | 5,870,654 | 6,182,188 | 5,879,128 | 5,877,971 |
| —Public sector and quasi-government bonds | 2,836,442 | 5,170,175 | 10,238,809 | 14,525,298 |
| —Financial institution bonds | 379,949 | 779,416 | 2,607,891 | 1,857,308 |
| —Corporate bonds | 654,894 | 491,977 | 92,063 | 91,963 |
| Total | 9,741,939 | 12,623,756 | 18,817,891 | 22,352,540 |
| Analyzed as: | | | | |
| Listed outside Hong Kong[1] | 9,741,939 | 12,623,756 | 18,817,891 | 22,352,540 |
| Total | 9,741,939 | 12,623,756 | 18,817,891 | 22,352,540 |

The Company had no held-to-maturity investments at the end of each reporting period.

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

25. Financial assets classified as receivables

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets | | | | |
| —Loans acquired from financial institutions | 50,874,819 | 64,255,704 | 59,347,924 | 64,332,522 |
| —Other debt assets acquired from non-financial institutions | 4,355,192 | 27,877,267 | 109,364,868 | 147,458,469 |
| Subtotal | 55,230,011 | 92,132,971 | 168,712,792 | 211,790,991 |
| Less: Allowance for impairment losses | | | | |
| —Individually assessed | (184,033) | (1,814,218) | (1,764,832) | (2,219,289) |
| —Collectively assessed | (3,723,613) | (5,432,963) | (9,709,275) | (13,082,458) |
| | (3,907,646) | (7,247,181) | (11,474,107) | (15,301,747) |
| Subtotal | 51,322,365 | 84,885,790 | 157,238,685 | 196,489,244 |
| Other financial assets classified as receivables | | | | |
| —Debt instruments | 4,864,731 | 8,833,114 | 20,499,999 | 33,836,923 |
| —Asset management plans | 9,000 | 13,319,566 | 18,716,137 | 14,780,847 |
| —Entrust loans[(1)] | 9,072,665 | 8,912,929 | 18,462,417 | 16,876,304 |
| —Trust products | 10,080,844 | 9,088,025 | 13,284,370 | 37,711,747 |
| Subtotal | 24,027,240 | 40,153,634 | 70,962,923 | 103,205,821 |
| Less: Allowance for impairment losses | | | | |
| —Individually assessed | (70,500) | (171,599) | (276,399) | (329,594) |
| —Collectively assessed | (357,436) | (547,832) | (891,990) | (1,736,304) |
| | (427,936) | (719,431) | (1,168,389) | (2,065,898) |
| Subtotal | 23,599,304 | 39,434,203 | 69,794,534 | 101,139,923 |
| Total | 74,921,669 | 124,319,993 | 227,033,219 | 297,629,167 |

(1) These are the entrust loans granted by subsidiaries through commercial banks outside the Group.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

25. Financial assets classified as receivables—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets | | | | |
| —Loans acquired from financial institutions | 50,874,819 | 64,255,704 | 59,347,924 | 64,332,522 |
| —Other debt assets acquired from non-financial institutions | 4,355,192 | 27,877,267 | 110,064,868 | 148,158,469 |
| Subtotal | 55,230,011 | 92,132,971 | 169,412,792 | 212,490,991 |
| Less: Allowance for impairment losses | | | | |
| —Individually assessed | (184,033) | (1,814,218) | (1,764,832) | (2,219,289) |
| —Collectively assessed | (3,723,613) | (5,432,963) | (9,709,275) | (13,082,458) |
| | (3,907,646) | (7,247,181) | (11,474,107) | (15,301,747) |
| Subtotal | 51,322,365 | 84,885,790 | 157,938,685 | 197,189,244 |
| Other financial assets classified as receivables | | | | |
| —Debt instruments | 4,864,731 | 5,172,699 | 6,514,618 | 9,446,729 |
| —Trust products | 2,433,000 | 2,107,033 | 2,708,733 | 4,422,841 |
| Subtotal | 7,297,731 | 7,279,732 | 9,223,351 | 13,869,570 |
| Less: Allowance for impairment losses | | | | |
| —Individually assessed | (70,500) | (135,000) | (134,800) | (173,295) |
| —Collectively assessed | (151,851) | (255,071) | (313,500) | (764,373) |
| | (222,351) | (390,071) | (448,300) | (937,668) |
| Subtotal | 7,075,380 | 6,889,661 | 8,775,051 | 12,931,902 |
| Total | 58,397,745 | 91,775,451 | 166,713,736 | 210,121,146 |

Movements of allowance for impairment losses during the Relevant Periods are:

Group

| | 2012 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | — | 2,110,703 | 2,110,703 |
| Impairment losses recognized | 274,670 | 2,880,281 | 3,154,951 |
| Impairment losses reversed | — | (909,935) | (909,935) |
| Unwinding of discount on allowance | (20,137) | — | (20,137) |
| As at December 31 | 254,533 | 4,081,049 | 4,335,582 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

25. Financial assets classified as receivables—continued

Group—continued

| | 2013 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 254,533 | 4,081,049 | 4,335,582 |
| Impairment losses recognized | 1,800,700 | 3,381,880 | 5,182,580 |
| Impairment losses reversed | — | (1,482,134) | (1,482,134) |
| Unwinding of discount on allowance | (69,416) | — | (69,416) |
| As at December 31 | 1,985,817 | 5,980,795 | 7,966,612 |

| | 2014 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 1,985,817 | 5,980,795 | 7,966,612 |
| Impairment losses recognized | 176,601 | 6,289,265 | 6,465,866 |
| Impairment losses reversed | (21,800) | (1,668,795) | (1,690,595) |
| Unwinding of discount on allowance | (99,387) | — | (99,387) |
| As at December 31 | 2,041,231 | 10,601,265 | 12,642,496 |

| | 2015 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 2,041,231 | 10,601,265 | 12,642,496 |
| Impairment losses recognized | 577,745 | 4,703,004 | 5,280,749 |
| Impairment losses reversed | — | (485,507) | (485,507) |
| Unwinding of discount on allowance | (70,093) | — | (70,093) |
| As at June 30 | 2,548,883 | 14,818,762 | 17,367,645 |

Company

| | 2012 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | — | 2,016,594 | 2,016,594 |
| Impairment losses recognized | 274,670 | 2,768,805 | 3,043,475 |
| Impairment losses reversed | — | (909,935) | (909,935) |
| Unwinding of discount on allowance | (20,137) | — | (20,137) |
| As at December 31 | 254,533 | 3,875,464 | 4,129,997 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

25. Financial assets classified as receivables—continued

Company—continued

| | 2013 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 254,533 | 3,875,464 | 4,129,997 |
| Impairment losses recognized | 1,764,101 | 3,243,054 | 5,007,155 |
| Impairment losses reversed | — | (1,430,484) | (1,430,484) |
| Unwinding of discount on allowance | (69,416) | — | (69,416) |
| As at December 31 | 1,949,218 | 5,688,034 | 7,637,252 |

| | 2014 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 1,949,218 | 5,688,034 | 7,637,252 |
| Impairment losses recognized | 71,601 | 6,003,536 | 6,075,137 |
| Impairment losses reversed | (21,800) | (1,668,795) | (1,690,595) |
| Unwinding of discount on allowance | (99,387) | — | (99,387) |
| As at December 31 | 1,899,632 | 10,022,775 | 11,922,407 |

| | 2015 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| As at January 1 | 1,899,632 | 10,022,775 | 11,922,407 |
| Impairment losses recognized | 563,045 | 4,237,738 | 4,800,783 |
| Impairment losses reversed | — | (413,682) | (413,682) |
| Unwinding of discount on allowance | (70,093) | — | (70,093) |
| As at June 30 | 2,392,584 | 13,846,831 | 16,239,415 |

26. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand at the end of each reporting period. The Company expected to recover majority portion of the amounts due from subsidiaries within one year from the end of each reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

27. Loans and advances to customers

Group

| | As at December 31, 2012 | As at December 31, 2013 | As at December 31, 2014 | As at June 30, 2015 |
|---|---|---|---|---|
| Corporate loans and advances | | | | |
| —Loans and advances | 32,150,163 | 38,758,484 | 49,007,180 | 56,805,798 |
| —Discounted bills | 529,975 | 71,736 | 4,150 | 10,060 |
| Subtotal | 32,680,138 | 38,830,220 | 49,011,330 | 56,815,858 |
| Personal loans and advances | | | | |
| —Loans for business operations | 3,144,391 | 4,509,007 | 6,488,696 | 6,905,781 |
| —Mortgage | 1,144,782 | 2,283,135 | 3,926,748 | 5,271,121 |
| —Others | 1,047,871 | 1,792,699 | 1,306,263 | 2,124,926 |
| Subtotal | 5,337,044 | 8,584,841 | 11,721,707 | 14,301,828 |
| Loans to margin clients | 111,818 | 1,519,276 | 3,716,260 | 7,140,835 |
| Gross loans and advances | 38,129,000 | 48,934,337 | 64,449,297 | 78,258,521 |
| Less: Allowance for impairment losses | | | | |
| —Individually assessed | (8,216) | (83,687) | (197,131) | (251,396) |
| —Collectively assessed | (475,116) | (674,263) | (1,012,745) | (1,285,873) |
| Subtotal | (483,332) | (757,950) | (1,209,876) | (1,537,269) |
| Net loans and advances to customers | 37,645,668 | 48,176,387 | 63,239,421 | 76,721,252 |

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

| | Loans and advances for which allowance is collectively assessed | Identified impaired loans and advances: for which allowance is collectively assessed | Identified impaired loans and advances: for which allowance is individually assessed | subtotal | Total | Identified impaired loans and advances to customers as % of total loans and advances to customers |
|---|---|---|---|---|---|---|
| At December 31, 2012 | | | | | | |
| Gross loans and advances | 38,040,909 | 53,091 | 35,000 | 88,091 | 38,129,000 | 0.23% |
| Allowances for impairment loss | (457,306) | (17,810) | (8,216) | (26,026) | (483,332) | |
| Net loans and advances | 37,583,603 | 35,281 | 26,784 | 62,065 | 37,645,668 | |
| At December 31, 2013 | | | | | | |
| Gross loans and advances | 48,754,383 | 15,541 | 164,413 | 179,954 | 48,934,337 | 0.37% |
| Allowances for impairment loss | (664,294) | (9,969) | (83,687) | (93,656) | (757,950) | |
| Net loans and advances | 48,090,089 | 5,572 | 80,726 | 86,298 | 48,176,387 | |
| 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 | 62,971,994 | 12,945 | 254,482 | 267,427 | 63,239,421 | |
| At June 30, 2015 | | | | | | |
| Gross loans and advances | 77,593,566 | 71,438 | 593,517 | 664,955 | 78,258,521 | 0.85% |
| Allowances for impairment loss | (1,260,069) | (25,804) | (251,396) | (277,200) | (1,537,269) | |
| Net loans and advances | 76,333,497 | 45,634 | 342,121 | 387,755 | 76,721,252 | |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

27. Loans and advances to customers—continued

Group—continued

Movements of provision for impairment loss on loans and advances during the Relevant Periods are as follows:

| | 2012 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 8,216 | 366,940 | 375,156 |
| Provided for the year | — | 112,589 | 112,589 |
| Reversal for the year | — | (4,600) | (4,600) |
| Recovery of loans and advances written off in previous years | — | 187 | 187 |
| At December 31 | 8,216 | 475,116 | 483,332 |

| | 2013 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 8,216 | 475,116 | 483,332 |
| Provided for the year | 76,932 | 262,386 | 339,318 |
| Reversal for the year | (1,461) | (69,285) | (70,746) |
| Recovery of loans and advances written off in previous years | — | 6,077 | 6,077 |
| Write-offs | — | (31) | (31) |
| At December 31 | 83,687 | 674,263 | 757,950 |

| | 2014 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 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 | 197,131 | 1,012,745 | 1,209,876 |

| | 2015 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 197,131 | 1,012,745 | 1,209,876 |
| Provided for the period | 203,557 | 672,223 | 875,780 |
| Reversal for the period | (68,321) | (397,109) | (465,430) |
| Write-offs | (50,994) | (574) | (51,568) |
| Unwinding of discount on allowance | (29,977) | (1,412) | (31,389) |
| At June 30 | 251,396 | 1,285,873 | 1,537,269 |

The Company had no loans and advances to customers at the end of each reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

28. Finance lease receivables

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Minimum finance lease receivables: | | | | |
| Within 1 year (inclusive) | 14,588,871 | 20,713,301 | 24,957,868 | 24,115,383 |
| 1-5 years (inclusive) | 39,243,219 | 43,652,997 | 46,771,676 | 53,575,116 |
| Over 5 years | 2,745,364 | 1,061,164 | 2,220,406 | 7,252,659 |
| Gross amount of finance lease receivables | 56,577,454 | 65,427,462 | 73,949,950 | 84,943,158 |
| Less: Unearned finance income | (8,138,490) | (9,047,937) | (9,556,834) | (11,106,757) |
| Net amount of finance lease receivables | 48,438,964 | 56,379,525 | 64,393,116 | 73,836,401 |
| Less: Allowance for impairment losses | (793,722) | (833,252) | (898,772) | (1,144,411) |
| Carrying amount of finance lease receivables | 47,645,242 | 55,546,273 | 63,494,344 | 72,691,990 |
| Present value of minimum finance lease receivables: | | | | |
| Within 1 year (inclusive) | 12,208,810 | 17,585,072 | 21,429,135 | 20,637,273 |
| 1-5 years (inclusive) | 33,097,852 | 37,060,299 | 40,158,743 | 45,848,093 |
| Over 5 years | 2,338,580 | 900,902 | 1,906,466 | 6,206,624 |
| Total | 47,645,242 | 55,546,273 | 63,494,344 | 72,691,990 |

Movements of provision for impairment losses on finance lease receivables during the Relevant Periods are as follows:

| | 2012 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | — | 709,146 | 709,146 |
| Provided for the year | 84,902 | — | 84,902 |
| Reversal for the year | — | (326) | (326) |
| At December 31 | 84,902 | 708,820 | 793,722 |

| | 2013 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 84,902 | 708,820 | 793,722 |
| Provided for the year | 109,770 | — | 109,770 |
| Reversal for the year | — | (63,602) | (63,602) |
| Recovery of finance lease receivables written off in previous years | 184 | — | 184 |
| Write-offs | (6,822) | — | (6,822) |
| At December 31 | 188,034 | 645,218 | 833,252 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

28. Finance lease receivables—continued

Group—continued

| | 2014 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 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 | 259,510 | 639,262 | 898,772 |

| | 2015 | | |
|---|---|---|---|
| | Individually assessed allowance | Collectively assessed allowance | Total |
| At January 1 | 259,510 | 639,262 | 898,772 |
| Provided for the period | 201,455 | 44,798 | 246,253 |
| Reversal for the period | (2,382) | (614) | (2,996) |
| Recovery of finance lease receivables written off in previous years | 2,382 | — | 2,382 |
| At June 30 | 460,965 | 683,446 | 1,144,411 |

The Company had no finance lease receivables at the end of each reporting period.

29. Investment properties

Group

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Cost | | | | |
| As at beginning of the year/period | 277,775 | 702,055 | 701,357 | 1,103,025 |
| Purchases | — | — | 227,917 | — |
| Transfer in | 441,665 | — | 173,751 | 88,193 |
| Transfer out | — | (698) | — | (2,519) |
| Eliminated on revaluation | (53,042) | — | — | — |
| Revaluation surplus | 35,657 | — | — | — |
| As at end of the year/period | 702,055 | 701,357 | 1,103,025 | 1,188,699 |
| Accumulated depreciation | | | | |
| As at beginning of the year/period | 25,274 | 51,224 | 73,365 | 125,842 |
| Charge for the year/period | 12,530 | 22,424 | 36,519 | 20,837 |
| Transfer in | 66,462 | — | 15,958 | 14,913 |
| Transfer out | — | (283) | — | (1,377) |
| Eliminated on revaluation | (53,042) | — | — | — |
| As at end of the year/period | 51,224 | 73,365 | 125,842 | 160,215 |
| Balance at beginning of the year/period | 252,501 | 650,831 | 627,992 | 977,183 |
| Balance at end of the year/period | 650,831 | 627,992 | 977,183 | 1,028,484 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

29. Investment properties—continued

Group—continued

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | 650,831 | 627,992 | 977,183 | 1,028,484 |
| Total | 650,831 | 627,992 | 977,183 | 1,028,484 |

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the fair value of the Group's investment properties amounted to RMB809.84 million, RMB881.22 million, RMB1,299.98 million and RMB1,389.66 million, respectively.

Company

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Cost | | | | |
| As at beginning of the year/period | — | 424,280 | 424,280 | 598,031 |
| Transfer in | 441,665 | — | 173,751 | 88,193 |
| Eliminated on revaluation | (53,042) | — | — | — |
| Revaluation surplus | 35,657 | — | — | — |
| As at end of the year/period | 424,280 | 424,280 | 598,031 | 686,224 |
| Accumulated depreciation | | | | |
| As at beginning of the year/period | — | 16,775 | 30,196 | 68,189 |
| Charge for the year/period | 3,355 | 13,421 | 22,035 | 12,774 |
| Transfer in | 66,462 | — | 15,958 | 14,913 |
| Eliminated on revaluation | (53,042) | — | — | — |
| As at end of the year/period | 16,775 | 30,196 | 68,189 | 95,876 |
| Net book value | | | | |
| As at beginning of the year/period | — | 407,505 | 394,084 | 529,842 |
| As at end of the year/period | 407,505 | 394,084 | 529,842 | 590,348 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

29. Investment properties—continued

Company—continued

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | 407,505 | 394,084 | 529,842 | 590,348 |
| Total | 407,505 | 394,084 | 529,842 | 590,348 |

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the fair value of the Company's investment properties amounted to RMB563.50 million, RMB643.54 million, RMB847.53 million and RMB951.52 million, respectively.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's and the Company's investment properties which the Group and the Company has not obtained certificate of land use right or certificate of property ownership amounted to nil, nil, RMB0.67 million and RMB0.64 million, respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Group's operations.

The Group and the Company had no investment properties pledged for borrowings at the end of each reporting period.

30. Interests in associates

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Carrying amount of unlisted companies | 1,810,077 | 1,778,345 | 1,910,738 | 3,111,630 |
| Carrying amount of listed companies | 1,093,410 | 1,076,907 | 952,630 | 860,256 |
| Total | 2,903,487 | 2,855,252 | 2,863,368 | 3,971,886 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Carrying amount of unlisted companies | 1,750,123 | 1,722,962 | 1,871,354 | 2,088,671 |
| Carrying amount of listed companies | 1,093,410 | 1,076,907 | 952,630 | 860,256 |
| Total | 2,843,533 | 2,799,869 | 2,823,984 | 2,948,927 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

30. Interests in associates—continued

Details of the Group's principal associates are as follows:

| Name of entity | Place of incorporation/ establishment | Authorized / paid-in capital as at June 30, 2015 | Proportion of ownership held by the Group | | | | Proportion of voting rights held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (In'000) | At December 31, | | | At June 30, | At December 31, | | | At June 30, | |
| | | | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | |
| | | | % | % | % | % | % | % | % | % | |
| Jianghai Securities Co., Ltd. (江海證券有限公司) | Harbin, PRC | RMB1,785,744 | 30.08 | 30.08 | 30.08 | 22.96 | 30.08 | 30.08 | 30.08 | 22.96 | Securities |
| Zunyi Titanium Co., Ltd. (遵義鈦業股份有限公司) | Zunyi, PRC | RMB354,900 | 24.46 | 24.46 | 24.46 | 24.46 | 24.46 | 24.46 | 24.46 | 24.46 | Manufacturing |
| Hangzhou Hangyang Co., Ltd.(1) (杭州杭氧股份有限公司) | Hangzhou, PRC | RMB 831,776 | 15.00 | 14.71 | 13.45 | 13.22 | 15.00 | 14.71 | 13.45 | 13.22 | Manufacturing |

The above English names are for identification purpose only.

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The financial information of Jianghai Securities Co., Ltd., Zunyi Titanium Co., Ltd. and Hangzhou Hangyang Co., Ltd., which are individually significant associates to the Group, are set out below:

Jianghai Securities Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 7,033,809 | 14,052,173 | 12,517,603 | 31,886,336 |
| Non-current assets | 1,194,468 | 1,760,563 | 1,201,489 | 1,564,410 |
| Current liabilities | 5,907,418 | 13,352,987 | 10,068,546 | 27,870,697 |
| Non-current liabilities | 113,063 | 169,287 | 891,098 | 778,911 |
| Total equity | 2,207,796 | 2,290,462 | 2,759,448 | 4,801,138 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 489,421 | 630,668 | 1,146,656 | 376,755 | 1,244,395 |
| Net profit | 25,998 | 109,462 | 388,569 | 81,011 | 614,126 |
| Other comprehensive income/(expense) | 11,477 | (26,796) | 80,417 | 41,269 | 227,563 |
| Total comprehensive income | 37,475 | 82,666 | 468,986 | 122,280 | 841,689 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

30. Interests in associates—continued

Jianghai Securities Co., Ltd.—continued

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the Financial Information:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Equity attributable to equity holders of the associate | 2,166,892 | 2,251,174 | 2,720,099 | 4,761,729 |
| Proportion of equity interests held by the Group | 30.08% | 30.08% | 30.08% | 22.96% |
| Equity interests held by the Group | 651,714 | 677,063 | 818,097 | 1,093,293 |
| Goodwill | 243,646 | 243,646 | 243,646 | 185,999 |
| Carrying amount | 895,360 | 920,709 | 1,061,743 | 1,279,292 |

Zunyi Titanium Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 1,481,146 | 1,323,176 | 724,183 | 461,741 |
| Non-current assets | 2,712,737 | 2,747,195 | 2,836,933 | 2,875,667 |
| Current liabilities | 1,853,639 | 2,585,690 | 2,579,431 | 2,431,544 |
| Non-current liabilities | 1,005,785 | 665,087 | 456,988 | 455,710 |
| Total equity | 1,334,459 | 819,594 | 524,697 | 450,154 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 1,471,415 | 1,000,666 | 697,406 | 397,463 | 202,323 |
| Net loss | (149,746) | (514,865) | (294,861) | (126,352) | (74,544) |
| Other comprehensive expense | — | — | (36) | — | — |
| Total comprehensive expense | (149,746) | (514,865) | (294,897) | (126,352) | (74,544) |

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the Financial Information:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Equity attributable to equity holders of the associate | 1,110,788 | 664,444 | 424,393 | 360,145 |
| Proportion of equity interests held by the Group | 24.46% | 24.46% | 24.46% | 24.46% |
| Carrying amount | 271,699 | 162,523 | 103,807 | 88,091 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

30. Interests in associates—continued

Hangzhou Hangyang Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 4,535,788 | 4,977,799 | 4,293,162 | 4,587,201 |
| Non-current assets | 3,716,031 | 5,007,162 | 5,108,591 | 5,207,320 |
| Current liabilities | 3,604,712 | 4,209,471 | 3,392,409 | 3,895,134 |
| Non-current liabilities | 1,151,236 | 2,096,378 | 2,066,066 | 1,896,195 |
| Total equity | 3,495,871 | 3,679,112 | 3,943,278 | 4,003,192 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 5,353,925 | 5,502,718 | 5,933,824 | 2,603,811 | 2,928,415 |
| Net profit | 479,910 | 267,429 | 162,947 | 57,276 | 69,646 |
| Other comprehensive income/(expense) | 5,328 | 995 | 10,486 | (11,725) | 78 |
| Total comprehensive income | 485,238 | 268,424 | 173,433 | 45,551 | 69,724 |

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the Financial Information:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Equity attributable to equity holders of the associate | 3,150,325 | 3,269,036 | 3,515,491 | 3,594,473 |
| Proportion of equity interests held by the Group[(1)] | 15.00% | 14.71% | 13.45% | 13.22% |
| Equity interest held by the Group | 472,549 | 480,875 | 472,834 | 475,189 |
| Goodwill | 435,124 | 426,726 | 390,262 | 383,503 |
| Carrying amount | 907,673 | 907,601 | 863,096 | 858,692 |

(1) The Group disposed of 2,361,090 shares, 7,514,019 shares and 1,938,186 shares of Hangzhou Hangyang Co., Ltd. (Stock Code No. 002430) during the years ended December 31, 2013 and 2014 and the six months ended June 30, 2015, respectively. The Group has nominated 2 directors out of a total of 9 directors on the board of the entity and in the opinion of the directors of the Company, the Group can exercise significant influence on the financial and operating policy decision of the entity.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, fair value of the interest in Hangzhou Hangyang Co., Ltd. for the Group and the Company amounted to RMB1,445.17 million, RMB1,140.34 million, RMB1,178.48 million and RMB1,453.68 million, respectively.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

31. Interests in subsidiaries

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Carrying amount | 14,603,508 | 15,703,581 | 17,702,909 | 19,134,838 |
| Allowance for impairment loss(1) | (205,000) | (205,000) | (205,000) | (205,000) |
| Net carrying amount | 14,398,508 | 15,498,581 | 17,497,909 | 18,929,838 |

(1) The allowance for impairment loss arises from Huarong Huitong Asset Management Co., Ltd. which became insolvent in 2011. The Company recognized impairment in full for the investment cost.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

31. Interests in subsidiaries—continued

Company—continued

| Name of entity | Place of incorporation/ establishment | Date of incorporation/ establishment | Authorized/ paid-in capital as at June 30, 2015 | Proportion of ownership held by the Group | | | | Proportion of voting rights held by the Group | | | | Principal activities | Auditor/ GAAP[5][6] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (In'000) | At December 31, | | | At June 30, | At December 31, | | | At June 30, | | |
| | | | | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | | |
| | | | | % | % | % | % | % | % | % | % | | |
| 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 | 50.98 | 50.98 | 50.98 | 50.98 | Bank | DTT, PRC[7] PRC GAAP |
| Huarong Securities Co., Ltd. (華融證券股份有限公司)[1] | Beijing, PRC | September 2007 | RMB3,755,137 | 79.61 | 79.66 | 81.56 | 81.56 | 79.61 | 79.66 | 81.56 | 81.56 | Securities | BDO, China PRC GAAP |
| 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 | 79.92 | 79.92 | 79.92 | 79.92 | Leasing | DTT, PRC[8] PRC GAAP |
| 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 | 59.30 | 59.30 | 59.30 | 59.30 | Asset Management | BDO, China PRC GAAP |
| Huarong International Trust Co., Ltd. (華融國際信托有限責任公司)[2] | Urumqi, PRC | August 2002 | RMB1,982,886 | 97.50 | 97.50 | 98.09 | 98.09 | 97.50 | 97.50 | 98.09 | 98.09 | Trust | BDO, China PRC GAAP |
| Huarong Real Estate Co., Ltd. (華融置業有限責任公司) | Zhuhai, PRC | May 1994 | RMB850,000 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | Real Estate Industry | BDO, China PRC GAAP |
| Huarong Huitong Asset Management Co., Ltd. (華融匯通資產管理有限公司)[11] | Changsha, PRC | September 2010 | RMB306,700 | 66.84 | 66.84 | 66.84 | 100.00 | 66.84 | 66.84 | 66.84 | 100.00 | Asset Management | BDO, China PRC GAAP |
| 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 | 100.00 | 100.00 | 100.00 | 100.00 | Asset Management | BDO, China PRC GAAP |
| Huarong Futures Co., Ltd. (華融期貨有限責任公司)[3] | Haikou, PRC | September 1993 | RMB320,000 | 75.44 | 75.44 | 75.44 | 75.44 | 75.44 | 75.44 | 75.44 | 75.44 | Futures | BDO, China PRC GAAP |
| Huarong Tianze Investment Limited (華融天澤投資有限公司)[3] | Shanghai, PRC | November 2012 | RMB170,000 | 81.56 | 81.56 | 81.56 | 81.56 | 81.56 | 81.56 | 81.56 | 81.56 | Investment holding | BDO, China PRC GAAP |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

31. Interests in subsidiaries—continued

Company—continued

| Name of entity | Place of incorporation/ establishment | Date of incorporation/ establishment | Authorized/ paid-in capital as at June 30, 2015 | Proportion of ownership held by the Group | | | | Proportion of voting rights held by the Group | | | | Principal activities | Auditor/ GAAP[5][6] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (In'000) | At December 31, | | | At June 30, | At December 31, | | | At June 30, | | |
| | | | | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | | |
| | | | | % | % | % | % | % | % | % | % | | |
| Huarong Qianhai Wealth Management Co., Ltd. (華融前海財富管理股份有限公司)[3] . . | Shenzhen, PRC | September 2014 | RMB187,500 | — | — | 68.00 | 68.00 | — | — | 68.00 | 68.00 | Wealth management | N/A[9] |
| Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司)[3][4] . . . . . . . . . . . . . . . . . | Chongqing, PRC | July 2010 | RMB250,000 | 70.00 | 70.00 | 70.00 | 72.80 | 70.00 | 70.00 | 70.00 | 72.80 | Investment holding | BDO, China PRC GAAP |
| Huarong (HK) International Holdings Limited (華融(香港)國際控股有限公司)[3][10] . . . . . . . . . . . . . . | Hong Kong, PRC | January 2013 | HKD422,949 | — | 100.00 | 100.00 | 100.00 | — | 100.00 | 100.00 | 100.00 | Finance | DTT, HK IFRSs |
| China Huarong Western Development Investment Co., Ltd. (華融西部開發投資股份有限 公司)[3] . . . . . . | Yinchuan, PRC | December 2014 | RMB400,000 | — | — | 60.00 | 60.00 | — | — | 60.00 | 60.00 | Asset Management | N/A[9] |

The English names of these subsidiaries or accounting firms 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, result in particulars of excessive length.

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(1) The Company made an additional capital injection of RMB999.33 million into Huarong Securities Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB3,755.14 million. The Company's shareholding in this subsidiary increased to 81.56% after the capital injection.

(2) The Company made an additional capital injection of RMB1,000.00 million into Huarong International Trust Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB1,982.89 million. The Company's shareholding in this subsidiary increased to 98.09% after the capital injection.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

### 31. Interests in subsidiaries—continued

Company—continued

(3) These subsidiaries are indirectly controlled by the Company.

(4) Huarong Yufu Equity Investment Fund Management Co., Ltd. was a subsidiary of Huarong Real Estate Co., Ltd., Huarong Real Estate Co., Ltd. made an additional capital injection of RMB240.08 million into Huarong Yufu Equity Investment Fund Management Co., Ltd. in June 2015 and its total registered and paid-in capital increased to RMB250.00 million. The Group's shareholding in this subsidiary increased to 72.80% after the capital injection.

(5) It represents statutory auditor of these subsidiaries for each of the three years ended December 31, 2012, 2013 and 2014 as appropriate unless indicated below.

(6) Auditors of the respective subsidiaries of the Group are as follows:

— DTT, PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), a certified public accountants registered in PRC;
— DTT, HK represents Deloitte Touche Tohmatsu in Hong Kong, a firm of certified public accountants registered in Hong Kong;
— BDO, China represents BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), a certified public accountants registered in PRC;

(7) The statutory auditor of this company for 2012 and 2013 is BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)).

(8) The statutory auditor of this company for 2012 and 2013 is RUIHUA Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合夥)).

(9) These subsidiaries have just been established in 2014, no statutory financial statements have been issued at the date of this report.

(10) Its name changed to China Huarong International Holdings Limited on April 9, 2015.

(11) In May 2015, the Company acquired the 33.16% equity interest in Huarong Huitong Asset Management Co., Ltd from this subsidiary's non-controlling shareholders. After the completion, the Company's shareholding in this subsidiary increased to 100%.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

32. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. General information about these subsidiaries has been set out in note VI.31 to section A. 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, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Total assets | 131,594,922 | 148,107,698 | 165,326,091 | 182,561,554 |
| Total liabilities | 124,916,202 | 138,639,328 | 154,235,197 | 170,911,705 |
| Total equity | 6,678,720 | 9,468,370 | 11,090,894 | 11,649,849 |
| Non-controlling interests of the subsidiary | 3,248,117 | 4,610,065 | 5,400,063 | 5,674,079 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 6,771,830 | 7,738,890 | 8,897,143 | 4,633,618 | 5,089,850 |
| Profit before tax | 1,458,883 | 2,038,836 | 2,658,274 | 1,372,672 | 1,565,122 |
| Total comprehensive income | 1,136,848 | 1,424,820 | 2,169,941 | 1,150,575 | 1,175,068 |
| Profit attributable to non-controlling interests of the subsidiary during the year/period | 550,236 | 756,113 | 998,177 | 518,325 | 568,047 |
| Dividend distribution to non-controlling interests | 130,445 | 144,954 | 266,756 | 266,756 | 302,019 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Net cash flow from /(used in) in operating activities | 13,416,995 | (7,401,745) | 25,485,572 | 19,195,738 | 5,739,748 |
| Net cash flow used in investing activities | (7,734,936) | (1,240,120) | (16,045,172) | (13,098,067) | (6,300,991) |
| Net cash flow from /(used in) financing activities | 1,216,305 | 1,268,782 | (642,746) | (48,079) | 2,951,995 |
| Net cash flow | 6,898,364 | (7,373,083) | 8,797,654 | 6,049,592 | 2,390,752 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

32. Non-controlling interests in the subsidiaries of the Group—continued

Huarong Rongde Asset Management Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 10,170,760 | 12,824,518 | 21,286,549 | 23,087,625 |
| Non-current assets | 290,896 | 277,530 | 229,124 | 272,029 |
| Current liabilities | 7,473,134 | 8,197,597 | 12,689,188 | 13,352,866 |
| Non-current liabilities | 25,389 | 1,449,899 | 3,277,898 | 3,548,524 |
| Equity attributable to Huarong Rongde Asset Management Co., Ltd. | 2,963,133 | 3,454,552 | 4,097,864 | 4,203,858 |
| Perpetual capital instruments | — | — | 1,450,723 | 2,254,406 |
| Total equity | 2,963,133 | 3,454,552 | 5,548,587 | 6,458,264 |
| Non-controlling interests of the subsidiary | 1,205,995 | 1,406,003 | 1,667,831 | 1,710,970 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 1,568,208 | 1,920,381 | 2,600,132 | 1,196,812 | 1,504,971 |
| Profit before tax | 818,083 | 955,488 | 1,295,441 | 634,940 | 701,373 |
| Total comprehensive income | 609,847 | 731,419 | 936,142 | 428,158 | 560,663 |
| Profit attributable to non-controlling interests of the subsidiary during the year/period | 250,795 | 288,434 | 393,508 | 193,846 | 215,486 |
| Dividend distribution to non-controlling interests | 65,120 | 97,680 | 113,960 | 113,960 | 183,242 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Net cash flow from operating activities | 1,323,021 | 2,347,417 | 1,636,959 | 1,463,752 | 922,433 |
| Net cash flow (used in)/from investing activities | (4,251,255) | (3,017,366) | (7,958,049) | 387,293 | 651,479 |
| Net cash flow from financing activities | 2,645,419 | 1,538,649 | 6,041,238 | 3,561,477 | 554,050 |
| Net cash flow | (282,815) | 868,700 | (279,852) | 5,412,522 | 2,127,962 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

32. Non-controlling interests in the subsidiaries of the Group—continued

China Huarong Financial Leasing Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 4,973,166 | 5,751,874 | 7,591,133 | 4,579,801 |
| Non-current assets | 48,078,134 | 56,392,161 | 64,507,572 | 76,496,783 |
| Current liabilities | 20,229,655 | 18,418,137 | 18,473,556 | 33,010,647 |
| Non-current liabilities | 27,375,701 | 37,387,834 | 46,295,642 | 38,707,204 |
| Total equity | 5,445,944 | 6,338,064 | 7,329,507 | 9,358,733 |
| Non-controlling interests of the subsidiary | 1,093,507 | 1,272,638 | 1,471,713 | 1,879,234 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 3,851,614 | 4,478,225 | 5,218,507 | 2,528,578 | 2,826,894 |
| Profit before tax | 1,343,585 | 1,629,223 | 1,719,833 | 941,169 | 890,077 |
| Total comprehensive income | 1,005,505 | 1,207,119 | 1,318,017 | 740,156 | 667,034 |
| Profit attributable to non-controlling interests of the subsidiary during the year/period | 202,070 | 242,219 | 264,647 | 148,623 | 133,940 |
| Dividend distribution to non-controlling interests | 50,265 | 63,250 | 65,574 | 65,574 | 67,832 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Net cash flow (used in)/from operating activities | (418,329) | 984,022 | 826,076 | 1,387,715 | (679,583) |
| Net cash flow used in investing activities | (3,001) | (418,139) | (475,635) | (334,279) | (312,986) |
| Net cash flow (used in)/from financing activities | (250,322) | (120,100) | 856,297 | (23,000) | 130,638 |
| Net cash flow | (671,652) | 445,783 | 1,206,738 | 1,030,436 | (861,931) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

32. Non-controlling interests in the subsidiaries of the Group—continued

Huarong Securities Co., Ltd.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Current assets | 4,500,790 | 7,573,294 | 21,828,336 | 38,998,426 |
| Non-current assets | 2,658,419 | 14,867,131 | 21,212,667 | 27,006,315 |
| Current liabilities | 2,118,015 | 3,781,742 | 14,616,073 | 17,560,051 |
| Non-current liabilities | 535,487 | 13,287,124 | 21,121,689 | 39,904,586 |
| Total equity | 4,505,707 | 5,371,559 | 7,303,241 | 8,540,104 |
| Non-controlling interests of the subsidiary | 914,259 | 999,241 | 1,270,579 | 1,495,062 |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Total revenue | 813,540 | 1,575,484 | 3,799,560 | 1,304,893 | 4,204,354 |
| Profit before tax | 225,917 | 397,016 | 1,145,746 | 386,226 | 1,639,195 |
| Total comprehensive income | 193,755 | 244,807 | 1,012,107 | 326,159 | 1,244,308 |
| Profit attributable to non-controlling interests of the subsidiary during the year/period | 32,905 | 62,905 | 153,631 | 54,907 | 222,275 |
| Dividend distribution to non-controlling interests | 20,390 | 16,312 | 17,899 | 17,899 | — |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Net cash flow from/(used in) operating activities | 405,677 | (551,190) | 4,619,853 | 1,359,374 | 2,722,726 |
| Net cash flow (used in)/from investing activities | (217,950) | (2,041,039) | (8,452,204) | (1,585,320) | 1,455,932 |
| Net cash flow (used in)/from financing activities | (100,000) | 3,121,045 | 7,578,221 | 16,885 | 77,244 |
| Net cash flow | 87,727 | 528,816 | 3,745,870 | (209,061) | 4,255,902 |

33. Interests in consolidated structured entities

To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trust products and asset management plans 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 these structured entities shall be consolidated.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

33. Interests in consolidated structured entities—continued

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the trust products and asset management plans where the Group involves as 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 and asset management plans that is of such significance that it indicates that the Group is a principal. The trust products and asset management plans shall be consolidated if the Group acts in the role of principal.

The Group had consolidated certain structured entities mainly including trust products and asset management plans.

Interests in these consolidated structured entities held by the Company amounted to RMB661.00 million, RMB121.23 million, RMB1,918.73 million and RMB3,958.98 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The financial impact of these trust products and asset management plans on the Group's financial position as at December 31, 2012, 2013 and 2014 and June 30, 2015, and results and cash flows for the Relevant Periods, though consolidated, are not significant 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 income statements and presented as other liabilities in the consolidated statements of financial position respectively. The payables to interest holders of consolidated structured entities amounted to RMB5,212.03 million, RMB15,411.89 million, RMB20,286.05 million and RMB31,637.80 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The change in net assets attributable to other holders of consolidated structured entities amounted to RMB571.05 million, RMB554.75 million, RMB1,307.22 million, RMB405.04 million (unaudited) and RMB970.72 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively.

34. Interests in unconsolidated structured entities

The Group served as general partner, manager or trustee of structured entities (including trust products, private equity funds and asset management plans), therefore had power over them during the Relevant Periods. Except for the structured entities the Group has consolidated as detailed in note VI.33 to section A, 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 during the Relevant Periods.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

34. Interests in unconsolidated structured entities—continued

The size of unconsolidated trust products managed by the Group amounted to RMB 63,972.79 million, RMB 90,574.34 million, RMB 134,796.78 million and RMB179,543.23 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The size of unconsolidated asset management plans managed by the Group amounted to nil, RMB287.83 million, RMB6,009.36 million and RMB5,027.11 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The Group classified the investments in these unconsolidated trust products and asset management plans as receivables or available-for-sale financial assets as appropriate. The Group's interests in and exposure to these trust products and asset management plans are not significant.

The carrying amount of the Group's investments in unconsolidated private equity funds are classified as available-for-sale financial assets or receivables and amounted to RMB10.50 million, RMB 10.67 million, RMB12.77 million and RMB109.47 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

35. Property and equipment

Group

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2012 | 2,732,471 | 109,054 | 449,357 | 165,862 | 75,292 | 3,532,036 |
| Purchases | 659,668 | 216,354 | 108,251 | 27,008 | 41,209 | 1,052,490 |
| Disposals | (22,515) | (12,665) | (59,543) | (12,150) | — | (106,873) |
| Transfer in | — | — | 2,303 | — | — | 2,303 |
| Transfer out | (441,665) | — | — | — | (2,303) | (443,968) |
| Eliminated on revaluation | (325,083) | — | — | — | — | (325,083) |
| Revaluation surplus | 813,696 | — | — | — | — | 813,696 |
| As at December 31, 2012 | 3,416,572 | 312,743 | 500,368 | 180,720 | 114,198 | 4,524,601 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2012 | 497,034 | 23,863 | 305,332 | 88,812 | — | 915,041 |
| Charge for the year | 273,345 | 13,049 | 68,518 | 22,362 | — | 377,274 |
| Disposals | (15,364) | (9,312) | (48,561) | (11,852) | — | (85,089) |
| Transfer out | (66,462) | — | — | — | — | (66,462) |
| Eliminated on revaluation | (325,083) | — | — | — | — | (325,083) |
| As at December 31, 2012 | 363,470 | 27,600 | 325,289 | 99,322 | — | 815,681 |
| Allowance for impairment losses | | | | | | |
| As at January 1, 2012 | 898 | — | — | — | — | 898 |
| As at December 31, 2012 | 898 | — | — | — | — | 898 |
| Net book value | | | | | | |
| As at January 1, 2012 | 2,234,539 | 85,191 | 144,025 | 77,050 | 75,292 | 2,616,097 |
| As at December 31, 2012 | 3,052,204 | 285,143 | 175,079 | 81,398 | 114,198 | 3,708,022 |
| Including: | | | | | | |
| Net book value of assets pledged as at December 31, 2012 | 110,190 | — | — | — | — | 110,190 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Group—continued

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2013 | 3,416,572 | 312,743 | 500,368 | 180,720 | 114,198 | 4,524,601 |
| Purchases | 212,869 | 450,262 | 54,485 | 18,997 | 95,471 | 832,084 |
| Disposals | (76,916) | (735) | (19,077) | (8,513) | — | (105,241) |
| Transfer in | 11,692 | — | 92,019 | — | — | 103,711 |
| Transfer out | — | — | — | — | (103,013) | (103,013) |
| As at December 31, 2013 | 3,564,217 | 762,270 | 627,795 | 191,204 | 106,656 | 5,252,142 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2013 | 363,470 | 27,600 | 325,289 | 99,322 | — | 815,681 |
| Charge for the year | 178,833 | 28,384 | 90,322 | 24,046 | — | 321,585 |
| Disposals | (13,727) | (709) | (18,339) | (7,275) | — | (40,050) |
| Transfer in | 283 | — | — | — | — | 283 |
| As at December 31, 2013 | 528,859 | 55,275 | 397,272 | 116,093 | — | 1,097,499 |
| Allowance for impairment losses | | | | | | |
| As at January 1, 2013 | 898 | — | — | — | — | 898 |
| Provided for the year | — | 24,792 | — | — | — | 24,792 |
| As at December 31, 2013 | 898 | 24,792 | — | — | — | 25,690 |
| Net book value | | | | | | |
| As at January 1, 2013 | 3,052,204 | 285,143 | 175,079 | 81,398 | 114,198 | 3,708,022 |
| As at December 31, 2013 | 3,034,460 | 682,203 | 230,523 | 75,111 | 106,656 | 4,128,953 |
| Including: | | | | | | |
| Net book value of assets pledged as at December 31, 2013 | 105,592 | — | — | — | — | 105,592 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Group—continued

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| 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 value | | | | | | |
| 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 as at December 31, 2014 | 121,141 | — | — | — | — | 121,141 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Group—continued

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2015 | 3,323,469 | 956,721 | 758,886 | 201,730 | 138,699 | 5,379,505 |
| Purchases | 15,092 | 309,775 | 53,259 | 8,242 | 74,703 | 461,071 |
| Disposals | (13,382) | (36) | (17,278) | (3,953) | (18,376) | (53,025) |
| Transfer in | — | — | 1,620 | — | 10,953 | 12,573 |
| Transfer out | (260,610) | — | — | — | (1,620) | (262,230) |
| As at June 30, 2015 | 3,064,569 | 1,266,460 | 796,487 | 206,019 | 204,359 | 5,537,894 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2015 | 643,282 | 99,186 | 489,121 | 132,445 | — | 1,364,034 |
| Charge for the period | 75,609 | 28,798 | 61,733 | 11,519 | — | 177,659 |
| Disposals | (3,907) | (31) | (5,362) | (3,172) | — | (12,472) |
| Transfer out | (19,235) | — | — | — | — | (19,235) |
| As at June 30, 2015 | 695,749 | 127,953 | 545,492 | 140,792 | — | 1,509,986 |
| Allowance for impairment losses | | | | | | |
| As at January 1, 2015 and June 30, 2015 | — | 24,792 | — | — | — | 24,792 |
| Net book value | | | | | | |
| As at January 1, 2015 | 2,680,187 | 832,743 | 269,765 | 69,285 | 138,699 | 3,990,679 |
| As at June 30, 2015 | 2,368,820 | 1,113,715 | 250,995 | 65,227 | 204,359 | 4,003,116 |
| Including: | | | | | | |
| Net book value of assets pledged | | | | | | |
| As at June 30, 2015 | 99,821 | — | — | — | — | 99,821 |

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB178.25 million, RMB174.24 million, RMB160.77 million and RMB138.48 million, respectively. 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, 2012, 2013 and 2014 and June 30, 2015, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.71 million, RMB154.57 million, RMB162.23 million and RMB166.52 million respectively.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Group—continued

The net book value of buildings located on land with the following remaining lease terms are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | 3,052,204 | 3,034,460 | 2,680,187 | 2,368,820 |
| Total | 3,052,204 | 3,034,460 | 2,680,187 | 2,368,820 |

Company

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2012 | 807,356 | 18,438 | 176,562 | 111,192 | 1,553 | 1,115,101 |
| Purchases | 638,665 | 1,642 | 21,229 | 18,091 | 6,554 | 686,181 |
| Disposals | (18,266) | (6,650) | (47,513) | (10,781) | — | (83,210) |
| Transfer out | (441,665) | — | — | — | — | (441,665) |
| Eliminated on revaluation | (325,083) | — | — | — | — | (325,083) |
| Revaluation surplus | 813,696 | — | — | — | — | 813,696 |
| As at December 31, 2012 | 1,474,703 | 13,430 | 150,278 | 118,502 | 8,107 | 1,765,020 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2012 | 333,570 | 12,790 | 145,948 | 69,121 | — | 561,429 |
| Charge for the year | 201,435 | 1,083 | 14,314 | 11,942 | — | 228,774 |
| Disposals | (14,953) | (3,407) | (45,939) | (10,776) | — | (75,075) |
| Transfer out | (66,462) | — | — | — | — | (66,462) |
| Eliminated on revaluation | (325,083) | — | — | — | — | (325,083) |
| As at December 31, 2012 | 128,507 | 10,466 | 114,323 | 70,287 | — | 323,583 |
| Net book value | | | | | | |
| As at January 1, 2012 | 473,786 | 5,648 | 30,614 | 42,071 | 1,553 | 553,672 |
| As at December 31, 2012 | 1,346,196 | 2,964 | 35,955 | 48,215 | 8,107 | 1,441,437 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Company—continued

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2013 | 1,474,703 | 13,430 | 150,278 | 118,502 | 8,107 | 1,765,020 |
| Purchases | 161 | 1,123 | 38,844 | 5,819 | 15,419 | 61,366 |
| Disposals | — | (15) | (12,054) | (4,589) | — | (16,658) |
| Transfer in | 10,994 | — | — | — | — | 10,994 |
| Transfer out | — | — | — | — | (10,994) | (10,994) |
| As at December 31, 2013 | 1,485,858 | 14,538 | 177,068 | 119,732 | 12,532 | 1,809,728 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2013 | 128,507 | 10,466 | 114,323 | 70,287 | — | 323,583 |
| Charge for the year | 107,658 | 348 | 21,498 | 12,956 | — | 142,460 |
| Disposals | — | (15) | (11,557) | (4,501) | — | (16,073) |
| As at December 31, 2013 | 236,165 | 10,799 | 124,264 | 78,742 | — | 449,970 |
| Net book value | | | | | | |
| As at January 1, 2013 | 1,346,196 | 2,964 | 35,955 | 48,215 | 8,107 | 1,441,437 |
| As at December 31, 2013 | 1,249,693 | 3,739 | 52,804 | 40,990 | 12,532 | 1,359,758 |

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2014 | 1,485,858 | 14,538 | 177,068 | 119,732 | 12,532 | 1,809,728 |
| Purchases | 157 | 367 | 46,481 | 6,389 | 5,302 | 58,696 |
| Disposals | — | — | (21,274) | (6,602) | — | (27,876) |
| Transfer in | 382 | — | — | — | — | 382 |
| Transfer out | (173,751) | — | — | — | (382) | (174,133) |
| As at December 31, 2014 | 1,312,646 | 14,905 | 202,275 | 119,519 | 17,452 | 1,666,797 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2014 | 236,165 | 10,799 | 124,264 | 78,742 | — | 449,970 |
| Charge for the year | 88,443 | 417 | 23,371 | 11,831 | — | 124,062 |
| Disposals | — | — | (5,785) | (6,216) | — | (12,001) |
| Transfer out | (15,958) | — | — | — | — | (15,958) |
| As at December 31, 2014 | 308,650 | 11,216 | 141,850 | 84,357 | — | 546,073 |
| Net book value | | | | | | |
| As at January 1, 2014 | 1,249,693 | 3,739 | 52,804 | 40,990 | 12,532 | 1,359,758 |
| As at December 31, 2014 | 1,003,996 | 3,689 | 60,425 | 35,162 | 17,452 | 1,120,724 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

35. Property and equipment—continued

Company—continued

| | Buildings | Machinery equipment | Electronic equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at January 1, 2015 | 1,312,646 | 14,905 | 202,275 | 119,519 | 17,452 | 1,666,797 |
| Purchases | 229 | 465 | 9,424 | 1,240 | 1,029 | 12,387 |
| Disposals | — | — | (6,587) | (1,759) | — | (8,346) |
| Transfer in | — | — | 1,620 | — | — | 1,620 |
| Transfer out | (88,193) | — | — | — | (1,620) | (89,813) |
| As at June 30, 2015 | 1,224,682 | 15,370 | 206,732 | 119,000 | 16,861 | 1,582,645 |
| Accumulated depreciation | | | | | | |
| As at January 1, 2015 | 308,650 | 11,216 | 141,850 | 84,357 | — | 546,073 |
| Charge for the period | 41,088 | 235 | 14,531 | 5,555 | — | 61,409 |
| Disposals | — | — | (1,669) | (1,590) | — | (3,259) |
| Transfer out | (14,913) | — | — | — | — | (14,913) |
| As at June 30, 2015 | 334,825 | 11,451 | 154,712 | 88,322 | — | 589,310 |
| Net book value | | | | | | |
| As at January 1, 2015 | 1,003,996 | 3,689 | 60,425 | 35,162 | 17,452 | 1,120,724 |
| As at June 30, 2015 | 889,857 | 3,919 | 52,020 | 30,678 | 16,861 | 993,335 |

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's property which the Company has not obtained certificate of land use right or certificate of property ownership amounted to RMB142.92 million, RMB131.85 million, RMB120.11 million and RMB114.61 million, respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Company's operations.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.34 million, RMB153.96 million and RMB154.90 million, RMB161.89 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | 1,346,196 | 1,249,693 | 1,003,996 | 889,857 |
| Total | 1,346,196 | 1,249,693 | 1,003,996 | 889,857 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

36. Deferred taxation

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

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Deferred tax assets | 915,101 | 2,036,729 | 2,671,833 | 2,723,633 |
| Deferred tax liabilities | (55,905) | (160,751) | (123,265) | (470,716) |
| Total | 859,196 | 1,875,978 | 2,548,568 | 2,252,917 |

| | 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 | Early retirement benefits | Others | Total |
|---|---|---|---|---|---|---|---|---|
| January 1, 2012 | (7,968) | 48,322 | 50,777 | (84,835) | 123,511 | 23,042 | (155) | 152,694 |
| Credit/(charge) to profit or loss | — | (13,933) | 178,966 | 3,552 | 553,305 | 218 | 689 | 722,797 |
| Charge to other comprehensive income | (16,295) | — | — | — | — | — | — | (16,295) |
| December 31, 2012 | (24,263) | 34,389 | 229,743 | (81,283) | 676,816 | 23,260 | 534 | 859,196 |
| January 1, 2013 | (24,263) | 34,389 | 229,743 | (81,283) | 676,816 | 23,260 | 534 | 859,196 |
| Credit/(charge) to profit or loss | — | 91,996 | 21,170 | (251,099) | 1,116,048 | (13,481) | 54,534 | 1,019,168 |
| Charge to other comprehensive income | (2,386) | — | — | — | — | — | — | (2,386) |
| December 31, 2013 | (26,649) | 126,385 | 250,913 | (332,382) | 1,792,864 | 9,779 | 55,068 | 1,875,978 |
| January 1, 2014 | (26,649) | 126,385 | 250,913 | (332,382) | 1,792,864 | 9,779 | 55,068 | 1,875,978 |
| Credit/(charge) to profit or loss | — | (66,191) | 161,355 | (194,356) | 2,027,043 | 12,357 | (19,563) | 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 | 22,136 | 35,873 | 2,548,568 |
| January 1, 2015 | (1,275,072) | 60,194 | 412,268 | (526,738) | 3,819,907 | 22,136 | 35,873 | 2,548,568 |
| Credit/(charge) to profit or loss | — | (122,222) | 54,510 | (187,077) | 1,418,533 | 2,261 | (37,276) | 1,128,729 |
| Charge to other comprehensive income | (1,194,522) | — | — | — | — | — | — | (1,194,522) |
| Acquisition of subsidiary | — | — | — | — | — | — | (229,858) | (229,858) |
| June 30, 2015 | (2,469,594) | (62,028) | 466,778 | (713,815) | 5,238,440 | 24,397 | (231,261) | 2,252,917 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

36. Deferred taxation—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Deferred tax assets | 722,737 | 1,601,507 | 2,048,662 | 1,947,934 |
| Total | 722,737 | 1,601,507 | 2,048,662 | 1,947,934 |

| | 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 | Early retirement benefits | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2012 | — | — | — | — | — | — | — |
| Credit to profit or loss | — | 22,399 | 171,988 | — | 528,350 | — | 722,737 |
| Charge to other comprehensive income | — | — | — | — | — | — | — |
| December 31, 2012 | — | 22,399 | 171,988 | — | 528,350 | — | 722,737 |
| January 1, 2013 | — | 22,399 | 171,988 | — | 528,350 | — | 722,737 |
| Credit/(charge) to profit or loss | — | 96,013 | (11,956) | (237,744) | 1,078,877 | 9,779 | 934,969 |
| Charge to other comprehensive income | (56,199) | — | — | — | — | — | (56,199) |
| December 31, 2013 | (56,199) | 118,412 | 160,032 | (237,744) | 1,607,227 | 9,779 | 1,601,507 |
| January 1, 2014 | (56,199) | 118,412 | 160,032 | (237,744) | 1,607,227 | 9,779 | 1,601,507 |
| Credit/(charge) to profit or loss | — | (32,449) | 23,599 | (162,427) | 1,783,354 | 881 | 1,612,958 |
| Charge to other comprehensive income | (1,165,803) | — | — | — | — | — | (1,165,803) |
| December 31, 2014 | (1,222,002) | 85,963 | 183,631 | (400,171) | 3,390,581 | 10,660 | 2,048,662 |
| January 1, 2015 | (1,222,002) | 85,963 | 183,631 | (400,171) | 3,390,581 | 10,660 | 2,048,662 |
| Credit/(charge) to profit or loss | — | 2,449 | 13,315 | (162,475) | 1,228,048 | 2,578 | 1,083,915 |
| Charge to other comprehensive income | (1,184,643) | — | — | — | — | — | (1,184,643) |
| June 30, 2015 | (2,406,645) | 88,412 | 196,946 | (562,646) | 4,618,629 | 13,238 | 1,947,934 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

37. Other assets

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Inventories(1) | 1,657,847 | 3,200,810 | 5,271,208 | 8,298,437 |
| Other receivables | 4,510,256 | 4,628,219 | 5,575,844 | 7,432,912 |
| Clearing and settlement | 900,267 | 2,475,558 | 1,755,206 | 2,060,120 |
| Prepayments for equipment leasing | 1,266,595 | 1,328,809 | 1,091,340 | 1,633,784 |
| Interest receivable | 408,690 | 596,894 | 1,756,300 | 1,395,008 |
| Land use right(2) | 99,010 | 143,634 | 907,745 | 911,226 |
| Deductible value-added tax | — | 268,816 | 678,738 | 658,877 |
| Foreclosed assets(3) | 1,160,781 | 159,655 | 554,608 | 601,595 |
| Prepaid expense | 199,923 | 325,536 | 354,807 | 301,796 |
| Intangible assets | 72,901 | 106,247 | 134,945 | 131,257 |
| Dividends receivable | 25,496 | 18,328 | 18,319 | 32,220 |
| Others | 19,503 | 162,151 | 148,279 | 476,350 |
| Total | 10,321,269 | 13,414,657 | 18,247,339 | 23,933,582 |

(1) The Group's inventories are the property and land development costs from real estate projects of Huarong Real Estate Co., Ltd.

(2) Land use right

The carrying amounts of land use right analyzed by the remaining lease terms are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | 99,010 | 143,634 | 907,745 | 911,226 |
| Total | 99,010 | 143,634 | 907,745 | 911,226 |

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the land use rights which were pledged by the Group for borrowing amounted to nil, nil, RMB27.24 million and RMB27.24 million respectively.

(3) Foreclosed assets

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Buildings | 991,049 | 138,290 | 532,851 | 579,593 |
| Others | 248,383 | 98,437 | 101,149 | 101,394 |
| Subtotal | 1,239,432 | 236,727 | 634,000 | 680,987 |
| Less: Allowance for impairment losses | (78,651) | (77,072) | (79,392) | (79,392) |
| Net book value | 1,160,781 | 159,655 | 554,608 | 601,595 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

### 37. Other assets—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Other receivables | 703,681 | 1,436,540 | 1,068,538 | 1,994,697 |
| Foreclosed assets(1) | 42,002 | 159,655 | 554,608 | 601,595 |
| Interest receivable | — | 23,101 | 30,311 | 592 |
| Intangible assets | 14,423 | 21,317 | 17,458 | 13,020 |
| Land use right(2) | — | — | — | 14,908 |
| Dividends receivable | 25,496 | 18,328 | 18,319 | 15,977 |
| Others | 776 | 5,072 | 91,900 | 17,622 |
| Total | 786,378 | 1,664,013 | 1,781,134 | 2,658,411 |

(1) Foreclosed assets

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Buildings | 33,013 | 138,290 | 532,851 | 579,593 |
| Others | 86,061 | 98,437 | 101,149 | 101,394 |
| Subtotal | 119,074 | 236,727 | 634,000 | 680,987 |
| Less: Allowance for impairment losses | (77,072) | (77,072) | (79,392) | (79,392) |
| Net book value | 42,002 | 159,655 | 554,608 | 601,595 |

(2) Land use right

The carrying amounts of land use right analyzed by the remaining lease terms are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Held outside Hong Kong: | | | | |
| —on medium-term lease (10-50 years) | — | — | — | 14,908 |
| Total | — | — | — | 14,908 |

### 38. Borrowings from central bank

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Borrowings from central bank | 40,000 | 52,300 | 80,000 | 60,000 |
| Total | 40,000 | 52,300 | 80,000 | 60,000 |

The balance of the Group arises from its banking business.

The Company had no borrowings from central bank at the end of each reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

39. Deposits from financial institutions

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | 11,067,517 | 11,642,016 | 12,217,780 | 10,220,882 |
| Other financial institutions | 821,801 | 4,375,900 | 1,442,227 | 143,104 |
| Total | 11,889,318 | 16,017,916 | 13,660,007 | 10,363,986 |

The balance of the Group mainly arises from its banking business. The Company had no deposits from financial institutions at the end of each reporting period. Certain of the Group's buildings have been pledged as collateral for deposits from financial institutions.

40. Placements from financial institutions

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | — | 5,128,035 | 1,161,021 | 1,797,398 |
| Other financial institutions | — | 700,000 | 950,000 | 1,050,000 |
| Total | — | 5,828,035 | 2,111,021 | 2,847,398 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Banks | — | 4,000,000 | — | — |
| Total | — | 4,000,000 | — | — |

41. Borrowings

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Unsecured loans | 74,012,700 | 119,067,470 | 216,477,193 | 266,225,854 |
| Pledged loans | 13,487,232 | 13,241,600 | 15,977,615 | 18,727,218 |
| Guaranteed loans | 2,200,000 | 3,481,167 | 7,134,792 | 8,105,809 |
| Loans secured by properties | 60,000 | 340,906 | 295,600 | 1,005,080 |
| Total | 89,759,932 | 136,131,143 | 239,885,200 | 294,063,961 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

41. Borrowings—continued

Group—continued

Loans secured by properties were collateralized by property and equipment, inventory and land use right as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Property and equipment | — | — | 20,146 | 20,146 |
| Other assets - inventory | 595,322 | 1,936,107 | 406,486 | 983,992 |
| Other assets - land use right | — | — | 27,238 | 27,238 |
| Total | 595,322 | 1,936,107 | 453,870 | 1,031,376 |

Other secured loans were pledged by financial assets classified as receivables and finance lease receivables as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Financial assets classified as receivables | 750,000 | — | — | — |
| Finance lease receivables | 26,261,553 | 25,682,072 | 27,729,249 | 28,733,608 |
| Total | 27,011,553 | 25,682,072 | 27,729,249 | 28,733,608 |

Borrowings arise from the non-banking businesses of the Group.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Carrying amount repayable*: | | | | |
| Within one year | 57,767,101 | 59,994,751 | 119,878,682 | 137,045,227 |
| More than one year, but not exceeding two years | 16,342,441 | 33,371,085 | 56,772,113 | 53,928,347 |
| More than two years, but not exceeding five years | 9,552,520 | 12,290,000 | 22,659,160 | 53,537,437 |
| More than five years | 347,870 | 20,053,420 | 24,510,850 | 34,529,750 |
| Subtotal | 84,009,932 | 125,709,256 | 223,820,805 | 279,040,761 |
| Carrying amount of borrowings that contain a repayment on demand clause repayable*: | | | | |
| Within one year | 5,750,000 | 8,289,973 | 13,077,332 | 11,919,200 |
| More than one year, but not exceeding two years | — | 2,131,914 | 2,387,063 | 1,300,000 |
| More than two years, but not exceeding five years | — | — | 600,000 | 1,804,000 |
| Subtotal | 5,750,000 | 10,421,887 | 16,064,395 | 15,023,200 |
| Total | 89,759,932 | 136,131,143 | 239,885,200 | 294,063,961 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

41. Borrowings—continued

Group—continued

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Fixed-rate borrowings: | | | | |
| Within one year | 43,728,000 | 40,115,000 | 88,300,000 | 135,067,963 |
| More than one year, but not exceeding two years | 11,342,441 | 32,530,179 | 54,012,113 | 45,922,280 |
| More than two years, but not exceeding five years | 7,792,520 | 6,290,000 | 23,168,560 | 45,889,810 |
| More than five years | 347,870 | 20,053,420 | 24,510,850 | 34,500,000 |
| Total | 63,210,831 | 98,988,599 | 189,991,523 | 261,380,053 |

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

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

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Effective interest rate | | | | |
| Fixed-rate borrowings | 3.00%~11.50% | 3.00%~12.50% | 3.00%~12.50% | 4.00%~12.02% |
| Variable-rate borrowings | 5.54%~8.50% | 1.86%~8.06% | 2.04%~9.50% | 5.40%~7.50% |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Unsecured loans | 57,728,000 | 87,880,000 | 171,890,000 | 211,210,000 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

41. Borrowings—continued

Company—continued

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Carrying amount repayable*: | | | | |
| Within one year | 47,728,000 | 34,920,000 | 85,810,000 | 98,030,000 |
| More than one year, but not exceeding two years | 8,300,000 | 20,960,000 | 42,080,000 | 40,980,000 |
| More than two years, but not exceeding five years | 1,700,000 | 12,000,000 | 19,500,000 | 37,700,000 |
| More than five years | — | 20,000,000 | 24,500,000 | 34,500,000 |
| Subtotal | 57,728,000 | 87,880,000 | 171,890,000 | 211,210,000 |
| Carrying amount of borrowings that contain a repayment on demand clause repayable*: | — | — | — | — |
| Total | 57,728,000 | 87,880,000 | 171,890,000 | 211,210,000 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Fixed-rate borrowings: | | | | |
| Within one year | 40,618,000 | 34,920,000 | 83,010,000 | 96,230,000 |
| More than one year, but not exceeding two years | 3,300,000 | 19,960,000 | 38,080,000 | 36,980,000 |
| More than two years, but not exceeding five years | — | 6,000,000 | 19,500,000 | 37,700,000 |
| More than five years | — | 20,000,000 | 24,500,000 | 34,500,000 |
| Total | 43,918,000 | 80,880,000 | 165,090,000 | 205,410,000 |

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 rates (which are also equal to contractual interest rates) on the Company's borrowings are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Effective interest rate | | | | |
| Fixed-rate borrowings | 5.00%~7.58% | 5.10%~9.50% | 4.00%~7.25% | 4.00%~7.25% |
| Variable-rate borrowings | 5.54%~6.50% | 5.10%~7.30% | 5.75%~7.30% | 5.40%~6.25% |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

42. Financial assets sold under repurchase agreements

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Bonds | 2,500,000 | 1,257,000 | 14,181,266 | 15,785,979 |
| Bills | 37,578,564 | 27,486,573 | 9,412,531 | 3,739,660 |
| Finance lease receivables | 8,067,428 | 5,245,064 | 2,609,302 | 490,818 |
| Total | 48,145,992 | 33,988,637 | 26,203,099 | 20,016,457 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Bonds | — | — | — | 1,409,400 |
| Total | — | — | — | 1,409,400 |

43. Due to customers

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Demand deposits | | | | |
| Corporate customers | 30,187,755 | 34,575,743 | 38,134,707 | 41,526,631 |
| Individual customers | 9,130,554 | 10,268,343 | 11,622,277 | 12,694,099 |
| Time deposits | | | | |
| Corporate customers | 11,528,161 | 14,086,432 | 27,707,299 | 35,409,485 |
| Individual customers | 11,374,808 | 15,083,221 | 17,522,932 | 21,281,703 |
| Pledged deposits | 7,544,202 | 11,534,314 | 15,070,985 | 17,908,344 |
| Others | 286,356 | 2,337,885 | 7,187,872 | 7,552,014 |
| Total | 70,051,836 | 87,885,938 | 117,246,072 | 136,372,276 |

The balance of the Group arises from its banking business. The Company had no due to customers at the end of each reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

44. Bonds and notes issued

Group

| | Notes | As at December 31, 2012 | As at December 31, 2013 | As at December 31, 2014 | As at June 30, 2015 |
|---|---|---|---|---|---|
| 10-year 6.3% fixed rate subordinate bonds | (1) | 1,492,500 | 1,493,250 | 1,494,000 | 1,494,021 |
| 10-year 5.5% fixed rate mid-term U.S. dollar notes | (2) | — | — | — | 8,650,627 |
| 6-year leasing asset-backed securities | (3) | — | — | 573,011 | 215,468 |
| 5-year 5.66% fixed rate financial bonds | (4) | — | 5,600,000 | 5,579,627 | 5,580,400 |
| 5-year floating rate financial bonds | (5) | — | 397,288 | 397,721 | 398,010 |
| 5-year 4.8% fixed rate financial bonds | (6) | — | — | 9,904,709 | 9,906,167 |
| 5-year 4.6% fixed rate financial bonds | (7) | 497,850 | 498,760 | 499,714 | — |
| 5-year 4.5% fixed rate mid-term U.S. dollar notes | (8) | — | — | — | 7,414,824 |
| 5-year 4% fixed rate U.S. dollar bonds | (9) | — | — | 7,264,819 | 7,400,234 |
| 4-year 6.25% fixed rate subordinate bonds | (10) | — | 1,500,000 | 1,500,000 | 1,500,000 |
| 3-year 6.8% fixed rate financial bonds | (11) | — | — | 600,000 | 600,000 |
| 3-year 5.7% fixed rate financial bonds | (12) | — | — | — | 1,500,000 |
| 3-year 5.55% fixed rate financial bonds | (13) | — | 6,000,000 | 5,983,186 | 5,985,646 |
| 3-year floating rate financial bonds | (14) | — | 398,374 | 398,966 | 399,272 |
| 3-year 4.6% fixed rate financial bonds | (15) | — | — | 9,960,181 | 9,964,389 |
| 3-year 3.5% fixed rate mid-term U.S. dollar notes | (16) | — | — | — | 3,707,412 |
| 3-year 3% fixed rate U.S. dollar bonds | (17) | — | — | 1,816,205 | 1,850,059 |
| 3-year 5.39% fixed rate financial bonds | (18) | — | — | — | 1,500,000 |
| 3-year 4.9% fixed rate financial bonds | (19) | — | — | — | 2,000,000 |
| 3-year floating rate financial bonds | (20) | — | — | — | 995,543 |
| 3-year 5.8% fixed rate financial bonds | (21) | 996,966 | 998,509 | — | — |
| 3-year 3.86% fixed rate financial bonds | (22) | 499,684 | — | — | — |
| 91-day 6.67% fixed rate financial bonds | (23) | — | 1,000,000 | — | — |
| 91-day 4.35% fixed rate financial bonds | (24) | — | — | 1,000,000 | — |
| 90-day 5.8% fixed rate financial bonds | (25) | — | — | 1,000,000 | — |
| 70-day 5.8% fixed rate beneficiary certification | (26) | — | — | 30,000 | — |
| 10-year 6.0% fixed rate Tier II capital bonds | (27) | — | — | — | 3,000,000 |
| 2-year 5.6% fixed rate beneficiary certification | (28) | — | — | — | 300,000 |
| 91-day 4.9% fixed rate financial bonds | (29) | — | — | — | 1,000,000 |
| 91-day 3.09% fixed rate financial bonds | (30) | — | — | — | 1,000,000 |
| Total | | 3,487,000 | 17,886,181 | 48,002,139 | 76,362,072 |

Company

| | Notes | As at December 31, 2012 | As at December 31, 2013 | As at December 31, 2014 | As at June 30, 2015 |
|---|---|---|---|---|---|
| 5-year 5.66% fixed rate financial bonds | (4) | — | 6,000,000 | 5,979,627 | 5,980,400 |
| 5-year 4.8% fixed rate financial bonds | (6) | — | — | 9,959,709 | 9,961,167 |
| 3-year 5.55% fixed rate financial bonds | (13) | — | 6,000,000 | 5,983,186 | 5,985,646 |
| 3-year 4.6% fixed rate financial bonds | (15) | — | — | 9,960,181 | 9,964,389 |
| Total | | — | 12,000,000 | 31,882,703 | 31,891,602 |

(1) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate subordinate bonds with a principal of RMB1,500.00 million at 6.3% per annum on November 29, 2012, payable annually. 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.

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

### 44. Bonds and notes issued—continued

(2) The 10-year fixed rate mid-term U.S. dollar notes with principal of USD1,400.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 5.5% per annum, payable semi-annually.

(3) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued RMB644.00 million of leasing asset-backed securities in December 2014 with tenure of 6 years. 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.

(4) The Company issued 5-year fixed rate financial bonds in November 2013, with a principal of RMB6,000.00 million and a coupon rate of 5.66% per annum, payable annually. The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB 400 million in principal of the above financial bonds in November 2013.

(5) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 5-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.7% and reset annually, payable annually.

(6) The Company issued 5-year fixed rate financial bonds with a principal of RMB10,000.00 million at a coupon rate of 4.8% per annum in December 2014, payable annually. The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired the above financial bonds with a par value of RMB55.00 million in principal in December 2014.

(7) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 5-year fixed rate financial bonds with a principal of RMB500.00 million at a coupon rate of 4.6% per annum in May 2010, payable annually. The financial bonds matured on May 27, 2015, and had been paid in full.

(8) The 5-year fixed rate mid-term U.S. dollar notes with principal of USD1,200.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 4.5% per annum, payable semi-annually.

(9) The 5-year fixed rate U.S. dollar bonds with principal of USD1,200.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 4.0% per annum, payable annually.

(10) The Company's subsidiary Huarong Securities Co., Ltd., issued 4-year fixed rate subordinate bonds in July 2013, with a principal of RMB1,500.00 million and at a coupon rate of 6.25% per annum, payable annually.

(11) The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in August 2014, with a principal of RMB600.00 million and at a coupon rate of 6.8% per annum, payable annually.

(12) The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in March 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.7% per annum, payable annually.

(13) The Company issued 3 year fixed rate financial bonds with a principal of RMB6,000.00 million and at a coupon rate of 5.55% per annum in November 2013, payable annually.

(14) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 3-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.5% and reset annually, payable annually.

(15) The Company issued 3 year fixed rate financial bonds with a principal of RMB10,000.00 million and at a coupon rate of 4.6% per annum in December 2014, payable annually.

(16) The 3-year fixed rate mid-term U.S. dollar notes with principal of USD600.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 3.5% per annum, payable semi-annually.

(17) The 3-year fixed rate U.S. dollar bonds with principal of USD300.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 3% per annum, payable annually.

(18) The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in May 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.39% per annum, payable annually.

(19) The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in April 2015, with a principal of RMB2,000.00 million and at a coupon rate of 4.9% per annum, payable annually.

(20) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year floating rate financial bonds in June 2015, with a principal of RMB1,000.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 3.05% and reset annually, payable annually.

(21) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2011, payable annually. The financial bonds matured on December 30, 2014, and had been paid in full.

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

### 44. Bonds and notes issued—continued

(22) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB500.00 million and at a coupon rate of 3.86% per annum in May 2010, payable annually. The financial bonds matured on May 27, 2013, and had been paid in full.
(23) The Company's subsidiary Huarong Securities Co., Ltd. issued 91- day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 6.67% per annum in December 2013, payable on maturity date. The financial bonds matured on March 14, 2014, and had been paid in full.
(24) The Company's subsidiary Huarong Securities Co., Ltd. issued 91- day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.35% per annum in October 2014, payable on maturity date. The financial bonds matured on January 19, 2015, and had been paid in full.
(25) The Company's subsidiary Huarong Securities Co., Ltd. issued 90 - day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The financial bonds matured on March 17, 2015, and had been paid in full.
(26) The Company's subsidiary Huarong Securities Co., Ltd. issued 70 - day fixed rate beneficiary certification with a principal of RMB30.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The beneficiary certification matured on February 12, 2015, and had been paid in full.
(27) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate Tier II capital bonds with a principal of RMB3,000.00 million at 6.0% per annum on June 29, 2015, payable annually. Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or on whole on June 29, 2020. If Huarong Xiangjiang Bank Corporation Limited does not exercise this option, the coupon rate of the bonds would remain at 6.0% per annum.
(28) The Company's subsidiary Huarong Securities Co., Ltd. issued 2-year fixed rate beneficiary certification with a principal of RMB300.00 million and at a coupon rate of 5.6% per annum in June 2015, payable on maturity date.
(29) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.9% per annum in April 2015, payable on maturity date.
(30) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 3.09% per annum in June 2015, payable on maturity date.

### 45. Tax payable

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Enterprise income tax | 2,037,110 | 2,183,442 | 2,249,508 | 2,114,325 |
| Hong Kong profits tax | — | 6,844 | 27,178 | 128,870 |
| Total | 2,037,110 | 2,190,286 | 2,276,686 | 2,243,195 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Enterprise income tax | 1,685,558 | 1,715,449 | 1,308,493 | 1,341,448 |
| Total | 1,685,558 | 1,715,449 | 1,308,493 | 1,341,448 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

46. Other liabilities

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Payables to interest holders of consolidated structured entities | 5,212,030 | 15,411,893 | 20,286,054 | 31,637,800 |
| Guarantee deposit | 12,756,884 | 13,397,656 | 14,166,522 | 16,460,438 |
| Account payable to brokerage clients | 2,124,317 | 1,986,506 | 4,609,561 | 13,272,202 |
| Other payable | 1,382,085 | 2,528,687 | 5,887,981 | 10,750,417 |
| Amount due to the MOF(1) | 21,988,616 | 15,103,409 | 11,446,145 | 7,627,268 |
| Interest payable | 941,587 | 1,680,597 | 3,260,820 | 4,443,656 |
| Amounts received in advance(2) | 60,509 | 1,999,433 | 3,140,965 | 3,336,816 |
| Employee benefits payable(3) | 1,433,446 | 2,318,156 | 2,948,781 | 3,058,962 |
| Margin payable | 308,121 | 260,662 | 367,695 | 1,290,955 |
| Bills payable | — | — | — | 1,229,049 |
| Sundry taxes payable | 378,087 | 289,593 | 350,410 | 536,697 |
| Provisions(4) | 101,744 | 177,996 | 117,461 | 181,286 |
| Dividends payable | 15,845 | 13,469 | 12,641 | 314,235 |
| Others | 291,750 | 523,879 | 806,503 | 467,077 |
| Total | 46,995,021 | 55,691,936 | 67,401,539 | 94,606,858 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Amount due to the MOF(1) | 21,988,616 | 15,103,409 | 11,446,145 | 7,627,268 |
| Other payable | 964,337 | 1,674,770 | 2,622,936 | 6,104,947 |
| Interest payable | 123,193 | 425,684 | 1,151,363 | 1,935,392 |
| Guarantee deposit | 1,141,482 | 994,140 | 1,034,207 | 1,858,725 |
| Employee benefits payable(3) | 687,732 | 931,880 | 1,043,655 | 1,102,837 |
| Sundry taxes payable | 253,604 | 225,986 | 326,596 | 351,937 |
| Provisions(4) | 101,744 | 177,996 | 117,461 | 181,286 |
| Others | 194,963 | 125,284 | 146,634 | 123,589 |
| Total | 25,455,671 | 19,659,149 | 17,888,997 | 19,285,981 |

(1) Amount due to the MOF mainly includes outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration arising from the purchase of assets in the policy business portfolio from the MOF is repayable in five equal installments of RMB 3.94 billion each over a five-year period, representing an effective annual interest rate of 2.16%, starting from 2012.

(2) Amounts received in advance represent deposits received in respect of pre-sale of properties and receipts in advance relating to primary land development.

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

### 46. Other liabilities—continued

(3) Employee benefits payable

Group

| | 2012 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at December 31, |
| Wages or salaries, bonuses, allowances and subsidies | 1,014,893 | 1,488,408 | (1,319,040) | 1,184,261 |
| Social insurance | 17,606 | 117,272 | (106,346) | 28,532 |
| Housing funds | 2,797 | 111,874 | (112,293) | 2,378 |
| Staff welfare | 293 | 112,331 | (112,319) | 305 |
| Early retirement benefits | 92,167 | 14,990 | (14,118) | 93,039 |
| Labor union and staff education expenses | 60,315 | 106,888 | (106,194) | 61,009 |
| Annuity scheme | 547 | 14,149 | (12,841) | 1,855 |
| Others | 57,837 | 19,907 | (15,677) | 62,067 |
| Total | 1,246,455 | 1,985,819 | (1,798,828) | 1,433,446 |

| | 2013 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at December 31, |
| Wages or salaries, bonuses, allowances and subsidies | 1,184,261 | 2,330,147 | (1,666,245) | 1,848,163 |
| Social insurance | 28,532 | 132,980 | (110,130) | 51,382 |
| Housing funds | 2,378 | 155,207 | (153,000) | 4,585 |
| Staff welfare | 305 | 143,423 | (143,198) | 530 |
| Early retirement benefits | 93,039 | 128,079 | (21,772) | 199,346 |
| Labor union and staff education expenses | 61,009 | 89,876 | (56,826) | 94,059 |
| Annuity scheme | 1,855 | 172,089 | (128,646) | 45,298 |
| Others | 62,067 | 24,296 | (11,570) | 74,793 |
| Total | 1,433,446 | 3,176,097 | (2,291,387) | 2,318,156 |

| | 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 |
| Annuity scheme | 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 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

### 46. Other liabilities—continued

(3) Employee benefits payable—continued

Group—continued

| | 2015 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at June 30, |
| Wages or salaries, bonuses, allowances and subsidies | 2,469,560 | 1,678,576 | (1,603,379) | 2,544,757 |
| Social insurance | 50,919 | 87,954 | (75,163) | 63,710 |
| Housing funds | 7,568 | 86,983 | (86,977) | 7,574 |
| Staff welfare | 200 | 49,049 | (46,527) | 2,722 |
| Early retirement benefits | 187,436 | 13,721 | (13,862) | 187,295 |
| Labor union and staff education expenses | 121,754 | 44,974 | (25,839) | 140,889 |
| Annuity scheme | 10,767 | 161,298 | (160,174) | 11,891 |
| Others | 100,577 | 7,243 | (7,696) | 100,124 |
| Total | 2,948,781 | 2,129,798 | (2,019,617) | 3,058,962 |

Company

| | 2012 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at December 31, |
| Wages or salaries, bonuses, allowances and subsidies | 540,504 | 497,959 | (463,867) | 574,596 |
| Social insurance | 726 | 22,283 | (22,112) | 897 |
| Housing funds | 120 | 37,323 | (37,313) | 130 |
| Staff welfare | 183 | 25,235 | (25,223) | 195 |
| Labor union and staff education expenses | 50,818 | 66,905 | (67,876) | 49,847 |
| Others | 57,837 | 19,907 | (15,677) | 62,067 |
| Total | 650,188 | 669,612 | (632,068) | 687,732 |

| | 2013 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at December 31, |
| Wages or salaries, bonuses, allowances and subsidies | 574,596 | 607,410 | (542,060) | 639,946 |
| Social insurance | 897 | 23,692 | (23,685) | 904 |
| Housing funds | 130 | 49,059 | (49,776) | (587) |
| Staff welfare | 195 | 33,675 | (33,688) | 182 |
| Early retirement benefits | — | 128,079 | (1,997) | 126,082 |
| Labor union and staff education expenses | 49,847 | 27,334 | (13,734) | 63,447 |
| Annuity scheme | — | 80,343 | (53,230) | 27,113 |
| Others | 62,067 | 24,296 | (11,570) | 74,793 |
| Total | 687,732 | 973,888 | (729,740) | 931,880 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

### 46. Other liabilities—continued

(3) Employee benefits payable—continued

Company—continued

| | 2014 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at December 31, |
| Wages or salaries, bonuses, allowances and subsidies | 639,946 | 691,233 | (596,854) | 734,325 |
| Social insurance | 904 | 28,516 | (28,611) | 809 |
| Housing funds | (587) | 56,424 | (55,672) | 165 |
| Staff welfare | 182 | 38,597 | (38,579) | 200 |
| Early retirement benefits | 126,082 | 22,496 | (11,197) | 137,381 |
| Labor union and staff education expenses | 63,447 | 31,105 | (16,214) | 78,338 |
| Annuity scheme | 27,113 | 94,104 | (118,778) | 2,439 |
| Others | 74,793 | 27,649 | (12,444) | 89,998 |
| Total | 931,880 | 990,124 | (878,349) | 1,043,655 |

| | 2015 | | | |
|---|---|---|---|---|
| | As at January 1, | Accrued | Paid | As at June 30, |
| Wages or salaries, bonuses, allowances and subsidies | 734,325 | 565,068 | (511,991) | 787,402 |
| Social insurance | 809 | 16,109 | (16,818) | 100 |
| Housing funds | 165 | 31,108 | (30,718) | 555 |
| Staff welfare | 200 | 8,982 | (8,798) | 384 |
| Early retirement benefits | 137,381 | 13,721 | (5,330) | 145,772 |
| Labor union and staff education expenses | 78,338 | 5,002 | (5,629) | 77,711 |
| Annuity scheme | 2,439 | 63,316 | (64,188) | 1,567 |
| Others | 89,998 | 5,890 | (6,542) | 89,346 |
| Total | 1,043,655 | 709,196 | (650,014) | 1,102,837 |

(4) Movements of provisions

Group and Company

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| At beginning of the year/period | 207,163 | 101,744 | 177,996 | 117,461 |
| Provided for the year/period | — | 76,252 | 521 | 71,155 |
| Settled | (105,419) | — | (61,056) | (7,330) |
| At end of the year/period | 101,744 | 177,996 | 117,461 | 181,286 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

47. Share capital

Group and Company

| | Note | Year ended December 31, 2012 | 2013 | 2014 | Six months ended June 30, 2015 |
|---|---|---|---|---|---|
| Authorized, issued and fully paid: | | | | | |
| At beginning of the year/period(1) | | — | 25,835,870 | 25,835,870 | 32,695,870 |
| Financial restructuring(1) | II | 25,335,870 | — | — | — |
| Capital injection(1), (2) | | 500,000 | — | 6,860,000 | — |
| At end of the year/period | | 25,835,870 | 25,835,870 | 32,695,870 | 32,695,870 |

(1) The Former Huarong was established by the MOF with a paid-in capital of RMB10,000.00 million. Upon the completion of the Financial Restructuring and incorporation of the joint stock company on September 28, 2012 as set out in note II to section A, the MOF subscribed for the 25,335.87 million promoter's shares at par value of RMB 1 each, China Life made a capital injection of RMB 500.00 million in cash for 500.00 million shares. The capital contribution was verified by BDO China Shu Lun Pan Certified Public Accountants LLP with verification report Xin Kuai Shi Bao Zi (2012) No. 730001.

(2) On September 11, 2014, the Company issued a total of 6,860.00 million shares at par value of RMB 1 each to 8 strategic investors for a total consideration of RMB 14,500.01 million with share premium of RMB 7,640.01 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing branch, with verification report De Shi Bao (Yan) Zi (14) No. 0009 issued on September 16, 2014.

48. Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value.

49. Surplus reserve

Under the 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 disclosed represents only the surplus reserve appropriated by the Company.

50. General reserve

Prior to July 1, 2012, pursuant to the Administrative Measures of the Ministry of Finance for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (Caijin [2005] No. 49) and the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from July 1, 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

50. General reserve—continued

For the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2014 and 2015, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB963.91 million, RMB2,221.07 million, RMB1,492.61 million, RMB1,057.15 million (unaudited) and RMB613.63 million, respectively to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred nil, RMB1,546.51 million, RMB642.56 million, RMB642.56 million (unaudited) and nil, respectively to general reserve for the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2014 and 2015.

51. Other reserves

Group

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| At beginning of the year/period | 2,878,856 | (559,281) | (168,608) | 3,807,418 |
| Fair value changes on available-for-sale financial assets | (3,068,947) | 77,565 | 5,150,107 | 4,751,384 |
| Income tax effects | (15,007) | (24,861) | (1,222,190) | (1,187,846) |
| Share of other comprehensive (expense)/income of associates | (354,183) | 339,255 | 49,342 | 51,459 |
| Exchange differences arising on translation of foreign operations | — | (1,286) | (2,921) | 9,140 |
| Actuarial gains on defined benefit obligations | — | — | 1,688 | 1,693 |
| At end of the year/period | (559,281) | (168,608) | 3,807,418 | 7,433,248 |

Company

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| At beginning of the year/period | 2,843,090 | (606,648) | (124,509) | 3,700,369 |
| Fair value changes on available-for-sale financial assets | (3,101,560) | 206,109 | 4,940,369 | 4,738,570 |
| Income tax effects | — | (56,199) | (1,165,803) | (1,184,643) |
| Share of other comprehensive (expense)/income of associates | (348,178) | 332,229 | 48,624 | 51,482 |
| Actuarial gains on defined benefit obligations | — | — | 1,688 | 1,693 |
| At end of the year/period | (606,648) | (124,509) | 3,700,369 | 7,307,471 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

52. Retained earnings

Company

During the Relevant Periods, the retained earnings of the Company were as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| At beginning of the year/period | 5,957,462 | 6,366,042 | 8,835,190 | 8,835,190 | 12,116,905 |
| Profit for the year/period | 4,160,464 | 5,848,663 | 6,309,860 | 3,957,846 | 4,853,132 |
| Capitalization of reserves | (3,335,838) | — | — | — | — |
| Appropriation to surplus reserve | (416,046) | (584,866) | (630,986) | — | — |
| Appropriation to general reserve | — | (1,546,510) | (642,560) | (642,560) | — |
| Dividends recognized as distribution | — | (1,248,139) | (1,754,599) | (1,754,599) | — |
| At end of the year/period | 6,366,042 | 8,835,190 | 12,116,905 | 10,395,877 | 16,970,037 |

53. Perpetual capital instruments

In December 2014, January 2015, February 2015 and April 2015, a subsidiary of the Company, Huarong Rongde Asset Management Co., Ltd. (the "Issuer") issued perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate net proceeds of RMB1,450.00 million, RMB300.00 million, RMB200.00 million and RMB 300.00 million respectively.

There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Issuer of the Perpetual Capital Instruments. The Perpetual Capital Investments are callable. When the Issuer elects to declare dividends to their shareholders, the Issuer shall make distribution to the holders of Perpetual Capital Instruments at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Instruments is as follows:

| | Principal | Distribution | Total |
|---|---|---|---|
| Balance at January 1, 2014 | — | — | — |
| Issuance of Perpetual Capital Instruments | 1,450,000 | — | 1,450,000 |
| Profit attributable to holders of Perpetual Capital Instruments | — | 723 | 723 |
| Balance at December 31, 2014 and January 1, 2015 | 1,450,000 | 723 | 1,450,723 |
| Issuance of Perpetual Capital Instruments | 800,000 | — | 800,000 |
| Profit attributable to holders of Perpetual Capital Instruments | — | 83,909 | 83,909 |
| Distribution to holders of Perpetual Capital Instruments | — | (80,226) | (80,226) |
| Balance at June 30, 2015 | 2,250,000 | 4,406 | 2,254,406 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

54. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Cash on hand | 247,480 | 305,860 | 367,287 | 386,973 |
| Balances with central bank | 3,525,539 | 4,080,875 | 5,392,097 | 5,862,862 |
| Unrestricted balances with original maturity of less than 3 months: | | | | |
| Deposits with financial institutions | 14,671,046 | 22,824,952 | 37,541,155 | 37,698,091 |
| Financial assets held under resale agreements | 11,560,543 | 21,991,196 | 8,866,901 | 8,088,583 |
| Placements with financial institutions | 911,818 | 2,709,744 | 13,105,950 | 6,112,242 |
| Total | 30,916,426 | 51,912,627 | 65,273,390 | 58,148,751 |

55. 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 Relevant Periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, total consideration of such transactions were RMB565.01 million, RMB950.01 million, RMB1,838.69 million, nil (unaudited) and nil, respectively. The corresponding cost were RMB239.12 million, RMB71.48 million, RMB1,071.92 million, nil (unaudited) and nil, respectively.

56. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2012, 2013 and 2014 and June 30, 2015, total claim amount of pending litigations were RMB 148.87 million, RMB 230.16 million, RMB 222.32 million and RMB 258.50 million for the Group and the Company, and provisions of RMB101.74 million, RMB178.00 million, RMB117.46 million and RMB 110.13 million for the Group and the Company were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

56. Contingent liabilities and commitments—continued

(2) Operating lease commitments

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

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Within 1 year | 13,349 | 61,617 | 293,515 | 274,368 |
| 1-5 years | 77,248 | 153,762 | 466,978 | 486,358 |
| Over 5 years | 414,076 | 449,329 | 263,868 | 198,170 |
| Total | 504,673 | 664,708 | 1,024,361 | 958,896 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Within 1 year | 19,433 | 160,219 | 160,219 | 173,987 |
| 1-5 years | — | — | — | 7,488 |
| Total | 19,433 | 160,219 | 160,219 | 181,475 |

(3) Credit enhancement

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Credit enhancement | 8,406,000 | 10,138,500 | 5,002,500 | 2,539,000 |
| Total | 8,406,000 | 10,138,500 | 5,002,500 | 2,539,000 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Credit enhancement | 8,406,000 | 10,138,500 | 5,002,500 | 2,539,000 |
| Guarantees for subsidiaries | 2,200,000 | 3,304,700 | 7,520,700 | 10,607,600 |
| Total | 10,606,000 | 13,443,200 | 12,523,200 | 13,146,600 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

56. Contingent liabilities and commitments—continued

(4) Credit commitments

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Loan commitment | 1,637,568 | 3,407,688 | 5,289,668 | 5,083,398 |
| Bank bill acceptance | 16,274,095 | 23,592,464 | 29,195,744 | 36,390,328 |
| Credit card commitment | 32,344 | 430,293 | 554,500 | 829,814 |
| Letters of guarantee issued | 735,295 | 3,400,914 | 3,270,989 | 3,344,843 |
| Letters of credit issued | 269,176 | 357,827 | 171,615 | 173,985 |
| Total | 18,948,478 | 31,189,186 | 38,482,516 | 45,822,368 |

(5) Other commitments

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Contracted but not provided for | | | | |
| —commitments for the acquisition of property and equipment | 588,565 | 593,846 | 876,328 | 589,573 |
| Total | 588,565 | 593,846 | 876,328 | 589,573 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Contracted but not provided for | | | | |
| —commitments for the acquisition of property and equipment | — | 2,269 | 3,043 | 1,573 |
| Total | — | 2,269 | 3,043 | 1,573 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

57. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

| | Carrying amount of pledged assets | | | | Related liabilities | | | |
|---|---|---|---|---|---|---|---|---|
| | As at December 31, | | | As at June 30, | As at December 31, | | | As at June 30, |
| | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 |
| Held-for-trading debt securities | — | — | 1,358,782 | 1,415,508 | — | — | 1,176,570 | 1,379,563 |
| Available-for-sale debt securities | 173,289 | 300,000 | 902,373 | 2,944,479 | 170,000 | 300,000 | 781,366 | 2,903,416 |
| Loans and advances to customers | — | — | — | 1,158,543 | — | — | — | 1,000,000 |
| Held-to-maturity debt securities | 2,350,828 | 1,008,406 | 7,952,591 | 9,735,760 | 2,330,000 | 957,000 | 7,775,800 | 9,503,000 |
| Finance lease receivables | 12,651,600 | 8,296,922 | 3,641,594 | 1,403,501 | 8,067,428 | 5,245,064 | 2,609,302 | 490,818 |
| Financial assets held under resale agreements | 39,460,283 | 35,453,379 | 19,215,024 | 8,381,705 | 37,578,564 | 27,486,573 | 13,860,061 | 4,739,660 |
| Total | 54,636,000 | 45,058,707 | 33,070,364 | 25,039,496 | 48,145,992 | 33,988,637 | 26,203,099 | 20,016,457 |

58. 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 the 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

58. Segment information—continued

*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 were mainly carried out by the subsidiaries of the Company.

*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 Financial Information of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

Segment 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

58. Segment information—continued

| Year ended December 31, 2012 | Distressed asset management | Financial services | Asset management and investment | Elimination | Consolidated |
|---|---|---|---|---|---|
| Income from distressed debt assets classified as receivables | 4,645,000 | — | — | — | 4,645,000 |
| Fair value changes on distressed debt assets | 249,838 | — | — | — | 249,838 |
| Fair value changes on other financial assets | (38) | 428,440 | 31,179 | — | 459,581 |
| Interest income | 302,938 | 9,362,649 | 29,069 | (8,141) | 9,686,515 |
| Investment income | 2,650,041 | 787,980 | 2,048,107 | (157,862) | 5,328,266 |
| Commission and fee income | 3,217,408 | 686,955 | 1,896,774 | (557,199) | 5,243,938 |
| Net losses on disposal of associates | (59,493) | — | — | — | (59,493) |
| Other income and other net gains or losses | 331,214 | 170,960 | 201,135 | (193,632) | 509,677 |
| Total | 11,336,908 | 11,436,984 | 4,206,264 | (916,834) | 26,063,322 |
| Interest expense | (3,094,669) | (5,791,695) | (306,703) | 109,069 | (9,083,998) |
| Commission and fee expense | (165,218) | (108,676) | (11) | 62,799 | (211,106) |
| Operating expenses | (1,566,254) | (2,316,038) | (1,619,521) | 640,718 | (4,861,095) |
| Impairment losses on assets | (2,484,147) | (192,190) | 353,014 | — | (2,323,323) |
| Total | (7,310,288) | (8,408,599) | (1,573,221) | 812,586 | (16,479,522) |
| Change in net assets attributable to other holders of consolidated structured entities | (59) | — | (570,988) | — | (571,047) |
| Share of results of associates | 40,523 | — | 56,134 | — | 96,657 |
| Profit before tax | 4,067,084 | 3,028,385 | 2,118,189 | (104,248) | 9,109,410 |
| Income tax expense | | | | | (2,122,856) |
| Profit for the year | | | | | 6,986,554 |
| Capital expenditure | 706,275 | 372,936 | 8,008 | — | 1,087,219 |
| As at December 31, 2012 | | | | | |
| Segment assets | 103,001,070 | 191,805,072 | 22,559,471 | (2,332,025) | 315,033,588 |
| Including: Interests in associates | 1,427,566 | — | 1,475,921 | — | 2,903,487 |
| Total assets | 103,001,070 | 191,805,072 | 22,559,471 | (2,332,025) | 315,033,588 |
| Segment liabilities | 85,414,545 | 175,174,701 | 14,034,284 | (2,161,416) | 272,462,114 |
| Total liabilities | 85,414,545 | 175,174,701 | 14,034,284 | (2,161,416) | 272,462,114 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

58. Segment information—continued

| Year ended December 31, 2013 | Distressed asset management | Financial services | Asset management and investment | Elimination | Consolidated |
|---|---|---|---|---|---|
| Income from distressed debt assets classified as receivables | 8,918,040 | — | — | — | 8,918,040 |
| Fair value changes on distressed debt assets | 509,079 | — | — | — | 509,079 |
| Fair value changes on other financial assets | 69,908 | 864,400 | 7,342 | — | 941,650 |
| Interest income | 245,982 | 9,815,113 | 22,006 | (7,460) | 10,075,641 |
| Investment income | 5,042,228 | 1,283,793 | 1,877,184 | (23,722) | 8,179,483 |
| Commission and fee income | 3,556,853 | 1,500,297 | 2,107,506 | (380,103) | 6,784,553 |
| Net gains on disposal of associates | 12,212 | — | 2,083 | — | 14,295 |
| Other income and other net gains or losses | 1,452,284 | 328,996 | 310,385 | (195,038) | 1,896,627 |
| Total | 19,806,586 | 13,792,599 | 4,326,506 | (606,323) | 37,319,368 |
| Interest expense | (4,765,106) | (5,902,149) | (294,534) | 31,221 | (10,930,568) |
| Commission and fee expense | (235,668) | (139,326) | — | 46,574 | (328,420) |
| Operating expenses | (2,871,058) | (3,121,060) | (1,551,760) | 527,271 | (7,016,607) |
| Impairment losses on assets | (4,224,519) | (338,410) | (287,246) | — | (4,850,175) |
| Total | (12,096,351) | (9,500,945) | (2,133,540) | 605,066 | (23,125,770) |
| Change in net assets attributable to other holders of consolidated structured entities | — | (226,580) | (328,174) | — | (554,754) |
| Share of results of associates | (74,263) | — | 75,165 | — | 902 |
| Profit before tax | 7,635,972 | 4,065,074 | 1,939,957 | (1,257) | 13,639,746 |
| Income tax expense | | | | | (3,546,557) |
| Profit for the year | | | | | 10,093,189 |
| Capital expenditure | 128,917 | 918,031 | 10,721 | — | 1,057,669 |
| As at December 31, 2013 | | | | | |
| Segment assets | 155,964,318 | 232,691,796 | 22,189,136 | (2,477,972) | 408,367,278 |
| Including: Interests in associates | 1,294,813 | — | 1,560,439 | — | 2,855,252 |
| Total assets | 155,964,318 | 232,691,796 | 22,189,136 | (2,477,972) | 408,367,278 |
| Segment liabilities | 132,132,282 | 211,513,804 | 14,443,145 | (2,256,108) | 355,833,123 |
| Total liabilities | 132,132,282 | 211,513,804 | 14,443,145 | (2,256,108) | 355,833,123 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

58. Segment information—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 |
| 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 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

58. Segment information—continued

| Six months ended June 30, 2014 (Unaudited) | Distressed asset management | Financial services | Asset management and investment | Elimination | Consolidated |
|---|---|---|---|---|---|
| Income from distressed debt assets classified as receivables | 7,014,450 | — | — | — | 7,014,450 |
| Fair value changes on distressed debt assets | 537,595 | — | — | — | 537,595 |
| Fair value changes on other financial assets | 3,940 | 468,375 | 58,518 | — | 530,833 |
| Interest income | 220,241 | 5,626,364 | 43,088 | (6,639) | 5,883,054 |
| Investment income | 2,167,977 | 1,384,793 | 898,398 | (54,447) | 4,396,721 |
| Commission and fee income | 1,950,195 | 864,706 | 758,706 | (95,833) | 3,477,774 |
| Net gains on disposal of associates | 13,927 | — | — | — | 13,927 |
| Other income and other net gains or losses | 1,277,714 | 122,852 | 153,810 | (106,569) | 1,447,807 |
| Total | 13,186,039 | 8,467,090 | 1,912,520 | (263,488) | 23,302,161 |
| Interest expense | (4,297,938) | (3,379,360) | (266,332) | 61,084 | (7,882,546) |
| Commission and fee expense | (128,300) | (82,122) | (6,467) | 1,559 | (215,330) |
| Operating expenses | (1,278,821) | (1,588,783) | (593,109) | 200,420 | (3,260,293) |
| Impairment losses on assets | (1,839,204) | (417,923) | 7,395 | — | (2,249,732) |
| Total | (7,544,263) | (5,468,188) | (858,513) | 263,063 | (13,607,901) |
| Change in net assets attributable to other holders of consolidated structured entities | — | (298,835) | (106,202) | — | (405,037) |
| Share of results of associates | (13,081) | — | 45,061 | — | 31,980 |
| Profit before tax | 5,628,695 | 2,700,067 | 992,866 | (425) | 9,321,203 |
| Income tax expense | | | | | (2,242,548) |
| Profit for the period | | | | | 7,078,655 |
| Capital expenditure | 38,109 | 1,051,036 | 231,446 | — | 1,320,591 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

58. Segment information—continued

| Six months ended June 30, 2015 | Distressed asset management | Financial services | Asset management and investment | Elimination | Consolidated |
|---|---|---|---|---|---|
| Income from distressed debt assets classified as receivables | 11,012,476 | — | — | — | 11,012,476 |
| Fair value changes on distressed debt assets | 485,999 | — | — | — | 485,999 |
| Fair value changes on other financial assets | 319,969 | 902,588 | 954,756 | — | 2,177,313 |
| Interest income | 338,412 | 6,610,312 | 85,633 | (3,589) | 7,030,768 |
| Investment income | 4,915,225 | 2,466,741 | 2,528,830 | (82,179) | 9,828,617 |
| Commission and fee income | 2,312,181 | 2,081,592 | 1,173,730 | (49,907) | 5,517,596 |
| Net gains on disposal of associates | 175,329 | — | — | — | 175,329 |
| Other income and other net gains or losses | 1,304,725 | 59,865 | 338,689 | (105,328) | 1,597,951 |
| Total | 20,864,316 | 12,121,098 | 5,081,638 | (241,003) | 37,826,049 |
| Interest expense | (6,940,787) | (3,944,382) | (1,368,907) | 127,416 | (12,126,660) |
| Commission and fee expense | (83,846) | (479,259) | (11,192) | 10,002 | (564,295) |
| Operating expenses | (2,617,542) | (2,254,267) | (604,621) | 145,235 | (5,331,195) |
| Impairment losses on assets | (4,596,919) | (739,382) | (813,911) | — | (6,150,212) |
| Total | (14,239,094) | (7,417,290) | (2,798,631) | 282,653 | (24,172,362) |
| Change in net assets attributable to other holders of consolidated structured entities | (1,398) | (609,414) | (359,905) | — | (970,717) |
| Share of results of associates | (8,943) | — | 149,554 | — | 140,611 |
| Profit before tax | 6,614,881 | 4,094,394 | 2,072,656 | 41,650 | 12,823,581 |
| Income tax expense | | | | | (2,955,815) |
| Profit for the period | | | | | 9,867,766 |
| Capital expenditure | 36,861 | 441,488 | 9,473 | — | 487,822 |
| As at June 30, 2015 | | | | | |
| Segment assets | 326,412,847 | 329,484,049 | 84,331,395 | (5,672,304) | 734,555,987 |
| Including: Interests in associates | 1,076,811 | 2,895,075 | — | — | 3,971,886 |
| Total assets | 326,412,847 | 329,484,049 | 84,331,395 | (5,672,304) | 734,555,987 |
| Segment liabilities | 271,930,013 | 299,935,363 | 71,094,531 | (5,552,988) | 637,406,919 |
| Total liabilities | 271,930,013 | 299,935,363 | 71,094,531 | (5,552,988) | 637,406,919 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

59. Related party transactions

(1) The MOF

Group and Company

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the MOF directly owned 98.06%, 98.06%, 77.49% and 77.49% of the share capital of the Company.

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

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

The Group had the following balances with the MOF:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Amount due to the MOF | 21,988,616 | 15,103,409 | 11,446,145 | 7,627,268 |
| Financial assets held for trading | 746,821 | — | — | — |
| Held-to-maturity investments | 5,870,654 | 6,182,188 | 5,879,128 | 5,877,971 |
| Available-for-sale financial assets | 358,529 | 85,263 | 85,296 | 85,296 |
| Other payable(1) | — | — | — | 639,932 |

The Company had the following balances with the MOF:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Amount due to the MOF | 21,988,616 | 15,103,409 | 11,446,145 | 7,627,268 |
| Other payable(1) | — | — | — | 639,932 |

(1) Other payable represents the principal and interest collected from the MOF, which should be paid to the Industrial and Commercial Bank of China.

The Group has entered into the following transactions with the MOF:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Interest expense | 134,017 | 361,661 | 283,573 | 163,449 | 121,960 |
| Investment income | 198,351 | 199,333 | 225,119 | 115,306 | 111,296 |

The Company has entered into the following transactions with the MOF:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Interest expense | 134,017 | 361,661 | 283,573 | 163,449 | 121,960 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

59. Related party transactions—continued

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Financial assets classified as receivables | 400,000 | 1,338,000 | 2,655,029 | 3,335,445 |
| Amounts due from subsidiaries | 1,040,194 | 1,200,000 | 1,433,700 | 4,251,732 |
| Bonds and notes issued | — | 400,000 | 455,000 | 455,000 |
| Interest payables | — | 2,481 | 2,661 | 15,296 |

The Company had the following transactions with its subsidiaries:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Commission and fee income | 632,046 | 429,266 | 203,087 | 101,635 | 73,260 |
| Dividend income | 673,760 | 994,797 | 774,618 | 774,618 | 803,482 |
| Investment income from financial assets classified as receivables | 221,842 | 98,712 | 93,675 | 43,127 | 67,473 |
| Other income and other net gains or losses | 1,125 | 1,225 | 11,246 | 3,223 | 3,056 |
| Commission and fee expense | 62,799 | 46,574 | 22,230 | 1,557 | 14,128 |
| Operating expenses | 102,911 | 130,319 | 195,807 | 98,495 | 88,474 |
| Interest expense | — | 2,481 | 22,857 | 11,320 | 14,706 |
| Interest income from amounts due from subsidiaries | 100,000 | 50,166 | 1,027 | 2,334 | 3,587 |

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Other receivable | 34,000 | 34,000 | — | — |

The Group has entered into the following transactions with its associates:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Investment income | 721 | 815 | — | — | — |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

59. Related party transactions—continued

(4) 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 were individually significant.

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

(5) Annuity Scheme

Group

Some subsidiaries of the Group have the following transactions with the Annuity Scheme set up by the Group:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | | | (Unaudited) | |
| Contribution to Annuity Scheme | 14,149 | 172,089 | 264,384 | 127,844 | 161,298 |

60. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with 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 are credit risk, market risk and liquidity 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. 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.

60.1 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 with financial institutions, financial assets classified as receivables, loans and advance to customers, finance lease receivables and available-for-sale financial assets. 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 VI. 60.4 to section A 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 assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest method. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(ii) Impairment assessment—continued

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

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

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

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Balances with central bank | 16,650,329 | 20,846,116 | 26,578,033 | 26,700,576 |
| Deposits with financial institutions | 20,469,283 | 29,922,868 | 51,633,232 | 62,426,838 |
| Placements with financial institutions | 950,000 | 3,070,713 | 13,628,330 | 6,112,242 |
| Financial assets held for trading | 2,471,877 | 188,563 | 6,910,374 | 8,490,075 |
| Financial assets designated as at fair value through profit or loss | 11,504,844 | 10,291,681 | 7,722,740 | 9,629,389 |
| Financial assets held under resale agreements | 39,784,932 | 40,463,684 | 21,841,924 | 22,241,220 |
| Available-for-sale financial assets | 4,035,272 | 5,994,680 | 16,340,770 | 14,164,366 |
| Held-to-maturity investments | 9,741,939 | 12,623,756 | 18,817,891 | 22,352,540 |
| Financial assets classified as receivables | 74,921,669 | 124,319,993 | 227,033,219 | 297,629,167 |
| Loans and advances to customers | 37,645,668 | 48,176,387 | 63,239,421 | 76,721,252 |
| Finance lease receivables | 47,645,242 | 55,546,273 | 63,494,344 | 72,691,990 |
| Other assets | 2,601,048 | 4,419,589 | 4,621,165 | 5,121,132 |
| Total | 268,422,103 | 355,864,303 | 521,861,443 | 624,280,787 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements—continued

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Balances with central bank | 1,211 | 1,222 | 1,228 | 1,233 |
| Deposits with financial institutions | 10,385,772 | 13,140,661 | 20,474,113 | 17,632,967 |
| Placements with financial institutions | — | 2,600,000 | 12,800,000 | 4,000,000 |
| Financial assets held under resale agreements | 138,600 | 544,000 | 2,200,000 | — |
| Available-for-sale financial assets | — | — | 4,617,953 | 3,223,679 |
| Financial assets classified as receivables | 58,397,745 | 91,775,451 | 166,713,736 | 210,121,146 |
| Amounts due from subsidiaries | 1,040,194 | 1,200,000 | 1,433,700 | 4,251,732 |
| Other assets | 25,496 | 41,429 | 48,630 | 16,569 |
| Total | 69,989,018 | 109,302,763 | 208,289,360 | 239,247,326 |

Distressed debt assets designated as at fair value through profit or loss contains certain elements of credit risk. The risks such assets exposed to are detailed in note VI. 60.4 to section A. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB3,126.25 million, RMB8,134.16 million, RMB23,612.20 million and RMB37,504.15 million for the Group and RMB3,126.25 million, RMB8,134.16 million, RMB22,337.56 million and RMB34,574.64 million for the Company as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets classified as receivables | 55,230,011 | 92,132,971 | 168,712,792 | 211,790,991 |
| Loans and advances to customers | 38,129,000 | 48,934,337 | 64,449,297 | 78,258,521 |
| Finance lease receivables | 48,438,964 | 56,379,525 | 64,393,116 | 73,836,401 |
| Subtotal | 141,797,975 | 197,446,833 | 297,555,205 | 363,885,913 |
| Allowance for impairment losses | | | | |
| Distressed debt assets classified as receivables | (3,907,646) | (7,247,181) | (11,474,107) | (15,301,747) |
| Loans and advances to customers | (483,332) | (757,950) | (1,209,876) | (1,537,269) |
| Finance lease receivables | (793,722) | (833,252) | (898,772) | (1,144,411) |
| Subtotal | (5,184,700) | (8,838,383) | (13,582,755) | (17,983,427) |
| Net carrying amount | | | | |
| Distressed debt assets classified as receivables | 51,322,365 | 84,885,790 | 157,238,685 | 196,489,244 |
| Loans and advances to customers | 37,645,668 | 48,176,387 | 63,239,421 | 76,721,252 |
| Finance lease receivables | 47,645,242 | 55,546,273 | 63,494,344 | 72,691,990 |
| Total | 136,613,275 | 188,608,450 | 283,972,450 | 345,902,486 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets classified as receivables | 55,230,011 | 92,132,971 | 169,412,792 | 212,490,991 |
| Allowance for impairment losses | (3,907,646) | (7,247,181) | (11,474,107) | (15,301,747) |
| Net carrying amount | 51,322,365 | 84,885,790 | 157,938,685 | 197,189,244 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables—continued

By geographical area

Group

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Area | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Central Region | 55,327,432 | 39.0 | 70,037,867 | 35.5 | 105,432,158 | 35.4 | 127,476,013 | 35.0 |
| Western Region | 27,780,264 | 19.6 | 45,519,081 | 23.1 | 66,072,312 | 22.2 | 87,288,788 | 24.0 |
| Yangtze River Delta | 30,674,775 | 21.6 | 41,257,168 | 20.9 | 61,646,155 | 20.7 | 69,054,998 | 19.0 |
| Bohai Rim | 16,159,768 | 11.4 | 20,786,160 | 10.5 | 26,298,757 | 8.8 | 30,667,221 | 8.4 |
| Pearl River Delta | 7,610,309 | 5.4 | 9,310,294 | 4.7 | 21,889,228 | 7.4 | 30,245,904 | 8.3 |
| Northeastern Region | 4,245,427 | 3.0 | 10,536,263 | 5.3 | 16,216,595 | 5.5 | 19,152,989 | 5.3 |
| Total | 141,797,975 | 100.0 | 197,446,833 | 100.0 | 297,555,205 | 100.0 | 363,885,913 | 100.0 |

Company

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Area | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Western Region | 13,556,366 | 24.5 | 27,053,060 | 29.3 | 52,020,577 | 30.6 | 63,789,436 | 29.9 |
| Central Region | 10,582,379 | 19.2 | 17,095,088 | 18.6 | 33,311,211 | 19.7 | 44,945,278 | 21.2 |
| Yangtze River Delta | 11,050,331 | 20.0 | 18,142,884 | 19.7 | 33,731,306 | 19.9 | 39,552,424 | 18.6 |
| Bohai Rim | 12,151,256 | 22.0 | 16,715,364 | 18.1 | 20,787,117 | 12.3 | 24,126,100 | 11.4 |
| Pearl River Delta | 6,500,993 | 11.8 | 7,234,326 | 7.9 | 20,143,935 | 11.9 | 28,200,739 | 13.3 |
| Northeastern Region | 1,388,686 | 2.5 | 5,892,249 | 6.4 | 9,418,646 | 5.6 | 11,877,014 | 5.6 |
| Total | 55,230,011 | 100.0 | 92,132,971 | 100.0 | 169,412,792 | 100.0 | 212,490,991 | 100.0 |

Notes:

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

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

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

Yangtze River Delta: Including Shanghai, Jiangsu, Zhejiang.

Pearl River Delta: Including Guangdong, Fujian.

Northeastern Region: Including Liaoning, Jilin and Heilongjiang.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables—continued

By industry

Group

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Industry | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Corporate business | | | | | | | | |
| Real estate | 46,690,668 | 32.9 | 67,278,747 | 34.0 | 113,080,236 | 38.0 | 145,016,435 | 39.9 |
| Manufacturing | 32,911,454 | 23.2 | 35,938,676 | 18.2 | 46,884,495 | 15.8 | 61,210,838 | 16.8 |
| Water, environment and public utilities management | 7,202,548 | 5.1 | 14,420,309 | 7.3 | 23,136,496 | 7.8 | 27,813,531 | 7.6 |
| Construction | 4,386,448 | 3.1 | 6,608,576 | 3.3 | 14,200,149 | 4.8 | 13,792,299 | 3.8 |
| Leasing and commercial services | 5,605,194 | 4.0 | 8,026,901 | 4.1 | 13,362,961 | 4.5 | 16,443,564 | 4.5 |
| Transportation, logistics and postal services | 8,487,470 | 6.0 | 11,331,256 | 5.7 | 14,367,828 | 4.8 | 13,645,259 | 3.7 |
| Mining | 3,766,217 | 2.7 | 5,283,169 | 2.7 | 7,266,731 | 2.4 | 10,043,255 | 2.8 |
| Others | 27,299,114 | 19.2 | 38,456,455 | 19.5 | 49,818,536 | 16.7 | 54,478,069 | 15.0 |
| Subtotal | 136,349,113 | 96.2 | 187,344,089 | 94.8 | 282,117,432 | 94.8 | 342,443,250 | 94.1 |
| Personal business | | | | | | | | |
| Loans for business operations | 3,144,391 | 2.2 | 4,509,007 | 2.3 | 6,488,696 | 2.2 | 6,905,781 | 1.9 |
| Mortgage | 1,144,782 | 0.8 | 2,283,135 | 1.1 | 3,926,748 | 1.3 | 5,271,121 | 1.4 |
| Others | 1,159,689 | 0.8 | 3,310,602 | 1.8 | 5,022,329 | 1.7 | 9,265,761 | 2.6 |
| Subtotal | 5,448,862 | 3.8 | 10,102,744 | 5.2 | 15,437,773 | 5.2 | 21,442,663 | 5.9 |
| Total | 141,797,975 | 100.0 | 197,446,833 | 100.0 | 297,555,205 | 100.0 | 363,885,913 | 100.0 |

Company

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| Industry | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Real estate | 41,824,185 | 75.6 | 61,912,770 | 67.2 | 105,984,989 | 62.6 | 136,777,897 | 64.4 |
| Manufacturing | 2,540,066 | 4.6 | 6,003,688 | 6.5 | 15,483,524 | 9.1 | 28,059,822 | 13.2 |
| Construction | 971,916 | 1.8 | 1,906,879 | 2.1 | 9,252,374 | 5.5 | 8,599,517 | 4.0 |
| Mining | 2,817,177 | 5.1 | 3,204,299 | 3.5 | 5,383,025 | 3.2 | 8,322,693 | 3.9 |
| Leasing and commercial services | 2,284,519 | 4.1 | 2,331,742 | 2.5 | 6,005,935 | 3.5 | 8,231,176 | 3.9 |
| Water, environment and public utilities management | 201,538 | 0.4 | 1,715,010 | 1.9 | 4,079,622 | 2.4 | 3,433,227 | 1.6 |
| Transportation, logistics and postal services | 414,500 | 0.8 | 2,716,836 | 2.9 | 4,386,961 | 2.6 | 2,711,836 | 1.3 |
| Others | 4,176,110 | 7.6 | 12,341,747 | 13.4 | 18,836,362 | 11.1 | 16,354,823 | 7.7 |
| Total | 55,230,011 | 100.0 | 92,132,971 | 100.0 | 169,412,792 | 100.0 | 212,490,991 | 100.0 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 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

Group

| | Gross amount as at December 31, 2012 | | | | Gross amount as at December 31, 2013 | | | | Gross amount as at December 31, 2014 | | | | Gross amount as at June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total |
| Unsecured | 563,679 | 724,344 | 224,871 | 1,512,894 | 1,032,038 | 2,179,848 | 309,165 | 3,521,051 | 875,421 | 4,962,456 | 330,694 | 6,168,571 | 1,422,685 | 5,444,507 | 1,439,281 | 8,306,473 |
| Guaranteed | 11,476,767 | 29,114,626 | 2,487,833 | 43,079,226 | 8,689,690 | 41,402,966 | 4,019,370 | 54,112,026 | 11,880,813 | 56,451,774 | 4,275,545 | 72,608,132 | 12,284,318 | 59,755,432 | 9,247,029 | 81,286,779 |
| Collateralized | 13,005,906 | 72,730,630 | 4,731,783 | 90,468,319 | 14,147,134 | 104,190,645 | 5,946,012 | 124,283,791 | 19,618,035 | 166,117,750 | 11,247,814 | 196,983,599 | 28,672,982 | 204,813,032 | 15,314,636 | 248,800,650 |
| Pledged | 1,932,521 | 4,370,472 | 434,543 | 6,737,536 | 4,035,976 | 11,066,701 | 427,288 | 15,529,965 | 5,609,227 | 16,070,440 | 115,236 | 21,794,903 | 7,876,336 | 16,879,712 | 735,963 | 25,492,011 |
| Total | 26,978,873 | 106,940,072 | 7,879,030 | 141,797,975 | 27,904,838 | 158,840,160 | 10,701,835 | 197,446,833 | 37,983,496 | 243,602,420 | 15,969,289 | 297,555,205 | 50,256,321 | 286,892,683 | 26,736,909 | 363,885,913 |

Company

| | Gross amount as at December 31, 2012 | | | | Gross amount as at December 31, 2013 | | | | Gross amount as at December 31, 2014 | | | | Gross amount as at June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total | Less than 1 year (Including 1 year) | 1 to 5 years (Including 5 years) | Over 5 years | Total |
| Unsecured | — | 180,000 | — | 180,000 | — | 1,841,096 | — | 1,841,096 | — | 1,673,733 | — | 1,673,733 | 164,180 | 1,700,149 | — | 1,864,329 |
| Guaranteed | 283,033 | 580,500 | — | 863,533 | 1,180,390 | 7,522,776 | — | 8,703,166 | 2,606,072 | 14,748,914 | — | 17,354,986 | 2,617,050 | 15,661,772 | 700,000 | 18,978,822 |
| Collateralized | 2,173,140 | 47,648,726 | 1,454,448 | 51,276,314 | 350,561 | 70,787,645 | 1,432,573 | 72,570,779 | 1,995,221 | 131,921,668 | 2,448,529 | 136,365,418 | 6,595,794 | 166,254,974 | 2,195,160 | 175,045,928 |
| Pledged | — | 2,910,164 | — | 2,910,164 | 780,893 | 8,237,037 | — | 9,017,930 | 1,003,025 | 13,015,630 | — | 14,018,655 | 3,284,606 | 13,317,306 | — | 16,601,912 |
| Total | 2,456,173 | 51,319,390 | 1,454,448 | 55,230,011 | 2,311,844 | 88,388,554 | 1,432,573 | 92,132,971 | 5,604,318 | 161,359,945 | 2,448,529 | 169,412,792 | 12,661,630 | 196,934,201 | 2,895,160 | 212,490,991 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(v) Past due distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

| | Gross amount as at December 31, 2012 | | | | | Gross amount as at December 31, 2013 | | | | | Gross amount as at December 31, 2014 | | | | | Gross amount as at June 30, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 578,680 | 988,722 | — | — | 1,567,402 | 74,190 | 3,365,477 | 996,937 | — | 4,436,604 | 1,455,835 | 1,102,500 | 2,537,490 | — | 5,095,825 | 2,748,241 | 2,083,655 | 3,099,133 | 61,000 | 7,992,029 |
| Loans and advances to customers | 20,434 | 17,171 | 229,615 | — | 267,220 | 140,187 | 190,345 | 127,214 | 894 | 458,640 | 1,041,622 | 626,782 | 136,067 | — | 1,804,471 | 1,237,365 | 993,808 | 150,420 | — | 2,381,593 |
| Finance lease receivables | 53,661 | 15,462 | 124,931 | — | 194,054 | 711,988 | 825,020 | 128,246 | 47,105 | 1,712,359 | 100,386 | 892,995 | 611,546 | 54,500 | 1,659,427 | 371,767 | 330,096 | 1,036,790 | 12,826 | 1,751,479 |
| Total | 652,775 | 1,021,355 | 354,546 | — | 2,028,676 | 926,365 | 4,380,842 | 1,252,397 | 47,999 | 6,607,603 | 2,597,843 | 2,622,277 | 3,285,103 | 54,500 | 8,559,723 | 4,357,373 | 3,407,559 | 4,286,343 | 73,826 | 12,125,101 |

Company

| | Gross amount as at December 31, 2012 | | | | | Gross amount as at December 31, 2013 | | | | | Gross amount as at December 31, 2014 | | | | | Gross amount as at June 30, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 578,680 | 988,722 | — | — | 1,567,402 | 74,190 | 3,365,477 | 996,937 | — | 4,436,604 | 1,455,835 | 1,102,500 | 2,537,490 | — | 5,095,825 | 2,748,241 | 2,083,655 | 3,099,133 | 61,000 | 7,992,029 |
| Total | 578,680 | 988,722 | — | — | 1,567,402 | 74,190 | 3,365,477 | 996,937 | — | 4,436,604 | 1,455,835 | 1,102,500 | 2,537,490 | — | 5,095,825 | 2,748,241 | 2,083,655 | 3,099,133 | 61,000 | 7,992,029 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Neither past due nor impaired | 139,380,153 | 190,770,428 | 288,973,353 | 351,719,861 |
| Past due but not impaired[(1)] | 1,349,227 | 3,426,192 | 4,672,967 | 7,362,118 |
| Impaired[(2)] | 1,068,595 | 3,250,213 | 3,908,885 | 4,803,934 |
| Subtotal | 141,797,975 | 197,446,833 | 297,555,205 | 363,885,913 |
| Allowance for impairment losses | (5,184,700) | (8,838,383) | (13,582,755) | (17,983,427) |
| Net carrying amount | 136,613,275 | 188,608,450 | 283,972,450 | 345,902,486 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Neither past due nor impaired | 53,662,609 | 87,696,367 | 164,316,967 | 204,498,962 |
| Past due but not impaired[(1)] | 1,085,680 | 1,944,736 | 2,341,131 | 4,561,567 |
| Impaired[(2)] | 481,722 | 2,491,868 | 2,754,694 | 3,430,462 |
| Subtotal | 55,230,011 | 92,132,971 | 169,412,792 | 212,490,991 |
| Allowance for impairment losses | (3,907,646) | (7,247,181) | (11,474,107) | (15,301,747) |
| Net carrying amount | 51,322,365 | 84,885,790 | 157,938,685 | 197,189,244 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables—continued

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

Group

| | Gross amount as at December 31, 2012 | | | | | Gross amount as at December 31, 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 578,680 | 507,000 | — | — | 1,085,680 | 74,190 | 1,375,546 | 495,000 | — | 1,944,736 |
| Loans and advances to customers | 14,034 | — | 200,000 | — | 214,034 | 76,245 | 104,510 | 109,347 | — | 290,102 |
| Finance lease receivables | 49,513 | — | — | — | 49,513 | 700,135 | 491,219 | — | — | 1,191,354 |
| Total | 642,227 | 507,000 | 200,000 | — | 1,349,227 | 850,570 | 1,971,275 | 604,347 | — | 3,426,192 |

| | Gross amount as at December 31, 2014 | | | | | Gross amount as at June 30, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 1,455,835 | 788,333 | 96,963 | — | 2,341,131 | 2,748,241 | 1,723,326 | 90,000 | — | 4,561,567 |
| Loans and advances to customers | 909,548 | 398,010 | 37,000 | — | 1,344,558 | 1,176,049 | 505,730 | 37,000 | — | 1,718,779 |
| Finance lease receivables | 100,386 | 509,563 | 377,329 | — | 987,278 | 371,767 | 309,534 | 400,471 | — | 1,081,772 |
| Total | 2,465,769 | 1,695,906 | 511,292 | — | 4,672,967 | 4,296,057 | 2,538,590 | 527,471 | — | 7,362,118 |

Company

| | Gross amount as at December 31, 2012 | | | | | Gross amount as at December 31, 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 578,680 | 507,000 | — | — | 1,085,680 | 74,190 | 1,375,546 | 495,000 | — | 1,944,736 |
| Total | 578,680 | 507,000 | — | — | 1,085,680 | 74,190 | 1,375,546 | 495,000 | — | 1,944,736 |

| | Gross amount as at December 31, 2014 | | | | | Gross amount as at June 30, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets classified as receivables | 1,455,835 | 788,333 | 96,963 | — | 2,341,131 | 2,748,241 | 1,723,326 | 90,000 | — | 4,561,567 |
| Total | 1,455,835 | 788,333 | 96,963 | — | 2,341,131 | 2,748,241 | 1,723,326 | 90,000 | — | 4,561,567 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as 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

Group

| | As at December 31, 2012 | | | As at December 31, 2013 | | | As at December 31, 2014 | | | As at June 30, 2015 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross amount | Allowance for impairment losses | Net carrying value | Gross amount | Allowance for impairment losses | Net carrying value | 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 | 481,722 | (184,033) | 297,689 | 2,491,868 | (1,814,218) | 677,650 | 2,754,694 | (1,764,832) | 989,862 | 3,430,462 | (2,219,289) | 1,211,173 |
| Loans and advances to customers | | | | | | | | | | | | |
| —Individually assessed | 35,000 | (8,216) | 26,784 | 164,413 | (83,687) | 80,726 | 451,613 | (197,131) | 254,482 | 593,517 | (251,396) | 342,121 |
| —Collectively assessed | 53,091 | (17,810) | 35,281 | 15,541 | (9,969) | 5,572 | 25,128 | (12,183) | 12,945 | 71,438 | (25,804) | 45,634 |
| Finance lease receivables | | | | | | | | | | | | |
| —Individually assessed | 498,782 | (84,902) | 413,880 | 578,391 | (188,034) | 390,357 | 583,427 | (259,510) | 323,917 | 708,517 | (333,515) | 375,002 |
| —Collectively assessed | — | — | — | — | — | — | 94,023 | (48,302) | 45,721 | — | — | — |
| Total | 1,068,595 | (294,961) | 773,634 | 3,250,213 | (2,095,908) | 1,154,305 | 3,908,885 | (2,281,958) | 1,626,927 | 4,803,934 | (2,830,004) | 1,973,930 |

Company

| | As at December 31, 2012 | | | As at December 31, 2013 | | | As at December 31, 2014 | | | As at June 30, 2015 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross amount | Allowance for impairment losses | Net carrying value | Gross amount | Allowance for impairment losses | Net carrying value | 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 | 481,722 | (184,033) | 297,689 | 2,491,868 | (1,814,218) | 677,650 | 2,754,694 | (1,764,832) | 989,862 | 3,430,462 | (2,219,289) | 1,211,173 |
| Total | 481,722 | (184,033) | 297,689 | 2,491,868 | (1,814,218) | 677,650 | 2,754,694 | (1,764,832) | 989,862 | 3,430,462 | (2,219,289) | 1,211,173 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as 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

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets classified as receivables | | | | |
| Individually assessed and impaired | 481,722 | 2,491,868 | 2,754,694 | 3,430,462 |
| Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%) | 0.9 | 2.7 | 1.6 | 1.6 |
| Fair value of collateral | 1,040,128 | 2,869,067 | 3,877,945 | 5,822,385 |
| Loans and advances to customers | | | | |
| Individually assessed and impaired | 35,000 | 164,413 | 451,613 | 593,517 |
| Individually assessed and impaired as a % of total loans and advances to customers (%) | 0.1 | 0.3 | 0.7 | 0.8 |
| Collectively assessed and impaired | 53,091 | 15,541 | 25,128 | 71,438 |
| Collectively assessed and impaired as a % of total loans and advances to customers (%) | 0.1 | — | — | 0.1 |
| Fair value of collateral | 249,086 | 394,016 | 741,951 | 796,469 |
| Finance lease receivables | | | | |
| Individually assessed and impaired | 498,782 | 578,391 | 583,427 | 708,517 |
| Individually assessed and impaired as a % of total finance lease receivables (%) | 1.0 | 1.0 | 0.9 | 1.0 |
| Collectively assessed and impaired | — | — | 94,023 | — |
| Collectively assessed and impaired as a % of total finance lease receivables (%) | — | — | 0.1 | — |
| Fair value of collateral | 1,128,505 | 706,386 | 968,532 | 781,702 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as 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

Group—continued

Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables analyzed by geographical areas are as follows:

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| **Area** | **Gross amount** | **%** | **Gross amount** | **%** | **Gross amount** | **%** | **Gross amount** | **%** |
| Distressed debt assets classified as receivables | | | | | | | | |
| Central Region | — | — | 2,315,868 | 92.9 | 2,123,198 | 77.1 | 2,418,206 | 70.5 |
| Western Region | 4,000 | 0.8 | 126,000 | 5.1 | 435,659 | 15.8 | 548,164 | 16.0 |
| Bohai Rim | — | — | — | — | 34,100 | 1.2 | 241,508 | 7.0 |
| Northeastern Region | — | — | — | — | 81,285 | 3.0 | 134,237 | 4.0 |
| Yangtze River Delta | 127,722 | 26.5 | 50,000 | 2.0 | 80,452 | 2.9 | 80,000 | 2.3 |
| Pearl River Delta | 350,000 | 72.7 | — | — | — | — | 8,347 | 0.2 |
| Total | 481,722 | 100.0 | 2,491,868 | 100.0 | 2,754,694 | 100.0 | 3,430,462 | 100.0 |
| Loans and advances to customers | | | | | | | | |
| Central Region | 88,091 | 100.0 | 179,954 | 100.0 | 476,741 | 100.0 | 664,955 | 100.0 |
| Finance lease receivables | | | | | | | | |
| Yangtze River Delta | 203,652 | 40.8 | 235,978 | 40.8 | 226,025 | 33.4 | 267,108 | 37.7 |
| Western Region | 143,094 | 28.7 | 185,350 | 32.1 | 287,994 | 42.5 | 262,588 | 37.1 |
| Northeastern Region | 27,539 | 5.5 | 45,686 | 7.9 | 144,051 | 21.3 | 145,492 | 20.5 |
| Central Region | 71,576 | 14.4 | 55,602 | 9.6 | 10,468 | 1.5 | 26,436 | 3.7 |
| Pearl River Delta | 11,394 | 2.3 | 15,167 | 2.6 | 6,837 | 1.0 | 6,893 | 1.0 |
| Bohai Rim | 41,527 | 8.3 | 40,608 | 7.0 | 2,075 | 0.3 | — | — |
| Total | 498,782 | 100.0 | 578,391 | 100.0 | 677,450 | 100.0 | 708,517 | 100.0 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(vi) Credit quality of distressed debt assets classified as 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

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Distressed debt assets classified as receivables | | | | |
| Individually assessed and impaired | 481,722 | 2,491,868 | 2,754,694 | 3,430,462 |
| Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%) | 0.9 | 2.7 | 1.6 | 1.6 |
| Fair value of collateral | 1,040,128 | 2,869,067 | 3,877,945 | 5,822,385 |

Impaired distressed debt assets classified as receivables analyzed by geographical areas is as follows:

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | | |
| Area | Gross amount | % | Gross amount | % | Gross amount | % | Gross amount | % |
| Distressed debt assets classified as receivables | | | | | | | | |
| Central Region | — | — | 2,315,868 | 92.9 | 2,123,198 | 77.1 | 2,418,206 | 70.5 |
| Western Region | 4,000 | 0.8 | 126,000 | 5.1 | 435,659 | 15.8 | 548,164 | 16.1 |
| Bohai Rim | — | — | — | — | 34,100 | 1.2 | 241,508 | 7.0 |
| Northeastern Region | — | — | — | — | 81,285 | 3.0 | 134,237 | 3.9 |
| Yangtze River Delta | 127,722 | 26.5 | 50,000 | 2.0 | 80,452 | 2.9 | 80,000 | 2.3 |
| Pearl River Delta | 350,000 | 72.7 | — | — | — | — | 8,347 | 0.2 |
| Total | 481,722 | 100.0 | 2,491,868 | 100.0 | 2,754,694 | 100.0 | 3,430,462 | 100.0 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products.

Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Neither past due nor impaired(1) | 51,446,172 | 68,590,319 | 120,317,489 | 157,021,403 |
| Past due but not impaired(2) | 200,000 | 405,000 | 110,414 | 364,579 |
| Impaired(3) | 135,000 | 256,995 | 326,795 | 456,209 |
| Subtotal | 51,781,172 | 69,252,314 | 120,754,698 | 157,842,191 |
| Allowance for impairment losses | | | | |
| —Individually assessed | (70,500) | (171,599) | (276,399) | (329,594) |
| —Collectively assessed | (357,436) | (547,832) | (891,990) | (1,736,304) |
| Net carrying amount | 51,353,236 | 68,532,883 | 119,586,309 | 155,776,293 |

Company

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| Neither past due nor impaired(1) | 6,962,731 | 6,769,732 | 13,626,090 | 16,733,777 |
| Past due but not impaired(2) | 200,000 | 375,000 | 80,414 | 144,258 |
| Impaired(3) | 135,000 | 135,000 | 134,800 | 215,214 |
| Subtotal | 7,297,731 | 7,279,732 | 13,841,304 | 17,093,249 |
| Allowance for impairment losses | | | | |
| —Individually assessed | (70,500) | (135,000) | (134,800) | (173,295) |
| —Collectively assessed | (151,851) | (255,071) | (313,500) | (764,373) |
| Net carrying amount | 7,075,380 | 6,889,661 | 13,393,004 | 16,155,581 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

### VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vii) Credit quality of investment products—continued

(1) Neither past due nor impaired investment products

Group

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 746,821 | — | 358,529 | 5,870,654 | — | 6,976,004 | — | — | 85,263 | 6,182,188 | — | 6,267,451 |
| Public sector and quasi-government bonds | 328,759 | — | 533,779 | 2,836,442 | — | 3,698,980 | — | — | 1,226,418 | 5,170,175 | — | 6,396,593 |
| Financial institution bonds | — | — | 80,874 | 379,949 | — | 460,823 | 24,909 | — | 146,493 | 779,416 | — | 950,818 |
| Corporate bonds | 1,396,297 | — | 2,971,966 | 654,894 | — | 5,023,157 | 163,654 | — | 3,733,382 | 491,977 | — | 4,389,013 |
| Trust products | — | — | — | — | 9,745,844 | 9,745,844 | — | — | — | — | 8,526,030 | 8,526,030 |
| Wealth management products | — | 9,756,247 | 90,124 | — | — | 9,846,371 | — | 6,591,681 | 803,124 | — | — | 7,394,805 |
| Entrust loan | — | — | — | — | 9,072,665 | 9,072,665 | — | — | — | — | 8,882,929 | 8,882,929 |
| Debt instruments | — | — | — | — | 4,864,731 | 4,864,731 | — | — | — | — | 8,763,114 | 8,763,114 |
| Asset management plans | — | 1,748,597 | — | — | 9,000 | 1,757,597 | — | 3,700,000 | — | — | 13,319,566 | 17,019,566 |
| Convertible bonds | — | — | — | — | — | — | — | — | — | — | — | — |
| Structured products | — | — | — | — | — | — | — | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 2,471,877 | 11,504,844 | 4,035,272 | 9,741,939 | 23,692,240 | 51,446,172 | 188,563 | 10,291,681 | 5,994,680 | 12,623,756 | 39,491,639 | 68,590,319 |

| | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | — | — | 85,296 | 5,879,128 | — | 5,964,424 | — | — | 85,296 | 5,877,971 | — | 5,963,267 |
| Public sector and quasi-government bonds | 827,924 | — | 3,592,250 | 10,238,809 | — | 14,658,983 | 2,378,793 | — | 2,957,837 | 14,525,298 | — | 19,861,928 |
| Financial institution bonds | 55,494 | — | 4,211,003 | 2,607,891 | — | 6,874,388 | 790,754 | — | 6,054,992 | 1,857,308 | — | 8,703,054 |
| Corporate bonds | 6,026,956 | — | 5,023,901 | 92,063 | — | 11,142,920 | 5,235,118 | — | 2,772,612 | 91,963 | — | 8,099,693 |
| Trust products | — | — | — | — | 12,877,161 | 12,877,161 | — | 1,566,663 | 30,000 | — | 36,970,959 | 38,567,622 |
| Wealth management products | — | 5,756,336 | 2,803,898 | — | — | 8,560,234 | 85,410 | 2,872,124 | 1,487,115 | — | — | 4,444,649 |
| Entrust loan | — | — | — | — | 18,432,417 | 18,432,417 | — | — | — | — | 16,846,304 | 16,846,304 |
| Debt instruments | — | — | — | — | 20,499,999 | 20,499,999 | — | — | — | — | 33,786,923 | 33,786,923 |
| Asset management plans | — | 200,510 | — | — | 18,716,137 | 18,916,647 | — | 200,000 | 185,068 | — | 14,780,847 | 15,165,915 |
| Convertible bonds | — | 347,975 | — | — | — | 347,975 | — | 1,907,512 | — | — | — | 1,907,512 |
| Structured products | — | 1,417,919 | — | — | — | 1,417,919 | — | 3,083,090 | — | — | — | 3,083,090 |
| Asset-backed securities | — | — | 624,422 | — | — | 624,422 | — | — | 591,446 | — | — | 591,446 |
| Total | 6,910,374 | 7,722,740 | 16,340,770 | 18,817,891 | 70,525,714 | 120,317,489 | 8,490,075 | 9,629,389 | 14,164,366 | 22,352,540 | 102,385,033 | 157,021,403 |

# A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vii) Credit quality of investment products—continued

(1) Neither past due nor impaired investment products—continued

Company

As at December 31, 2012

| | 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 institution bonds | — | — | — | — | — | — |
| Trust products | — | — | — | — | 2,098,000 | 2,098,000 |
| Wealth management products | — | — | — | — | — | — |
| Debt instruments | — | — | — | — | 4,864,731 | 4,864,731 |
| Asset management plans | — | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — | — |
| Total | — | — | — | — | 6,962,731 | 6,962,731 |

As at December 31, 2013

| | 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 institution bonds | — | — | — | — | — | — |
| Trust products | — | — | — | — | 1,667,033 | 1,667,033 |
| Wealth management products | — | — | — | — | — | — |
| Debt instruments | — | — | — | — | 5,102,699 | 5,102,699 |
| Asset management plans | — | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — | — |
| Total | — | — | — | — | 6,769,732 | 6,769,732 |

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 institution bonds | — | — | 1,364,882 | — | — | 1,364,882 |
| Trust products | — | — | — | — | 2,493,519 | 2,493,519 |
| Wealth management products | — | — | 2,755,279 | — | — | 2,755,279 |
| Debt instruments | — | — | — | — | 6,514,618 | 6,514,618 |
| Asset management plans | — | — | — | — | — | — |
| Asset-backed securities | — | — | 497,792 | — | — | 497,792 |
| Total | — | — | 4,617,953 | — | 9,008,137 | 13,626,090 |

As at June 30, 2015

| | 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 institution bonds | — | — | 1,744,508 | — | — | 1,744,508 |
| Trust products | — | — | — | — | 4,113,369 | 4,113,369 |
| Wealth management products | — | — | 1,000,000 | — | — | 1,000,000 |
| Debt instruments | — | — | — | — | 9,396,729 | 9,396,729 |
| Asset management plans | — | — | 183,026 | — | — | 183,026 |
| Asset-backed securities | — | — | 296,145 | — | — | 296,145 |
| Total | — | — | 3,223,679 | — | 13,510,098 | 16,733,777 |

(2) Past due but not impaired investment products

Group

As at December 31, 2012

| | 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 | — | — | — | — | 200,000 | 200,000 |
| Entrust loans | — | — | — | — | — | — |
| Debt instruments | — | — | — | — | — | — |
| Total | — | — | — | — | 200,000 | 200,000 |

As at December 31, 2013

| | 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 | — | — | — | — | 305,000 | 305,000 |
| Entrust loans | — | — | — | — | 30,000 | 30,000 |
| Debt instruments | — | — | — | — | 70,000 | 70,000 |
| Total | — | — | — | — | 405,000 | 405,000 |

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 |
|---|---|---|---|---|---|---|
| Trust products | — | — | — | — | 80,414 | 80,414 |
| Entrust loans | — | — | — | — | 30,000 | 30,000 |
| Debt instruments | — | — | — | — | — | — |
| Total | — | — | — | — | 110,414 | 110,414 |

As at June 30, 2015

| | 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 | — | — | — | — | 284,579 | 284,579 |
| Entrust loans | — | — | — | — | 30,000 | 30,000 |
| Debt instruments | — | — | — | — | 50,000 | 50,000 |
| Total | — | — | — | — | 364,579 | 364,579 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vii) Credit quality of investment products—continued

(2) Past due but not impaired investment products—continued

Company

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 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 | — | — | — | — | 200,000 | 200,000 | — | — | — | — | 305,000 | 305,000 | — | — | — | — | 80,414 | 80,414 | — | — | — | — | 94,258 | 94,258 |
| Debt instruments | — | — | — | — | — | — | — | — | — | — | 70,000 | 70,000 | — | — | — | — | — | — | — | — | — | — | 50,000 | 50,000 |
| Total | — | — | — | — | 200,000 | 200,000 | — | — | — | — | 375,000 | 375,000 | — | — | — | — | 80,414 | 80,414 | — | — | — | — | 144,258 | 144,258 |

(3) Impaired investment products

Group

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 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 | — | — | — | — | 135,000 | 135,000 | — | — | — | — | 256,995 | 256,995 | — | — | — | — | 326,795 | 326,795 | — | — | — | — | 456,209 | 456,209 |
| Total | — | — | — | — | 135,000 | 135,000 | — | — | — | — | 256,995 | 256,995 | — | — | — | — | 326,795 | 326,795 | — | — | — | — | 456,209 | 456,209 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(vii) Credit quality of investment products—continued

(3) Impaired investment products—continued

Company

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | — | — | — | — | 135,000 | 135,000 | — | — | — | — | 135,000 | 135,000 |
| Total | — | — | — | — | 135,000 | 135,000 | — | — | — | — | 135,000 | 135,000 |

| | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | — | — | — | — | 134,800 | 134,800 | — | — | — | — | 215,214 | 215,214 |
| Total | — | — | — | — | 134,800 | 134,800 | — | — | — | — | 215,214 | 215,214 |

The Group made individually assessed allowance for impairment losses of RMB70.50 million, RMB171.60 million, RMB276.40 million and RMB329.59 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively as the trust products were impaired.

The Company made individually assessed allowance for impairment losses of RMB70.50 million, RMB135.00 million, RMB134.80 million and RMB173.30 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively as the trust products were impaired.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.1 Credit risk—continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total |
| Government bonds | — | — | — | — | 6,976,004 | 6,976,004 | — | — | — | — | 6,267,451 | 6,267,451 | — | — | — | — | 5,964,424 | 5,964,424 | — | — | — | — | 5,963,267 | 5,963,267 |
| Public sector and quasi-government bonds | — | — | — | — | 3,698,980 | 3,698,980 | — | — | — | — | 6,396,593 | 6,396,593 | — | — | — | — | 14,658,983 | 14,658,983 | — | — | — | — | 19,861,928 | 19,861,928 |
| Financial institution bonds | 279,954 | 130,869 | 50,000 | — | — | 460,823 | 384,157 | 516,661 | 50,000 | — | — | 950,818 | 2,385,031 | 3,018,982 | 49,999 | — | 1,420,376 | 6,874,388 | 2,507,490 | 5,245,540 | — | — | 950,024 | 8,703,054 |
| Corporate bonds | 2,960,669 | 1,970,643 | — | — | 91,845 | 5,023,157 | 2,590,483 | 1,540,456 | 27,732 | — | 230,342 | 4,389,013 | 4,630,969 | 5,593,751 | 234,167 | — | 684,033 | 11,142,920 | 1,746,680 | 5,889,649 | 27,747 | 405,617 | 30,000 | 8,099,693 |
| Trust products | — | — | — | — | 9,759,375 | 9,759,375 | — | — | — | — | 8,567,805 | 8,567,805 | — | — | — | — | 12,790,983 | 12,790,983 | — | — | — | — | 38,324,033 | 38,324,033 |
| Wealth management products | — | — | — | — | 9,846,371 | 9,846,371 | — | — | — | — | 7,394,805 | 7,394,805 | — | — | — | — | 8,560,234 | 8,560,234 | — | — | — | — | 4,444,649 | 4,444,649 |
| Entrust loans | — | — | — | — | 8,995,115 | 8,995,115 | — | — | — | — | 8,821,979 | 8,821,979 | — | — | — | — | 18,271,002 | 18,271,002 | — | — | — | — | 16,673,339 | 16,673,339 |
| Debt instruments | — | — | — | — | 4,835,814 | 4,835,814 | — | — | — | — | 8,724,853 | 8,724,853 | — | — | — | — | 20,039,679 | 20,039,679 | — | — | — | — | 33,000,564 | 33,000,564 |
| Asset management plans | — | — | — | — | 1,757,597 | 1,757,597 | — | — | — | — | 17,019,566 | 17,019,566 | — | — | — | — | 18,893,380 | 18,893,380 | — | — | — | — | 15,123,718 | 15,123,718 |
| Convertible bonds | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 347,975 | 347,975 | — | — | — | — | 1,907,512 | 1,907,512 |
| Structured products | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 1,417,919 | 1,417,919 | — | — | — | — | 3,083,090 | 3,083,090 |
| Asset-backed securities | — | — | — | — | — | — | — | — | — | — | — | — | 429,676 | 29,887 | 34,248 | — | 130,611 | 624,422 | 317,282 | 51,228 | 34,632 | — | 188,304 | 591,446 |
| Total | 3,240,623 | 2,101,512 | 50,000 | — | 45,961,101 | 51,353,236 | 2,974,640 | 2,057,117 | 77,732 | — | 63,423,394 | 68,532,883 | 7,445,676 | 8,642,620 | 318,414 | — | 103,179,599 | 119,586,309 | 4,571,452 | 11,186,417 | 62,379 | 405,617 | 139,550,428 | 155,776,293 |

Company

| | As at December 31, 2012 | | | | | | As at December 31, 2013 | | | | | | As at December 31, 2014 | | | | | | As at June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total | AAA | AA | A | Below A | Unrated | Total |
| Financial institution bonds | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 1,364,882 | 1,364,882 | 495,687 | 298,797 | — | — | 950,024 | 1,744,508 |
| Trust products | — | — | — | — | 2,239,566 | 2,239,566 | — | — | — | — | 1,798,723 | 1,798,723 | — | — | — | — | 2,443,020 | 2,443,020 | — | — | — | — | 4,015,084 | 4,015,084 |
| Wealth management products | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 2,755,279 | 2,755,279 | — | — | — | — | 1,000,000 | 1,000,000 |
| Debt instruments | — | — | — | — | 4,835,814 | 4,835,814 | — | — | — | — | 5,090,938 | 5,090,938 | — | — | — | — | 6,332,031 | 6,332,031 | — | — | — | — | 8,916,818 | 8,916,818 |
| Asset management plans | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 183,026 | 183,026 |
| Asset-backed securities | — | — | — | — | — | — | — | — | — | — | — | — | 343,676 | 13,447 | 34,248 | — | 106,421 | 497,792 | 214,550 | 23,488 | 34,632 | — | 23,475 | 296,145 |
| Total | — | — | — | — | 7,075,380 | 7,075,380 | — | — | — | — | 6,889,661 | 6,889,661 | 343,676 | 13,447 | 34,248 | — | 13,001,633 | 13,393,004 | 710,237 | 322,285 | 34,632 | — | 15,088,427 | 16,155,581 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.1 Credit risk—continued

(ix) Other financial assets

Other financial assets include deposits, placements with financial institutions, financial assets held under resale agreements, balances with central bank and other financial assets. The directors of the Group consider that their credit risks are not significant.

60.2 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

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

Group

| | As at December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 16,397,221 | — | — | — | — | 500,588 | 16,897,809 |
| Deposits with financial institutions | 16,963,426 | 420,000 | 3,085,857 | — | — | — | 20,469,283 |
| Placements with financial institutions | 800,000 | 150,000 | — | — | — | — | 950,000 |
| Financial assets held for trading | — | — | 605,164 | 1,347,275 | 519,438 | 745,819 | 3,217,696 |
| Financial assets designated as at fair value through profit or loss | 1,157,884 | 3,688,760 | 3,927,660 | 2,730,540 | — | 4,620,775 | 16,125,619 |
| Financial assets held under resale agreements | 15,790,395 | 7,345,049 | 16,649,488 | — | — | — | 39,784,932 |
| Available-for-sale financial assets | 161,083 | 98,261 | 611,331 | 1,639,672 | 1,524,925 | 25,099,749 | 29,135,021 |
| Held-to-maturity investments | 349,761 | 561,668 | 818,958 | 2,103,925 | 5,907,627 | — | 9,741,939 |
| Financial assets classified as receivables | 4,328,209 | 1,681,293 | 20,202,899 | 48,612,294 | 96,974 | — | 74,921,669 |
| Loans and advances to customers | 6,075,213 | 6,520,985 | 15,599,497 | 8,822,037 | 627,936 | — | 37,645,668 |
| Finance lease receivables | 47,591,214 | 727 | 835 | 27,606 | 24,860 | — | 47,645,242 |
| Other financial assets | — | — | — | 1,266,595 | — | 1,334,453 | 2,601,048 |
| Total financial assets | 109,614,406 | 20,466,743 | 61,501,689 | 66,549,944 | 8,701,760 | 32,301,384 | 299,135,926 |
| Borrowings from central bank | — | (40,000) | — | — | — | — | (40,000) |
| Deposits from financial institutions | (4,559,318) | (1,750,000) | (3,580,000) | (2,000,000) | — | — | (11,889,318) |
| Borrowings | (14,621,298) | (7,039,005) | (48,616,798) | (19,134,961) | (347,870) | — | (89,759,932) |
| Financial assets sold under repurchase agreements | (17,689,934) | (7,325,154) | (23,130,904) | — | — | — | (48,145,992) |
| Due to customers | (46,273,147) | (4,925,520) | (12,648,948) | (5,992,639) | — | (211,582) | (70,051,836) |
| Bonds and notes issued | — | — | (499,684) | (2,987,316) | — | — | (3,487,000) |
| Other financial liabilities | (2,433,595) | — | (8,841,538) | (18,049,830) | — | (14,022,437) | (43,347,400) |
| Total financial liabilities | (85,577,292) | (21,079,679) | (97,317,872) | (48,164,746) | (347,870) | (14,234,019) | (266,721,478) |
| Interest rate gap | 24,037,114 | (612,936) | (35,816,183) | 18,385,198 | 8,353,890 | 18,067,365 | 32,414,448 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

### VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Group—continued

| | As at December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 20,769,514 | — | — | — | — | 382,462 | 21,151,976 |
| Deposits with financial institutions | 21,566,844 | 2,379,219 | 4,555,805 | 1,421,000 | — | — | 29,922,868 |
| Placements with financial institutions | 2,936,581 | 73,163 | 60,969 | — | — | — | 3,070,713 |
| Financial assets held for trading | 19,982 | 29,845 | 89,100 | 29,386 | 20,250 | 609,757 | 798,320 |
| Financial assets designated as at fair value through profit or loss | 2,048,460 | 1,309,211 | 4,773,301 | 2,160,709 | — | 9,972,360 | 20,264,041 |
| Financial assets held under resale agreements | 4,246,872 | 18,099,645 | 18,117,167 | — | — | — | 40,463,684 |
| Available-for-sale financial assets | 909,263 | 278,378 | 958,391 | 2,652,176 | 1,196,472 | 22,971,004 | 28,965,684 |
| Held-to-maturity investments | 769,870 | 432,997 | 1,069,126 | 5,054,264 | 5,297,499 | — | 12,623,756 |
| Financial assets classified as receivables | 3,634,195 | 2,554,693 | 25,320,964 | 92,554,279 | 255,862 | — | 124,319,993 |
| Loans and advances to customers | 4,553,848 | 3,824,334 | 22,494,443 | 14,060,901 | 3,242,861 | — | 48,176,387 |
| Finance lease receivables | 55,032,692 | 11,545 | 125,441 | 376,595 | — | — | 55,546,273 |
| Other financial assets | — | — | — | 1,328,809 | — | 3,090,780 | 4,419,589 |
| Total financial assets | 116,488,121 | 28,993,030 | 77,564,707 | 119,638,119 | 10,012,944 | 37,026,363 | 389,723,284 |
| Borrowings from central bank | — | — | (52,300) | — | — | — | (52,300) |
| Deposits from financial institutions | (9,389,916) | (632,000) | (4,566,000) | (1,430,000) | — | — | (16,017,916) |
| Placements from financial institutions | (4,424,388) | (1,042,678) | (360,969) | — | — | — | (5,828,035) |
| Borrowings | (13,419,015) | (15,800,999) | (48,037,530) | (38,820,179) | (20,053,420) | — | (136,131,143) |
| Financial assets sold under repurchase agreements | (1,718,627) | (14,394,154) | (17,875,856) | — | — | — | (33,988,637) |
| Due to customers | (60,883,561) | (6,552,557) | (14,850,475) | (5,445,659) | — | (153,686) | (87,885,938) |
| Bonds and notes issued | (795,662) | (1,000,000) | (998,509) | (15,092,010) | — | — | (17,886,181) |
| Other financial liabilities | (2,258,262) | — | (5,589,199) | (24,654,347) | — | (15,352,384) | (47,854,192) |
| Total financial liabilities | (92,889,431) | (39,422,388) | (92,330,838) | (85,442,195) | (20,053,420) | (15,506,070) | (345,644,342) |
| Interest rate gap | 23,598,690 | (10,429,358) | (14,766,131) | 34,195,924 | (10,040,476) | 21,520,293 | 44,078,942 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Group—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 | 26,479,018 | — | — | — | — | 466,302 | 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 |
| 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 |
| 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 |
| Other financial assets | — | — | — | 1,091,340 | — | 3,529,825 | 4,621,165 |
| Total financial assets | 167,559,287 | 48,003,336 | 87,905,487 | 200,342,657 | 14,421,836 | 58,159,302 | 576,391,905 |
| 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) |
| Borrowings | (30,770,871) | (42,848,671) | (64,574,135) | (77,180,673) | (24,510,850) | — | (239,885,200) |
| Financial assets sold under repurchase agreements | (16,458,911) | (4,738,946) | (5,005,242) | — | — | — | (26,203,099) |
| 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) | (14,004,643) | (6,189,147) | (8,475,564) | (568,434) | (17,807,678) | (54,149,438) |
| Total financial liabilities | (132,101,881) | (72,892,005) | (106,255,095) | (146,778,322) | (25,279,284) | (18,030,389) | (501,336,976) |
| Interest rate gap | 35,457,406 | (24,888,669) | (18,349,608) | 53,564,335 | (10,857,448) | 40,128,913 | 75,054,929 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Group—continued

| | As at June 30, 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 | 26,660,110 | — | — | — | — | 427,439 | 27,087,549 |
| Deposits with financial institutions | 55,986,943 | 2,920,942 | 3,218,953 | 300,000 | — | — | 62,426,838 |
| Placements with financial institutions | 5,500,882 | 611,360 | — | — | — | — | 6,112,242 |
| Financial assets held for trading | 187,359 | 1,514,824 | 145,043 | 2,623,829 | 4,019,020 | 3,326,798 | 11,816,873 |
| Financial assets designated as at fair value through profit or loss | 1,836,768 | 1,045,356 | 600,761 | 6,146,504 | — | 38,945,414 | 48,574,803 |
| Financial assets held under resale agreements | 8,540,899 | 2,658,636 | 10,199,474 | 842,211 | — | — | 22,241,220 |
| Available-for-sale financial assets | 3,557,077 | 2,031,096 | 3,047,952 | 4,218,855 | 1,126,360 | 37,259,472 | 51,240,812 |
| Held-to-maturity investments | 749,254 | 611,694 | 2,074,516 | 13,594,607 | 5,322,469 | — | 22,352,540 |
| Financial assets classified as receivables | 16,975,014 | 7,693,921 | 119,353,518 | 152,190,672 | 1,416,042 | — | 297,629,167 |
| Loans and advances to customers | 9,176,813 | 4,632,607 | 35,374,850 | 22,728,576 | 4,808,406 | — | 76,721,252 |
| Finance lease receivables | 65,342,509 | 2,337 | 7,036,886 | 290,885 | 19,373 | — | 72,691,990 |
| Other financial assets | — | — | — | 1,633,784 | — | 3,487,348 | 5,121,132 |
| Total financial assets | 194,513,628 | 23,722,773 | 181,051,953 | 204,569,923 | 16,711,670 | 83,446,471 | 704,016,418 |
| Borrowings from central bank | — | — | (60,000) | — | — | — | (60,000) |
| Deposits from financial institutions | (220,986) | (1,760,000) | (6,633,000) | (1,750,000) | — | — | (10,363,986) |
| Placements from financial institutions | (1,652,854) | (244,544) | (950,000) | — | — | — | (2,847,398) |
| Borrowings | (48,446,321) | (32,683,200) | (86,622,350) | (91,812,090) | (34,500,000) | — | (294,063,961) |
| Financial assets sold under repurchase agreements | (11,824,959) | (5,016,230) | (1,117,053) | (2,058,215) | — | — | (20,016,457) |
| Due to customers | (79,907,656) | (8,820,163) | (25,422,785) | (21,591,088) | (350,000) | (280,584) | (136,372,276) |
| Bonds and notes issued | (1,000,000) | (1,797,282) | (215,468) | (64,698,695) | (8,650,627) | — | (76,362,072) |
| Other financial liabilities | (13,534,259) | (2,149,241) | (1,747,552) | (35,106,218) | — | (23,738,333) | (76,275,603) |
| Total financial liabilities | (156,587,035) | (52,470,660) | (122,768,208) | (217,016,306) | (43,500,627) | (24,018,917) | (616,361,753) |
| Interest rate gap | 37,926,593 | (28,747,887) | 58,283,745 | (12,446,383) | (26,788,957) | 59,427,554 | 87,654,665 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Company

| | As at December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 1,211 | — | — | — | — | 675 | 1,886 |
| Deposits with financial institutions | 10,185,772 | 200,000 | — | — | — | — | 10,385,772 |
| Financial assets designated as at fair value through profit or loss | — | — | — | — | — | 3,126,253 | 3,126,253 |
| Financial assets held under resale agreements | 138,600 | — | — | — | — | — | 138,600 |
| Available-for-sale financial assets | — | — | — | — | — | 22,655,622 | 22,655,622 |
| Financial assets classified as receivables | 2,986,251 | 1,672,293 | 15,871,650 | 36,529,551 | 1,338,000 | — | 58,397,745 |
| Amounts due from subsidiaries | — | — | 1,000,000 | — | — | 40,194 | 1,040,194 |
| Other financial assets | — | — | — | — | — | 25,496 | 25,496 |
| Total financial assets | 13,311,834 | 1,872,293 | 16,871,650 | 36,529,551 | 1,338,000 | 25,848,240 | 95,771,568 |
| Borrowings | (13,810,000) | (2,688,000) | (37,930,000) | (3,300,000) | — | — | (57,728,000) |
| Other financial liabilities | — | — | (6,885,207) | (15,103,409) | — | (1,264,675) | (23,253,291) |
| Total financial liabilities | (13,810,000) | (2,688,000) | (44,815,207) | (18,403,409) | — | (1,264,675) | (80,981,291) |
| Interest rate gap | (498,166) | (815,707) | (27,943,557) | 18,126,142 | 1,338,000 | 24,583,565 | 14,790,277 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Company—continued

| | As at December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 1,222 | — | — | — | — | 605 | 1,827 |
| Deposits with financial institutions | 13,034,661 | 106,000 | — | — | — | — | 13,140,661 |
| Placements with financial institutions | 2,600,000 | — | — | — | — | — | 2,600,000 |
| Financial assets designated as at fair value through profit or loss | — | — | — | — | — | 8,134,164 | 8,134,164 |
| Financial assets held under resale agreements | 544,000 | — | — | — | — | — | 544,000 |
| Available-for-sale financial assets | — | — | — | — | — | 21,645,434 | 21,645,434 |
| Financial assets classified as receivables | 2,898,842 | 2,496,893 | 18,779,193 | 66,271,916 | 1,328,607 | — | 91,775,451 |
| Amounts due from subsidiaries | 1,200,000 | — | — | — | — | — | 1,200,000 |
| Other financial assets | — | — | — | — | — | 41,429 | 41,429 |
| Total financial assets | 20,278,725 | 2,602,893 | 18,779,193 | 66,271,916 | 1,328,607 | 29,821,632 | 139,082,966 |
| Placements from financial institutions | (3,000,000) | (1,000,000) | — | — | — | — | (4,000,000) |
| Borrowings | (3,000,000) | (7,000,000) | (31,920,000) | (25,960,000) | (20,000,000) | — | (87,880,000) |
| Bonds and notes issued | — | — | — | (12,000,000) | — | — | (12,000,000) |
| Other financial liabilities | — | — | (3,657,264) | (11,446,145) | — | (1,419,824) | (16,523,233) |
| Total financial liabilities | (6,000,000) | (8,000,000) | (35,577,264) | (49,406,145) | (20,000,000) | (1,419,824) | (120,403,233) |
| Interest rate gap | 14,278,725 | (5,397,107) | (16,798,071) | 16,865,771 | (18,671,393) | 28,401,808 | 18,679,733 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Company—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 | 1,228 | — | — | — | — | 606 | 1,834 |
| Deposits with financial institutions | 14,919,196 | 5,554,917 | — | — | — | — | 20,474,113 |
| Placements with financial institutions | 12,800,000 | — | — | — | — | — | 12,800,000 |
| Financial assets held for trading | — | — | — | — | — | 40,464 | 40,464 |
| Financial assets designated as at fair value through profit or loss | — | — | — | — | — | 22,337,555 | 22,337,555 |
| Financial assets held under resale agreements | 2,200,000 | — | — | — | — | — | 2,200,000 |
| Available-for-sale financial assets | 264,772 | 3,069,429 | 811,044 | 472,708 | — | 24,767,099 | 29,385,052 |
| Financial assets classified as receivables | 5,951,303 | 2,913,787 | 31,647,266 | 124,166,880 | 2,034,500 | — | 166,713,736 |
| Amounts due from subsidiaries | — | — | — | — | — | 1,433,700 | 1,433,700 |
| Other financial assets | — | — | — | — | — | 48,630 | 48,630 |
| Total financial assets | 36,136,499 | 11,538,133 | 32,458,310 | 124,639,588 | 2,034,500 | 48,628,054 | 255,435,084 |
| Borrowings | (16,000,000) | (31,260,000) | (42,550,000) | (57,580,000) | (24,500,000) | — | (171,890,000) |
| Bonds and notes issued | — | — | — | (31,882,703) | — | — | (31,882,703) |
| Other financial liabilities | — | — | (3,736,232) | (7,709,913) | — | (2,185,570) | (13,631,715) |
| Total financial liabilities | (16,000,000) | (31,260,000) | (46,286,232) | (97,172,616) | (24,500,000) | (2,185,570) | (217,404,418) |
| Interest rate gap | 20,136,499 | (19,721,867) | (13,827,922) | 27,466,972 | (22,465,500) | 46,442,484 | 38,030,666 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

Company—continued

| | As at June 30, 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 | 1,233 | — | — | — | — | 705 | 1,938 |
| Deposits with financial institutions | 17,532,967 | 100,000 | — | — | — | — | 17,632,967 |
| Placements with financial institutions | 4,000,000 | — | — | — | — | — | 4,000,000 |
| Financial assets held for trading | — | — | — | — | — | 202,324 | 202,324 |
| Financial assets designated as at fair value through profit or loss | — | — | — | — | — | 34,574,638 | 34,574,638 |
| Available-for-sale financial assets | 1,000,000 | 542,777 | 711,483 | 786,393 | — | 27,916,791 | 30,957,444 |
| Financial assets classified as receivables | 7,741,421 | 4,085,230 | 101,946,195 | 96,348,300 | — | — | 210,121,146 |
| Amounts due from subsidiaries | — | — | — | — | — | 4,251,732 | 4,251,732 |
| Other financial assets | — | — | — | — | — | 16,569 | 16,569 |
| Total financial assets | 30,275,621 | 4,728,007 | 102,657,678 | 97,134,693 | — | 66,962,759 | 301,758,758 |
| Borrowings | (17,400,000) | (20,900,000) | (63,730,000) | (74,680,000) | (34,500,000) | — | (211,210,000) |
| Financial assets sold under repurchase agreements | (1,409,400) | — | — | — | — | — | (1,409,400) |
| Bonds and notes issued | — | — | — | (31,891,602) | — | — | (31,891,602) |
| Other financial liabilities | — | — | — | (7,627,268) | — | (3,794,117) | (11,421,385) |
| Total financial liabilities | (18,809,400) | (20,900,000) | (63,730,000) | (114,198,870) | (34,500,000) | (3,794,117) | (255,932,387) |
| Interest rate gap | 11,466,221 | (16,171,993) | 38,927,678 | (17,064,177) | (34,500,000) | 63,168,642 | 45,826,371 |

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Interest rate risk—continued

*Interest rate sensitivity analysis*

Group

| | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income |
| + 100 basis points | 90,937 | (119,140) | 83,870 | (130,709) | 63,584 | (223,233) | 171,231 | (105,054) |
| - 100 basis points | (90,937) | 126,536 | (83,870) | 138,008 | (63,584) | 234,818 | (171,231) | 108,013 |

Company

| | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income | Profit before tax | Other comprehensive income |
| + 100 basis points | (116,360) | — | 28,869 | — | (23,229) | — | 60,548 | (22,567) |
| - 100 basis points | 116,360 | — | (28,869) | — | 23,229 | — | (60,548) | 23,251 |

Foreign exchange risk

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

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Foreign exchange risk—continued

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

| | As at December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Other currencies (RMB equivalent) | Total (RMB equivalent) |
| Cash and balances with central bank | 16,897,522 | 112 | 25 | 150 | 16,897,809 |
| Deposits with financial institutions | 20,392,009 | 51,263 | 25,101 | 910 | 20,469,283 |
| Placements with financial institutions | 950,000 | — | — | — | 950,000 |
| Financial assets held for trading | 3,217,696 | — | — | — | 3,217,696 |
| Financial assets designated as at fair value through profit or loss | 16,125,619 | — | — | — | 16,125,619 |
| Financial assets held under resale agreements | 39,784,932 | — | — | — | 39,784,932 |
| Available-for-sale financial assets | 29,135,021 | — | — | — | 29,135,021 |
| Held-to-maturity investments | 9,741,939 | — | — | — | 9,741,939 |
| Financial assets classified as receivables | 74,921,669 | — | — | — | 74,921,669 |
| Loans and advances to customers | 37,577,837 | 67,831 | — | — | 37,645,668 |
| Finance lease receivables | 47,645,242 | — | — | — | 47,645,242 |
| Other financial assets | 2,600,999 | 38 | 11 | — | 2,601,048 |
| Total financial assets | 298,990,485 | 119,244 | 25,137 | 1,060 | 299,135,926 |
| Borrowings from central bank | (40,000) | — | — | — | (40,000) |
| Deposits from financial institutions | (11,889,318) | — | — | — | (11,889,318) |
| Borrowings | (89,759,932) | — | — | — | (89,759,932) |
| Financial assets sold under repurchase agreements | (48,145,992) | — | — | — | (48,145,992) |
| Due to customers | (70,051,832) | (4) | — | — | (70,051,836) |
| Bonds and notes issued | (3,487,000) | — | — | — | (3,487,000) |
| Other financial liabilities | (43,347,400) | — | — | — | (43,347,400) |
| Total financial liabilities | (266,721,474) | (4) | — | — | (266,721,478) |
| Net exposure | 32,269,011 | 119,240 | 25,137 | 1,060 | 32,414,448 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Foreign exchange risk—continued

Group—continued

| | As at December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Other currencies (RMB equivalent) | Total (RMB equivalent) |
| Cash and balances with central bank | 21,149,495 | 2,388 | 51 | 42 | 21,151,976 |
| Deposits with financial institutions | 29,796,000 | 52,100 | 73,873 | 895 | 29,922,868 |
| Placements with financial institutions | 2,900,000 | 170,713 | — | — | 3,070,713 |
| Financial assets held for trading | 594,451 | — | 203,869 | — | 798,320 |
| Financial assets designated as at fair value through profit or loss | 20,264,041 | — | — | — | 20,264,041 |
| Financial assets held under resale agreements | 40,463,684 | — | — | — | 40,463,684 |
| Available-for-sale financial assets | 28,965,684 | — | — | — | 28,965,684 |
| Held-to-maturity investments | 12,623,756 | — | — | — | 12,623,756 |
| Financial assets classified as receivables | 123,407,578 | 97,550 | 814,865 | — | 124,319,993 |
| Loans and advances to customers | 48,127,762 | 48,625 | — | — | 48,176,387 |
| Finance lease receivables | 55,546,273 | — | — | — | 55,546,273 |
| Other financial assets | 4,415,872 | 2,526 | 1,191 | — | 4,419,589 |
| Total financial assets | 388,254,596 | 373,902 | 1,093,849 | 937 | 389,723,284 |
| Borrowings from central bank | (52,300) | — | — | — | (52,300) |
| Deposits from financial institutions | (16,017,916) | — | — | — | (16,017,916) |
| Placements from financial institutions | (5,700,000) | (128,035) | — | — | (5,828,035) |
| Borrowings | (135,045,556) | — | (1,085,587) | — | (136,131,143) |
| Financial assets sold under repurchase agreements | (33,988,637) | — | — | — | (33,988,637) |
| Due to customers | (87,865,989) | (19,948) | (1) | — | (87,885,938) |
| Bonds and notes issued | (17,886,181) | — | — | — | (17,886,181) |
| Other financial liabilities | (47,854,192) | — | — | — | (47,854,192) |
| Total financial liabilities | (344,410,771) | (147,983) | (1,085,588) | — | (345,644,342) |
| Net exposure | 43,843,825 | 225,919 | 8,261 | 937 | 44,078,942 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Foreign exchange risk—continued

Group—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 |
| 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 |
| Loans and advances to customers | 63,224,317 | 15,104 | — | — | 63,239,421 |
| Finance lease receivables | 63,494,344 | — | — | — | 63,494,344 |
| Other financial assets | 4,620,984 | 70 | 111 | — | 4,621,165 |
| Total financial assets | 556,623,982 | 15,978,042 | 3,787,902 | 1,979 | 576,391,905 |
| 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) |
| Borrowings | (236,529,005) | (397,735) | (2,958,460) | — | (239,885,200) |
| Financial assets sold under repurchase agreements | (26,203,099) | — | — | — | (26,203,099) |
| 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 | (54,149,438) | — | — | — | (54,149,438) |
| Total financial liabilities | (488,492,693) | (9,885,822) | (2,958,461) | — | (501,336,976) |
| Net exposure | 68,131,289 | 6,092,220 | 829,441 | 1,979 | 75,054,929 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Foreign exchange risk—continued

Group—continued

| | As at June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Other currencies (RMB equivalent) | Total (RMB equivalent) |
| Cash and balances with central bank | 27,069,553 | 17,948 | 48 | — | 27,087,549 |
| Deposits with financial institutions | 58,843,574 | 648,623 | 2,932,497 | 2,144 | 62,426,838 |
| Placements with financial institutions | 4,700,000 | 1,412,242 | — | — | 6,112,242 |
| Financial assets held for trading | 9,675,707 | 261,126 | 1,880,040 | — | 11,816,873 |
| Financial assets designated as at fair value through profit or loss | 43,584,201 | 1,025,897 | 3,964,705 | — | 48,574,803 |
| Financial assets held under resale agreements | 22,241,220 | — | — | — | 22,241,220 |
| Available-for-sale financial assets | 44,685,731 | 217,232 | 6,337,849 | — | 51,240,812 |
| Held-to-maturity investments | 22,352,540 | — | — | — | 22,352,540 |
| Financial assets classified as receivables | 282,676,290 | 2,519,736 | 12,433,141 | — | 297,629,167 |
| Loans and advances to customers | 76,299,686 | 421,566 | — | — | 76,721,252 |
| Finance lease receivables | 72,691,990 | — | — | — | 72,691,990 |
| Other financial assets | 5,001,833 | 2,187 | 117,112 | — | 5,121,132 |
| Total financial assets | 669,822,325 | 6,526,557 | 27,665,392 | 2,144 | 704,016,418 |
| Borrowings from central bank | (60,000) | — | — | — | (60,000) |
| Deposits from financial institutions | (10,363,986) | — | — | — | (10,363,986) |
| Placements from financial institutions | (2,847,398) | — | — | — | (2,847,398) |
| Borrowings | (289,760,328) | (1,181) | (4,302,452) | — | (294,063,961) |
| Financial assets sold under repurchase agreements | (20,016,457) | — | — | — | (20,016,457) |
| Due to customers | (136,020,994) | (351,281) | (1) | — | (136,372,276) |
| Bonds and notes issued | (47,338,916) | (29,023,156) | — | — | (76,362,072) |
| Other financial liabilities | (76,249,105) | (24,405) | (2,093) | — | (76,275,603) |
| Total financial liabilities | (582,657,184) | (29,400,023) | (4,304,546) | — | (616,361,753) |
| Net exposure | 87,165,141 | (22,873,466) | 23,360,846 | 2,144 | 87,654,665 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.2 Market risk—continued

Foreign exchange risk—continued

*Foreign exchange rate sensitivity analysis*

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

Group

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| 5% appreciation | (7,272) | (12,671) | (158,490) | (106,148) |
| 5% depreciation | 7,272 | 12,671 | 158,490 | 106,148 |

As the Company's operations are mainly denominated in RMB, the directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Certain financial assets such as financial assets held-for-trading and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following tables illustrate 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 and the Company's profit before tax and equity.

Group

| | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity |
| +1 percent | 193,433 | 360,973 | 210,624 | 376,229 | 411,703 | 738,176 | 603,917 | 1,005,139 |
| -1 percent | (193,433) | (360,973) | (210,624) | (376,229) | (411,703) | (738,176) | (603,917) | (1,005,139) |

Company

| | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity | Profit before tax | Equity |
| + 1 percent | 31,263 | 134,008 | 81,342 | 173,744 | 223,780 | 404,436 | 347,770 | 546,158 |
| - 1 percent | (31,263) | (134,008) | (81,342) | (173,744) | (223,780) | (404,436) | (347,770) | (546,158) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

| | As at December 31, 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 13,131,144 | 3,773,793 | — | — | — | — | — | 16,904,937 |
| Deposits with financial institutions | — | 9,472,246 | 7,944,741 | 201,396 | 3,123,102 | — | — | 20,741,485 |
| Placements with financial institutions | — | — | 800,608 | 159,100 | — | — | — | 959,708 |
| Financial assets held for trading | 745,819 | — | — | 1,593 | 302,233 | 1,590,935 | 627,081 | 3,267,661 |
| Financial assets designated as at fair value through profit or loss | 4,620,775 | — | 1,167,303 | 3,820,387 | 4,247,759 | 3,146,312 | — | 17,002,536 |
| Financial assets held under resale agreements | — | — | 15,958,602 | 7,451,951 | 16,969,556 | — | — | 40,380,109 |
| Available-for-sale financial assets | 25,099,749 | 90,124 | 72,120 | 44,652 | 718,347 | 1,954,945 | 1,886,317 | 29,866,254 |
| Held-to-maturity investments | — | — | 236,992 | 314,222 | 917,024 | 3,626,405 | 7,400,944 | 12,495,587 |
| Financial assets classified as receivables | 2,715,870 | — | 2,540,420 | 4,689,696 | 36,006,092 | 43,882,638 | 276,567 | 90,111,283 |
| Loans and advances to customers | 187,160 | — | 1,925,436 | 3,380,197 | 19,050,925 | 15,391,199 | 2,608,630 | 42,543,547 |
| Finance lease receivables | 194,054 | — | 1,623,589 | 2,115,934 | 11,666,205 | 38,589,411 | 2,388,260 | 56,577,453 |
| Other financial assets | — | — | — | 25,496 | 55,446 | 2,111,204 | 13,511 | 2,205,657 |
| Total financial assets | 46,694,571 | 13,336,163 | 32,269,811 | 22,204,624 | 93,056,689 | 110,293,049 | 15,201,310 | 333,056,217 |
| Borrowings from central bank | — | — | — | (40,335) | — | — | — | (40,335) |
| Deposits from financial institutions | — | (1,230,946) | (3,447,422) | (1,725,924) | (3,719,458) | (2,243,944) | — | (12,367,694) |
| Borrowings | — | (5,750,000) | (646,319) | (5,619,496) | (54,375,119) | (26,627,879) | (368,742) | (93,387,555) |
| Financial assets sold under repurchase agreements | — | — | (17,855,566) | (7,478,459) | (23,406,531) | — | — | (48,740,556) |
| Due to customers | — | (43,581,595) | (2,974,746) | (5,068,526) | (13,126,610) | (7,109,229) | — | (71,860,706) |
| Bonds and notes issued | — | — | — | — | (620,157) | (3,837,816) | — | (4,457,973) |
| Other financial liabilities | — | (2,124,317) | (13,374,328) | — | (8,876,723) | (18,239,353) | — | (42,614,721) |
| Total financial liabilities | — | (52,686,858) | (38,298,381) | (19,932,740) | (104,124,598) | (58,058,221) | (368,742) | (273,469,540) |
| Net position | 46,694,571 | (39,350,695) | (6,028,570) | 2,271,884 | (11,067,909) | 52,234,828 | 14,832,568 | 59,586,677 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

### VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Group—continued

| | As at December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 16,773,491 | 4,387,635 | — | — | — | — | — | 21,161,126 |
| Deposits with financial institutions | — | 15,165,797 | 9,878,334 | 1,821,466 | 1,785,012 | 1,571,088 | — | 30,221,697 |
| Placements with financial institutions | — | — | 2,943,705 | 74,118 | 62,700 | — | — | 3,080,523 |
| Financial assets held for trading | 625,561 | — | 20,999 | 31,157 | 93,130 | 29,386 | 20,250 | 820,483 |
| Financial assets designated as at fair value through profit or loss | 9,972,360 | — | 2,106,685 | 1,393,069 | 4,932,790 | 2,495,583 | — | 20,900,487 |
| Financial assets held under resale agreements | — | — | 4,297,114 | 18,632,569 | 18,697,415 | — | — | 41,627,098 |
| Available-for-sale financial assets | 22,971,004 | 803,124 | 68,957 | 226,471 | 1,021,235 | 3,174,128 | 1,541,488 | 29,806,407 |
| Held-to-maturity investments | — | — | 512,118 | 183,987 | 1,324,508 | 7,411,266 | 6,372,240 | 15,804,119 |
| Financial assets classified as receivables | 5,020,533 | — | 2,337,878 | 5,661,941 | 45,820,671 | 89,751,637 | 372,813 | 148,965,473 |
| Loans and advances to customers | 450,730 | — | 2,872,658 | 4,433,049 | 23,731,798 | 18,889,952 | 6,193,345 | 56,571,532 |
| Finance lease receivables | 474,114 | — | 1,826,018 | 2,738,605 | 14,142,144 | 44,489,383 | 1,878,520 | 65,548,784 |
| Other financial assets | — | — | — | 18,328 | 1,835,573 | 1,968,413 | 14,333 | 3,836,647 |
| Total financial assets | 56,287,793 | 20,356,556 | 26,864,466 | 35,214,760 | 113,446,976 | 169,780,836 | 16,392,989 | 438,344,376 |
| Borrowings from central bank | — | — | — | (146) | (52,738) | — | — | (52,884) |
| Deposits from financial institutions | — | (4,619,970) | (4,841,945) | (682,382) | (4,800,075) | (1,599,649) | — | (16,544,021) |
| Placements from financial institutions | — | — | (4,466,341) | (1,056,750) | (362,236) | — | — | (5,885,327) |
| Borrowings | — | (10,421,887) | (1,571,217) | (10,893,312) | (54,257,518) | (54,480,915) | (23,093,022) | (154,717,871) |
| Financial assets sold under repurchase agreements | — | — | (1,907,590) | (15,391,850) | (17,764,453) | — | — | (35,063,893) |
| Due to customers | — | (57,647,099) | (3,473,590) | (6,774,392) | (15,438,552) | (7,331,090) | — | (90,664,723) |
| Bonds and notes issued | — | — | — | (1,013,340) | (1,863,667) | (19,042,997) | — | (21,920,004) |
| Other financial liabilities | — | (1,986,506) | (13,930,114) | — | (5,614,894) | (24,913,218) | — | (46,444,732) |
| Total financial liabilities | — | (74,675,462) | (30,190,797) | (35,812,172) | (100,154,133) | (107,367,869) | (23,093,022) | (371,293,455) |
| Net position | 56,287,793 | (54,318,906) | (3,326,331) | (597,412) | 13,292,843 | 62,412,967 | (6,700,033) | 67,050,921 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Group—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 |
| 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 |
| 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 |
| Other financial assets | — | — | — | 18,319 | 370,370 | 2,486,722 | 913 | 2,876,324 |
| Total financial assets | 83,144,325 | 34,767,723 | 48,073,805 | 44,581,172 | 163,634,774 | 246,391,373 | 24,792,229 | 645,385,401 |
| 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) |
| Borrowings | — | (16,064,395) | (14,076,270) | (41,597,496) | (74,575,047) | (94,154,364) | (30,365,880) | (270,833,452) |
| Financial assets sold under repurchase agreements | — | — | (17,186,483) | (5,064,501) | (4,293,054) | — | — | (26,544,038) |
| 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 | — | (4,609,561) | (17,028,992) | (14,010,770) | (6,215,327) | (8,564,557) | (578,382) | (51,007,589) |
| Total financial liabilities | — | (86,803,344) | (59,488,430) | (72,042,913) | (115,631,929) | (176,028,688) | (31,772,608) | (541,767,912) |
| Net position | 83,144,325 | (52,035,621) | (11,414,625) | (27,461,741) | 48,002,845 | 70,362,685 | (6,980,379) | 103,617,489 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Group—continued

| | As at June 30, 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 | 20,838,419 | 6,260,551 | — | — | — | — | — | 27,098,970 |
| Deposits with financial institutions | — | 48,919,136 | 6,847,610 | 3,138,506 | 3,733,064 | 314,557 | — | 62,952,873 |
| Placements with financial institutions | — | — | 5,502,989 | 612,699 | — | — | — | 6,115,688 |
| Financial assets held for trading | 3,412,208 | — | 104,275 | 1,562,294 | 252,080 | 2,875,627 | 4,154,763 | 12,361,247 |
| Financial assets designated as at fair value through profit or loss | 38,945,414 | 70,000 | 1,772,989 | 1,057,863 | 600,761 | 6,146,504 | — | 48,593,531 |
| Financial assets held under resale agreements | — | — | 8,554,915 | 2,723,482 | 10,251,170 | 851,054 | — | 22,380,621 |
| Available-for-sale financial assets | 37,299,097 | 2,166 | 2,995,849 | 2,166,248 | 3,129,990 | 4,986,319 | 1,830,292 | 52,409,961 |
| Held-to-maturity investments | — | — | 290,054 | 310,791 | 3,025,581 | 16,605,612 | 6,129,197 | 26,361,235 |
| Financial assets classified as receivables | 8,569,422 | 60,000 | 14,582,158 | 22,181,289 | 170,305,565 | 139,671,332 | 1,416,042 | 356,785,808 |
| Loans and advances to customers | 2,494,400 | — | 2,923,731 | 5,809,590 | 34,791,408 | 32,264,829 | 13,347,346 | 91,631,304 |
| Finance lease receivables | 788,458 | — | 2,539,193 | 4,332,515 | 20,174,371 | 54,835,830 | 2,218,969 | 84,889,336 |
| Other financial assets | 204,347 | — | 296,801 | 16,401 | 3,893,278 | 3,960 | — | 4,414,787 |
| Total financial assets | 112,551,765 | 55,311,853 | 46,410,564 | 43,911,678 | 250,157,268 | 258,555,624 | 29,096,609 | 795,995,361 |
| Borrowings from central bank | — | — | — | (394) | (61,197) | — | — | (61,591) |
| Deposits from financial institutions | — | (231,125) | — | (1,858,305) | (7,042,952) | (1,876,502) | — | (11,008,884) |
| Placements from financial institutions | — | — | (1,653,212) | (245,454) | (952,355) | — | — | (2,851,021) |
| Borrowings | — | (15,023,200) | (24,886,536) | (28,282,867) | (96,431,552) | (126,017,045) | (42,914,390) | (333,555,590) |
| Financial assets sold under repurchase agreements | — | — | (11,524,359) | (5,231,625) | (1,345,882) | (2,051,680) | — | (20,153,546) |
| Due to customers | — | (73,549,443) | (6,753,883) | (9,027,590) | (26,444,532) | (25,526,105) | (440,271) | (141,741,824) |
| Bonds and notes issued | — | — | (1,640,079) | (1,005,926) | (2,719,448) | (70,774,009) | (10,111,220) | (86,250,682) |
| Other financial liabilities | (5,232,492) | (13,272,201) | (4,515,124) | (5,477,181) | (10,492,479) | (34,997,644) | (548,480) | (74,535,601) |
| Total financial liabilities | (5,232,492) | (102,075,969) | (50,973,193) | (51,129,342) | (145,490,397) | (261,242,985) | (54,014,361) | (670,158,739) |
| Net position | 107,319,273 | (46,764,116) | (4,562,629) | (7,217,664) | 104,666,871 | (2,687,361) | (24,917,752) | 125,836,622 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Company

| | As at December 31, 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 1,211 | 675 | — | — | — | — | — | 1,886 |
| Deposits with financial institutions | — | 4,996,615 | 5,410,423 | 201,396 | — | — | — | 10,608,434 |
| Financial assets designated as at fair value through profit or loss | 3,126,253 | — | — | — | — | — | — | 3,126,253 |
| Financial assets held under resale agreements | — | — | 138,831 | — | — | — | — | 138,831 |
| Available-for-sale financial assets | 22,655,622 | — | — | — | — | — | — | 22,655,622 |
| Financial assets classified as receivables | 1,902,402 | — | 2,065,820 | 4,651,509 | 31,592,227 | 31,784,276 | 1,517,593 | 73,513,827 |
| Amounts due from subsidiaries | — | 40,194 | — | — | 1,100,000 | — | — | 1,140,194 |
| Other financial assets | — | — | — | 25,496 | — | — | — | 25,496 |
| Total financial assets | 27,685,488 | 5,037,484 | 7,615,074 | 4,878,401 | 32,692,227 | 31,784,276 | 1,517,593 | 111,210,543 |
| Borrowings | — | — | (615,021) | (4,079,173) | (45,757,121) | (10,689,468) | — | (61,140,783) |
| Other financial liabilities | — | — | (1,141,482) | — | (6,900,268) | (15,261,995) | — | (23,303,745) |
| Total financial liabilities | — | — | (1,756,503) | (4,079,173) | (52,657,389) | (25,951,463) | — | (84,444,528) |
| Net position | 27,685,488 | 5,037,484 | 5,858,571 | 799,228 | (19,965,162) | 5,832,813 | 1,517,593 | 26,766,015 |

| | As at December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 1,222 | 605 | — | — | — | — | — | 1,827 |
| Deposits with financial institutions | — | 5,660,635 | 7,393,924 | 107,017 | — | — | — | 13,161,576 |
| Placements with financial institutions | — | — | 2,606,281 | — | — | — | — | 2,606,281 |
| Financial assets designated as at fair value through profit or loss | 8,134,164 | — | — | — | — | — | — | 8,134,164 |
| Financial assets held under resale agreements | — | — | 544,946 | — | — | — | — | 544,946 |
| Available-for-sale financial assets | 21,645,434 | — | — | — | — | — | — | 21,645,434 |
| Financial assets classified as receivables | 4,946,604 | — | 1,967,735 | 5,569,739 | 40,692,846 | 61,478,659 | 1,445,558 | 116,101,141 |
| Amounts due from subsidiaries | — | — | 1,201,210 | — | — | — | — | 1,201,210 |
| Other financial assets | — | — | — | 18,328 | — | — | — | 18,328 |
| Total financial assets | 34,727,424 | 5,661,240 | 13,714,096 | 5,695,084 | 40,692,846 | 61,478,659 | 1,445,558 | 163,414,907 |
| Placements from financial institutions | — | — | (3,039,204) | (1,013,673) | — | — | — | (4,052,877) |
| Borrowings | — | — | — | (4,407,296) | (35,496,247) | (40,903,790) | (23,036,945) | (103,844,278) |
| Bonds and notes issued | — | — | — | — | (672,600) | (13,949,667) | — | (14,622,267) |
| Other financial liabilities | — | — | (994,140) | — | (3,665,264) | (11,566,330) | — | (16,225,734) |
| Total financial liabilities | — | — | (4,033,344) | (5,420,969) | (39,834,111) | (66,419,787) | (23,036,945) | (138,745,156) |
| Net position | 34,727,424 | 5,661,240 | 9,680,752 | 274,115 | 858,735 | (4,941,128) | (21,591,387) | 24,669,751 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Company—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 | 1,229 | 607 | — | — | — | — | — | 1,836 |
| Deposits with financial institutions | — | 11,142,459 | 3,784,540 | 5,587,308 | — | — | — | 20,514,307 |
| Placements with financial institutions | — | — | 12,839,651 | — | — | — | — | 12,839,651 |
| Financial assets held for trading | 40,464 | — | — | — | — | — | — | 40,464 |
| Financial assets designated as at fair value through profit or loss | 22,337,555 | — | — | — | — | — | — | 22,337,555 |
| Financial assets held under resale agreements | — | — | 2,204,617 | — | — | — | — | 2,204,617 |
| Available-for-sale financial assets | 24,767,099 | — | 8,269 | 2,991,378 | 936,703 | 670,111 | 648,000 | 30,021,560 |
| Financial assets classified as receivables | 5,311,039 | — | 5,596,472 | 11,250,495 | 74,697,282 | 107,653,608 | 1,654,770 | 206,163,666 |
| Amounts due from subsidiaries | — | 1,433,700 | — | — | — | — | — | 1,433,700 |
| Other financial assets | — | — | — | 18,319 | — | — | — | 18,319 |
| Total financial assets | 52,457,386 | 12,576,766 | 24,433,549 | 19,847,500 | 75,633,985 | 108,323,719 | 2,302,770 | 295,575,675 |
| Borrowings | — | — | (11,490,031) | (31,659,041) | (51,221,085) | (74,717,107) | (30,354,117) | (199,441,381) |
| Bonds and notes issued | — | — | — | — | (1,612,600) | (36,191,800) | — | (37,804,400) |
| Other financial liabilities | — | — | (1,034,207) | — | (3,744,405) | (7,790,867) | — | (12,569,479) |
| Total financial liabilities | — | — | (12,524,238) | (31,659,041) | (56,578,090) | (118,699,774) | (30,354,117) | (249,815,260) |
| Net position | 52,457,386 | 12,576,766 | 11,909,311 | (11,811,541) | 19,055,895 | (10,376,055) | (28,051,347) | 45,760,415 |

| | As at June 30, 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 | 1,938 | | — | — | — | — | — | 1,938 |
| Deposits with financial institutions | — | 17,534,810 | — | 100,823 | — | — | — | 17,635,633 |
| Placements with financial institutions | — | — | 4,000,764 | — | — | — | — | 4,000,764 |
| Financial assets held for trading | 202,324 | — | — | — | — | — | — | 202,324 |
| Financial assets designated as at fair value through profit or loss | 34,574,638 | — | — | — | — | — | — | 34,574,638 |
| Available-for-sale financial assets | 27,916,791 | — | 1,025,213 | 649,510 | 530,065 | 943,293 | 630,600 | 31,695,472 |
| Financial assets classified as receivables | 8,351,501 | — | 5,620,131 | 17,730,840 | 151,315,251 | 80,667,875 | | 263,685,598 |
| Amounts due from subsidiaries | — | | — | 584,072 | 3,667,660 | — | — | 4,251,732 |
| Other financial assets | — | — | — | 15,977 | — | — | — | 15,977 |
| Total financial assets | 71,047,192 | 17,534,810 | 10,646,108 | 19,081,222 | 155,512,976 | 81,611,168 | 630,600 | 356,064,076 |
| Borrowings | — | — | (14,602,581) | (22,025,241) | (72,289,911) | (96,620,090) | (42,882,875) | (248,420,698) |
| Financial assets sold under repurchase agreements | — | — | (1,412,244) | — | — | — | — | (1,412,244) |
| Bonds and notes issued | — | — | — | — | (1,612,600) | (36,191,800) | — | (37,804,400) |
| Other financial liabilities | — | — | (1,935,392) | (1,858,725) | (3,940,837) | (3,934,996) | — | (11,669,950) |
| Total financial liabilities | — | — | (17,950,217) | (23,883,966) | (77,843,348) | (136,746,886) | (42,882,875) | (299,307,292) |
| Net position | 71,047,192 | 17,534,810 | (7,304,109) | (4,802,744) | 77,669,628 | (55,135,718) | (42,252,275) | 56,756,784 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

### VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

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

Group

| | As at December 31, 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 13,124,790 | 3,773,019 | — | — | — | — | — | 16,897,809 |
| Deposits with financial institutions | — | 9,258,051 | 7,925,375 | 200,000 | 3,085,857 | — | — | 20,469,283 |
| Placements with financial institutions | — | — | 800,000 | 150,000 | — | — | — | 950,000 |
| Financial assets held for trading | 745,819 | — | — | — | 291,986 | 1,558,191 | 621,700 | 3,217,696 |
| Financial assets designated as at fair value through profit or loss | 4,620,775 | — | 1,157,884 | 3,688,760 | 3,927,660 | 2,730,540 | — | 16,125,619 |
| Financial assets held under resale agreements | — | — | 15,790,395 | 7,345,049 | 16,649,488 | — | — | 39,784,932 |
| Available-for-sale financial assets | 25,099,749 | 90,124 | 70,959 | — | 611,331 | 1,544,081 | 1,718,777 | 29,135,021 |
| Held-to-maturity investments | — | — | 199,682 | 260,229 | 650,231 | 2,473,264 | 6,158,533 | 9,741,939 |
| Financial assets classified as receivables | 2,069,796 | — | 2,357,316 | 4,312,579 | 31,706,912 | 34,378,092 | 96,974 | 74,921,669 |
| Loans and advances to customers | 171,649 | — | 1,577,561 | 3,074,328 | 17,133,965 | 13,717,068 | 1,971,097 | 37,645,668 |
| Finance lease receivables | — | — | 1,732,612 | 1,766,563 | 9,066,328 | 32,786,100 | 2,293,639 | 47,645,242 |
| Other financial assets | — | — | 408,690 | 25,496 | 55,446 | 2,097,905 | 13,511 | 2,601,048 |
| Total financial assets | 45,832,578 | 13,121,194 | 32,020,474 | 20,823,004 | 83,179,204 | 91,285,241 | 12,874,231 | 299,135,926 |
| Borrowings from central bank | — | — | — | (40,000) | — | — | — | (40,000) |
| Deposits from financial institutions | — | (1,229,318) | (3,430,000) | (1,650,000) | (3,580,000) | (2,000,000) | — | (11,889,318) |
| Borrowings | — | (5,750,000) | (641,298) | (4,619,005) | (52,506,798) | (25,894,961) | (347,870) | (89,759,932) |
| Financial assets sold under repurchase agreements | — | — | (17,689,934) | (7,325,154) | (23,130,904) | — | — | (48,145,992) |
| Due to customers | — | (43,569,062) | (2,915,667) | (4,925,520) | (12,648,948) | (5,992,639) | — | (70,051,836) |
| Bonds and notes issued | — | — | — | — | (499,684) | (2,987,316) | — | (3,487,000) |
| Other financial liabilities | — | (2,124,317) | (14,315,870) | — | (8,857,383) | (18,049,830) | — | (43,347,400) |
| Total financial liabilities | — | (52,672,697) | (38,992,769) | (18,559,679) | (101,223,717) | (54,924,746) | (347,870) | (266,721,478) |
| Net position | 45,832,578 | (39,551,503) | (6,972,295) | 2,263,325 | (18,044,513) | 36,360,495 | 12,526,361 | 32,414,448 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities.—continued

Group—continued

| | As at December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central bank | 16,765,241 | 4,386,735 | — | — | — | — | — | 21,151,976 |
| Deposits with financial institutions | — | 15,161,356 | 9,849,173 | 1,789,219 | 1,702,120 | 1,421,000 | — | 29,922,868 |
| Placements with financial institutions | — | — | 2,936,581 | 73,163 | 60,969 | — | — | 3,070,713 |
| Financial assets held for trading | 609,757 | — | 19,982 | 29,845 | 89,100 | 29,386 | 20,250 | 798,320 |
| Financial assets designated as at fair value through profit or loss | 9,972,360 | — | 2,048,460 | 1,309,211 | 4,773,301 | 2,160,709 | — | 20,264,041 |
| Financial assets held under resale agreements | — | — | 4,246,872 | 18,099,645 | 18,117,167 | — | — | 40,463,684 |
| Available-for-sale financial assets | 22,971,004 | 803,124 | 59,927 | 169,325 | 878,625 | 2,722,238 | 1,361,441 | 28,965,684 |
| Held-to-maturity investments | — | — | 469,601 | 129,772 | 901,451 | 5,825,433 | 5,297,499 | 12,623,756 |
| Financial assets classified as receivables | 2,354,527 | — | 2,277,432 | 5,214,270 | 39,047,528 | 75,167,996 | 258,240 | 124,319,993 |
| Loans and advances to customers | 357,312 | — | 2,543,115 | 3,836,092 | 21,621,365 | 15,441,355 | 4,377,148 | 48,176,387 |
| Finance lease receivables | 267,888 | — | 1,666,388 | 2,738,605 | 14,111,276 | 35,095,728 | 1,666,388 | 55,546,273 |
| Other financial assets | — | — | 596,894 | 18,328 | 1,835,573 | 1,954,461 | 14,333 | 4,419,589 |
| Total financial assets | 53,298,089 | 20,351,215 | 26,714,425 | 33,407,475 | 103,138,475 | 139,818,306 | 12,995,299 | 389,723,284 |
| Borrowings from central bank | — | — | — | — | (52,300) | — | — | (52,300) |
| Deposits from financial institutions | — | (4,619,916) | (4,770,000) | (632,000) | (4,566,000) | (1,430,000) | — | (16,017,916) |
| Placements from financial institutions | — | — | (4,424,388) | (1,042,678) | (360,969) | — | — | (5,828,035) |
| Borrowings | — | (10,421,887) | (1,525,055) | (8,948,154) | (49,521,542) | (45,661,085) | (20,053,420) | (136,131,143) |
| Financial assets sold under repurchase agreements | — | — | (1,880,379) | (14,916,027) | (17,192,231) | — | — | (33,988,637) |
| Due to customers | — | (57,639,459) | (3,397,789) | (6,552,556) | (14,850,475) | (5,445,659) | — | (87,885,938) |
| Bonds and notes issued | — | — | — | (1,000,000) | (998,509) | (15,887,672) | — | (17,886,181) |
| Other financial liabilities | — | (1,986,506) | (15,610,671) | — | (5,602,668) | (24,654,347) | — | (47,854,192) |
| Total financial liabilities | — | (74,667,768) | (31,608,282) | (33,091,415) | (93,144,694) | (93,078,763) | (20,053,420) | (345,644,342) |
| Net position | 53,298,089 | (54,316,553) | (4,893,857) | 316,060 | 9,993,781 | 46,739,543 | (7,058,121) | 44,078,942 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities.—continued

Group—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 |
| 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 |
| 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 |
| Other financial assets | — | — | 1,756,300 | 18,319 | 370,370 | 2,475,263 | 913 | 4,621,165 |
| Total financial assets | 80,215,880 | 34,761,895 | 48,163,519 | 41,947,867 | 147,181,882 | 204,058,417 | 20,062,445 | 576,391,905 |
| 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) |
| Borrowings | — | (16,064,395) | (13,823,282) | (38,533,604) | (67,521,796) | (79,431,273) | (24,510,850) | (239,885,200) |
| Financial assets sold under repurchase agreements | — | — | (17,096,581) | (4,938,099) | (4,168,419) | — | — | (26,203,099) |
| 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 | — | (4,609,561) | (20,289,448) | (14,004,643) | (6,201,788) | (8,475,564) | (568,434) | (54,149,438) |
| Total financial liabilities | — | (86,794,560) | (62,374,898) | (68,684,050) | (105,905,564) | (151,925,609) | (25,652,295) | (501,336,976) |
| Net position | 80,215,880 | (52,032,665) | (14,211,379) | (26,736,183) | 41,276,318 | 52,132,808 | (5,589,850) | 75,054,929 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

### VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities.—continued

Group—continued

| | As at June 30, 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 | 20,837,714 | 6,249,835 | — | — | — | — | — | 27,087,549 |
| Deposits with financial institutions | — | 48,915,218 | 6,548,965 | 3,068,512 | 3,594,143 | 300,000 | — | 62,426,838 |
| Placements with financial institutions | — | — | 5,500,882 | 611,360 | — | — | — | 6,112,242 |
| Financial assets held for trading | 3,326,798 | 85,410 | 101,949 | 1,514,824 | 145,043 | 2,623,829 | 4,019,020 | 11,816,873 |
| Financial assets designated as at fair value through profit or loss | 38,945,414 | 70,000 | 1,766,768 | 1,045,356 | 600,761 | 6,146,504 | — | 48,574,803 |
| Financial assets held under resale agreements | — | — | 8,540,899 | 2,658,636 | 10,199,474 | 842,211 | — | 22,241,220 |
| Available-for-sale financial assets | 37,259,472 | 2,166 | 2,944,251 | 2,007,620 | 2,995,903 | 4,713,474 | 1,317,926 | 51,240,812 |
| Held-to-maturity investments | — | — | 248,600 | 209,960 | 2,226,181 | 14,345,330 | 5,322,469 | 22,352,540 |
| Financial assets classified as receivables | 5,206,774 | 60,000 | 14,177,843 | 19,577,710 | 143,071,944 | 114,118,854 | 1,416,042 | 297,629,167 |
| Loans and advances to customers | 2,025,042 | — | 2,472,004 | 4,892,946 | 31,451,934 | 26,081,841 | 9,797,485 | 76,721,252 |
| Finance lease receivables | 370,795 | — | 2,184,356 | 3,727,072 | 17,359,937 | 47,140,947 | 1,908,883 | 72,691,990 |
| Other financial assets | 226,222 | — | 503,736 | 244,772 | 4,131,378 | 15,024 | — | 5,121,132 |
| Total financial assets | 108,198,231 | 55,382,629 | 44,990,253 | 39,558,768 | 215,776,698 | 216,328,014 | 23,781,825 | 704,016,418 |
| Borrowings from central bank | — | — | — | — | (60,000) | — | — | (60,000) |
| Deposits from financial institutions | — | (220,986) | — | (1,760,000) | (6,633,000) | (1,750,000) | — | (10,363,986) |
| Placements from financial institutions | — | — | (1,652,854) | (244,544) | (950,000) | — | — | (2,847,398) |
| Borrowings | — | (15,023,200) | (24,368,009) | (24,707,267) | (87,969,951) | (107,465,784) | (34,529,750) | (294,063,961) |
| Financial assets sold under repurchase agreements | — | — | (11,494,561) | (5,170,057) | (1,293,624) | (2,058,215) | — | (20,016,457) |
| Due to customers | — | (73,540,581) | (6,647,659) | (8,820,163) | (25,422,785) | (21,591,088) | (350,000) | (136,372,276) |
| Bonds and notes issued | — | — | (1,000,000) | (1,000,000) | — | (65,495,976) | (8,866,096) | (76,362,072) |
| Other financial liabilities | (5,232,492) | (13,272,202) | (6,371,257) | (4,711,727) | (10,328,339) | (35,811,106) | (548,480) | (76,275,603) |
| Total financial liabilities | (5,232,492) | (102,056,969) | (51,534,340) | (46,413,758) | (132,657,699) | (234,172,169) | (44,294,326) | (616,361,753) |
| Net position | 102,965,739 | (46,674,340) | (6,544,087) | (6,854,990) | 83,118,999 | (17,844,155) | (20,512,501) | 87,654,665 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities.—continued

Company

As at December 31, 2012

| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and balances with central bank | 1,211 | 675 | — | — | — | — | — | 1,886 |
| Deposits with financial institutions | — | 4,782,452 | 5,403,320 | 200,000 | — | — | — | 10,385,772 |
| Financial assets designated as at fair value through profit or loss | 3,126,253 | — | — | — | — | — | — | 3,126,253 |
| Financial assets held under resale agreements | — | — | 138,600 | — | — | — | — | 138,600 |
| Available-for-sale financial assets | 22,655,622 | — | — | — | — | — | — | 22,655,622 |
| Financial assets classified as receivables | 1,256,328 | — | 1,882,716 | 4,303,579 | 27,390,228 | 22,536,022 | 1,028,872 | 58,397,745 |
| Amounts due from subsidiaries | — | 40,194 | — | — | 1,000,000 | — | — | 1,040,194 |
| Other financial assets | — | — | — | 25,496 | — | — | — | 25,496 |
| Total financial assets | 27,039,414 | 4,823,321 | 7,424,636 | 4,529,075 | 28,390,228 | 22,536,022 | 1,028,872 | 95,771,568 |
| Borrowings | — | — | (610,000) | (3,188,000) | (43,930,000) | (10,000,000) | — | (57,728,000) |
| Other financial liabilities | — | — | (1,264,675) | — | (6,885,207) | (15,103,409) | — | (23,253,291) |
| Total financial liabilities | — | — | (1,874,675) | (3,188,000) | (50,815,207) | (25,103,409) | — | (80,981,291) |
| Net position | 27,039,414 | 4,823,321 | 5,549,961 | 1,341,075 | (22,424,979) | (2,567,387) | 1,028,872 | 14,790,277 |

As at December 31, 2013

| | Past due/undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and balances with central bank | 1,222 | 605 | — | — | — | — | — | 1,827 |
| Deposits with financial institutions | — | 5,658,728 | 7,375,933 | 106,000 | — | — | — | 13,140,661 |
| Placements with financial institutions | — | — | 2,600,000 | — | — | — | — | 2,600,000 |
| Financial assets designated as at fair value through profit or loss | 8,134,164 | — | — | — | — | — | — | 8,134,164 |
| Financial assets held under resale agreements | — | — | 544,000 | — | — | — | — | 544,000 |
| Available-for-sale financial assets | 21,645,434 | — | — | — | — | — | — | 21,645,434 |
| Financial assets classified as receivables | 2,289,598 | — | 1,923,808 | 5,156,470 | 34,078,725 | 47,304,993 | 1,021,857 | 91,775,451 |
| Amounts due from subsidiaries | — | — | 1,200,000 | — | — | — | — | 1,200,000 |
| Other financial assets | — | — | 23,101 | 18,328 | — | — | — | 41,429 |
| Total financial assets | 32,070,418 | 5,659,333 | 13,666,842 | 5,280,798 | 34,078,725 | 47,304,993 | 1,021,857 | 139,082,966 |
| Placements from financial institutions | — | — | (3,000,000) | (1,000,000) | — | — | — | (4,000,000) |
| Borrowings | — | — | — | (3,000,000) | (31,920,000) | (32,960,000) | (20,000,000) | (87,880,000) |
| Bonds and notes issued | — | — | — | — | — | (12,000,000) | — | (12,000,000) |
| Other financial liabilities | — | — | (1,419,824) | — | (3,657,264) | (11,446,145) | — | (16,523,233) |
| Total financial liabilities | — | — | (4,419,824) | (4,000,000) | (35,577,264) | (56,406,145) | (20,000,000) | (120,403,233) |
| Net position | 32,070,418 | 5,659,333 | 9,247,018 | 1,280,798 | (1,498,539) | (9,101,152) | (18,978,143) | 18,679,733 |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
## (Amounts in thousands of RMB, unless otherwise stated)

## VI. EXPLANATORY NOTES—continued

60. Financial risk management—continued

60.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities.—continued

Company—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 | 1,228 | 606 | — | — | — | — | — | 1,834 |
| Deposits with financial institutions | — | 11,141,526 | 3,777,670 | 5,554,917 | — | — | — | 20,474,113 |
| Placements with financial institutions | — | — | 12,800,000 | — | — | — | — | 12,800,000 |
| Financial assets held for trading | 40,464 | — | — | — | — | — | — | 40,464 |
| Financial assets designated as at fair value through profit or loss | 22,337,555 | — | — | — | — | — | — | 22,337,555 |
| Financial assets held under resale agreements | — | — | 2,200,000 | — | — | — | — | 2,200,000 |
| Available-for-sale financial assets | 24,767,099 | — | — | 2,963,008 | 893,991 | 530,430 | 230,524 | 29,385,052 |
| Financial assets classified as receivables | 2,934,402 | — | 5,274,460 | 10,375,848 | 64,402,935 | 82,462,972 | 1,263,119 | 166,713,736 |
| Amounts due from subsidiaries | — | 1,433,700 | — | — | — | — | — | 1,433,700 |
| Other financial assets | — | — | 30,311 | 18,319 | — | — | — | 48,630 |
| Total financial assets | 50,080,748 | 12,575,832 | 24,082,441 | 18,912,092 | 65,296,926 | 82,993,402 | 1,493,643 | 255,435,084 |
| Borrowings | — | — | (11,300,000) | (29,160,000) | (45,350,000) | (61,580,000) | (24,500,000) | (171,890,000) |
| Bonds and notes issued | — | — | — | — | — | (31,882,703) | — | (31,882,703) |
| Other financial liabilities | — | — | (2,185,570) | — | (3,736,232) | (7,709,913) | — | (13,631,715) |
| Total financial liabilities | — | — | (13,485,570) | (29,160,000) | (49,086,232) | (101,172,616) | (24,500,000) | (217,404,418) |
| Net position | 50,080,748 | 12,575,832 | 10,596,871 | (10,247,908) | 16,210,694 | (18,179,214) | (23,006,357) | 38,030,666 |

| | As at June 30, 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 | 1,233 | 705 | — | — | — | — | — | 1,938 |
| Deposits with financial institutions | — | 17,532,967 | — | 100,000 | — | — | — | 17,632,967 |
| Placements with financial institutions | — | — | 4,000,000 | — | — | — | — | 4,000,000 |
| Financial assets held for trading | 202,324 | — | — | — | — | — | — | 202,324 |
| Financial assets designated as at fair value through profit or loss | 34,574,638 | — | — | — | — | — | — | 34,574,638 |
| Available-for-sale financial assets | 27,916,791 | — | 1,000,000 | 519,301 | 485,286 | 844,500 | 191,566 | 30,957,444 |
| Financial assets classified as receivables | 4,988,853 | — | 5,222,171 | 15,970,553 | 125,807,374 | 58,132,195 | — | 210,121,146 |
| Amounts due from subsidiaries | — | — | — | 584,072 | 3,667,660 | — | — | 4,251,732 |
| Other financial assets | — | — | 592 | 15,977 | — | — | — | 16,569 |
| Total financial assets | 67,683,839 | 17,533,672 | 10,222,763 | 17,189,903 | 129,960,320 | 58,976,695 | 191,566 | 301,758,758 |
| Borrowings | — | — | (14,400,000) | (18,800,000) | (64,830,000) | (78,680,000) | (34,500,000) | (211,210,000) |
| Financial assets sold under repurchase agreements | — | — | (1,409,400) | — | — | — | — | (1,409,400) |
| Bonds and notes issued | — | — | — | — | — | (31,891,602) | — | (31,891,602) |
| Other financial liabilities | — | — | (1,935,392) | (1,858,725) | (3,775,617) | (3,851,651) | — | (11,421,385) |
| Total financial liabilities | — | — | (17,744,792) | (20,658,725) | (68,605,617) | (114,423,253) | (34,500,000) | (255,932,387) |
| Net position | 67,683,839 | 17,533,672 | (7,522,029) | (3,468,822) | 61,354,703 | (55,446,558) | (34,308,434) | 45,826,371 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.4 Risk management of distressed assets

1. Overview

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

The Group's 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.

2. Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

2.1 Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), 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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.4 Risk management of distressed assets—continued

2. Risk management of distressed debt assets—continued

2.1 Valuation risk—continued

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 the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

2.2 Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;
- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and
- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

2.3 Credit risk

In addition to distressed debt assets classified as receivables, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets classified as receivables.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.4 Risk management of distressed assets—continued

2. Risk management of distressed debt assets—continued

2.3 Credit risk—continued

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.

3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets 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.

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 VI.60.1 to section A.

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.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

60. Financial risk management—continued

60.5 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 employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taken into account of the percentage of shareholding, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company complied with the regulatory requirements on the minimum CAR.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments

61.1 Fair value of financial assets that are measured at fair value on a recurring basis

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

Group

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| **1) Financial assets held for trading** | **3,217,696** | **798,320** | **8,055,147** | **11,816,873** | | | | |
| Debt securities | 2,471,877 | 188,563 | 6,910,374 | 8,404,665 | | | | |
| —Government bonds traded in inter-bank market | 746,821 | — | — | — | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on discounted cash flow model. | N/A | N/A |
| —Public sector and quasi-government bonds traded in inter-bank market | 328,759 | — | 827,924 | 2,378,793 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on discounted cash flow model. | N/A | N/A |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| —Financial institution bonds traded in stock exchange | — | 24,909 | 55,494 | — | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| —Financial institution bonds traded in inter-bank market | — | — | — | 790,754 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |
| —Corporate bonds traded in stock exchange | 5,438 | 24,727 | 2,774,477 | 1,743,221 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| —Corporate bonds traded in inter-bank market | 1,390,859 | 138,927 | 3,252,479 | 3,491,897 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Equity instruments listed or traded on exchanges | 569,709 | 541,954 | 1,024,207 | 2,694,785 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| — Manufacturing | 226,846 | 136,487 | 346,499 | 389,899 | | | | |
| — Finance | 171,982 | 31,893 | 45,596 | 368,608 | | | | |
| — Mining | 1,984 | — | 39,040 | 35,330 | | | | |
| — Production and supply of power, heat, gas and water | 6,732 | 55,765 | — | 92,901 | | | | |
| — Real estate | 6,961 | 285,872 | 584,398 | 337,020 | | | | |
| — Information transmission, software and information technology services | — | 23,645 | — | 40,257 | | | | |
| — Others | 155,204 | 8,292 | 8,674 | 1,430,770 | | | | |
| Funds | 176,110 | 67,803 | 120,556 | 632,013 | | | | |
| — Listed outside Hong Kong | 176,110 | 67,803 | 120,556 | 430,280 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| — Unlisted | — | — | — | 201,733 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Derivatives | — | — | 10 | — | Level 3 | • Note (1) | Note (1) | Note (1) |
| Wealth management products issued by banks and other financial institutions | — | — | — | 85,410 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | Fair value as at December 31, 2013 | Fair value as at December 31, 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| **2) Financial assets designated as at fair value through profit or loss** | **16,125,619** | **20,264,041** | **33,115,178** | **48,574,803** | | | | |
| Distressed debt assets | 3,126,253 | 8,134,164 | 23,612,200 | 37,504,154 | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts. | • The higher the recoverable amounts, the higher the fair value. |
| | | | | | | | • Expected recovery date | • The earlier the recovery date, the higher the fair value. |
| | | | | | | | • Discount rates that correspond to the expected risk level. | • The higher the discount rates, the lower the fair value. |
| Wealth management products issued by banks or other financial institutions | 9,756,247 | 6,591,681 | 5,756,336 | 2,872,124 | Level 2 | • Calculate based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |

## A. FINANCIAL INFORMATION
## NOTES TO THE FINANCIAL INFORMATION (continued)
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Asset management plans issued by financial institutions | 1,748,597 | 3,700,000 | 200,510 | 200,000 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Equity instruments | 1,494,522 | 1,838,196 | 1,780,238 | 1,441,260 | | | | |
| —Equity investments in listed companies | — | — | 50,811 | 3,780 | Level 1 | • Quoted bid prices in an active market | N/A | N/A |
| —Equity investments in listed companies but with restriction to trade | — | — | — | 95,175 | Level 3 | • Quoted bid prices in an active market with an adjustment of discount for lack of marketability. | • Discount for lack of marketability. | • The higher the discount, the lower the fair value. |
| —Equity investments in unlisted companies | 1,494,522 | 1,838,196 | 1,729,427 | 1,342,305 | Level 3 | • Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables. | • Discount for lack of marketability. | • The higher the discount, the lower the fair value. |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Convertible bonds | — | — | 347,975 | 1,907,512 | Level 3 | • Discounted cash flow for the debt component and option pricing model for the option component. | • Discount rates that correspond to expected risk level<br>• Volatility rates that are in line with those of similar products. | • The higher the discount rates, the lower the fair value.<br>• The higher the volatility rates, the higher the fair value. |
| Trust products | — | — | — | 440,000 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Trust products | — | — | — | 1,126,663 | Level 3 | • Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts<br>• Expected recovery date<br>• Discount rates that correspond to the expected risk level | • The higher the recoverable amounts, the higher the fair value<br>• The earlier the recovery date, the higher the fair value<br>• The higher the discount rate, the lower the fair value |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | Fair value as at December 31, 2013 | Fair value as at December 31, 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Structured products | — | — | 792,267 | 3,083,090 | Level 3 | • Different methods applied on different layer of the structured products when the Group evaluated the fair value of it, option pricing model for the option, and discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Discount rates that correspond to expected risk level<br>• Volatility rates that are in line with those of similar products.<br>• Expected recoverable amounts. | • The higher the discount rates, the lower the fair value.<br>• The higher the volatility rates, the higher the fair value.<br>• The higher the recoverable amounts, the higher the fair value. |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Structured products | — | — | 625,652 | — | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts.<br>• Expected recovery date<br>• Discount rates that correspond to the expected risk level. | • The higher the recoverable amounts, the higher the fair value.<br>• The earlier the recovery date, the higher the fair value.<br>• The higher the discount rates, the lower the fair value. |
| **3) Available-for-sale financial assets** | **16,753,947** | **16,560,534** | **32,647,264** | **40,122,193** | | | | |
| Debt securities | 3,945,148 | 5,191,556 | 12,912,450 | 11,870,737 | | | | |
| —Government bonds traded in inter-bank market | 358,529 | 85,263 | 85,296 | 85,296 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| —Public sector and quasi-government bonds traded in inter-bank market | 533,779 | 1,226,418 | 3,592,250 | 2,957,837 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |
| —Financial institution bonds traded in inter-bank market | 80,874 | 146,493 | 4,211,003 | 6,054,992 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |
| —Corporate bonds traded in stock exchange | 391,739 | 653,605 | 1,270,859 | 867,151 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| —Corporate bonds traded in inter-bank market | 2,580,227 | 3,079,777 | 3,753,042 | 1,905,461 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |
| Equity instruments | 10,517,957 | 9,437,093 | 15,985,848 | 25,747,862 | | | | |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Listed equity instruments | 9,635,064 | 8,572,229 | 13,231,094 | 15,904,143 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| —Manufacturing | 7,437,864 | 7,216,958 | 10,496,437 | 12,884,710 | | | | |
| —Finance | 1,724,867 | 641,127 | 776,149 | 683,151 | | | | |
| —Mining | 109,083 | 370,656 | 617,606 | 153,584 | | | | |
| —Production and supply of power, heat, gas and water | — | 1,067 | 295,078 | 153,149 | | | | |
| —Real estate | 14,383 | 24,630 | 92,600 | 522,519 | | | | |
| —Information transmission software and information technology services | — | — | 369,489 | 671,327 | | | | |
| —Others | 348,867 | 317,791 | 583,735 | 835,703 | | | | |
| Unlisted equity instruments | 882,893 | 864,864 | 2,754,754 | 9,443,719 | Level 3 | • Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables. | • Discount for lack of marketability. | • The higher the discount rate, the lower the fair value. |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | Fair value as at December 31, 2013 | Fair value as at December 31, 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Unlisted equity instruments . . . . . . . . . | — | — | — | 400,000 | Level 3 | • Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts.<br>• Expected recovery date.<br>• Discount rates that correspond to the expected risk. | • The higher the recoverable amounts, the higher the fair value.<br>• The earlier the recovery date the higher the fair value.<br>• The higher the discount rates, the lower the fair value. |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | Fair value as at December 31, 2013 | Fair value as at December 31, 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Funds | 2,124,316 | 1,058,221 | 255,028 | 209,965 | | | | |
| —Listed outside Hong Kong | 2,124,316 | 1,058,221 | 255,028 | 203,787 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| —Unlisted | — | — | — | 6,178 | Level 2 | • Calculated based on the fair value of the underlying investments which are funds or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Wealth management products issued by banks or other financial institutions | 90,124 | 803,124 | 2,803,898 | 1,487,115 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Asset management plans | — | — | — | 185,068 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Group—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Asset-backed securities | — | — | 624,422 | 591,446 | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts.<br>• Expected recovery date<br>• Discount rates that correspond to the expected risk level. | • The higher the recoverable amounts, the higher the fair value.<br>• The earlier the recovery date, the higher the fair value.<br>• The higher the discount rates, the lower the fair value. |
| Trust products | — | — | — | 30,000 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | • N/A | • N/A |
| Others | 76,402 | 70,540 | 65,618 | — | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts.<br>• Expected recovery date<br>• Discount rates that correspond to the expected risk level. | • The higher the recoverable amounts, the higher the fair value.<br>• The earlier the recovery date, the higher the fair value.<br>• The higher the discount rates, the lower the fair value. |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Company

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| **1) Financial assets held for trading** | **—** | **—** | **40,464** | **202,324** | | | | |
| Funds listed outside Hong Kong | — | — | 40,464 | 202,324 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| **2) Financial assets designated as at fair value through profit or loss** | **3,126,253** | **8,134,164** | **22,337,555** | **34,574,638** | | | | |
| Distressed debt assets | 3,126,253 | 8,134,164 | 22,337,555 | 34,574,638 | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts. | • The higher the recoverable amounts, the higher the fair value. |
| | | | | | | | • Expected recovery date | • The earlier the recovery date, the higher the fair value. |
| | | | | | | | • Discount rates that correspond to the expected risk level. | • The higher the discount rates, the lower the fair value. |

**A. FINANCIAL INFORMATION**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Company—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| **3) Available-for-sale financial assets** | **10,274,548** | **9,240,284** | **18,065,582** | **19,838,825** | | | | |
| Debt securities | — | — | 1,364,882 | 1,744,508 | | | | |
| —Financial institution bonds traded in inter-bank market | — | — | 1,364,882 | 1,744,508 | Level 2 | • Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model. | N/A | N/A |
| Equity instruments | 10,192,566 | 9,136,946 | 13,360,442 | 16,501,597 | | | | |
| Listed equity instruments | 9,481,284 | 8,387,833 | 12,747,093 | 15,368,248 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| — Manufacturing | 7,293,791 | 7,134,145 | 10,348,128 | 12,796,762 | | | | |
| — Finance | 1,724,408 | 554,400 | 647,305 | 592,332 | | | | |
| — Mining | 109,083 | 370,656 | 617,606 | 152,327 | | | | |
| — Production and supply of power, heat, gas and water | — | — | 293,924 | 144,200 | | | | |
| — Real estate | 14,363 | 23,088 | 11,833 | 519,731 | | | | |
| — Information transmission, software and information technology services | — | — | 369,489 | 442,997 | | | | |
| — Others | 339,639 | 305,544 | 458,808 | 719,899 | | | | |
| Unlisted equity instruments | 711,282 | 749,113 | 613,349 | 1,133,349 | Level 3 | • Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables. | • Discount for lack of marketability. | • The higher the discount, the lower the fair value. |

**A. FINANCIAL INFORMATION**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Company—continued

| Financial assets | Fair value as at December 31, 2012 | 2013 | 2014 | Fair value as at June 30, 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|---|---|---|---|
| Funds listed outside Hong Kong | 81,982 | 103,338 | 87,187 | 113,549 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| Wealth management products issued by banks or other financial institutions | — | — | 2,755,279 | 1,000,000 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Asset management plans issued by financial institutions | — | — | — | 183,026 | Level 2 | • Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio. | N/A | N/A |
| Asset-backed securities | — | — | 497,792 | 296,145 | Level 3 | • Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected recoverable amounts.<br>• Expected recovery date<br>• Discount rates that correspond to the expected risk level. | • The higher the recoverable amounts, the higher the fair value.<br>• The earlier the recovery date, the higher the fair value.<br>• The higher the discount rates, the lower the fair value. |

Note:

(1) The amount of derivatives is insignificant to the Group. These financial assets are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

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

Group

| | As at December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held for trading | 751,257 | 2,466,439 | — | 3,217,696 |
| Financial assets designated as at fair value through profit or loss | — | 11,504,844 | 4,620,775 | 16,125,619 |
| Available-for-sale financial assets | 12,151,119 | 3,643,533 | 959,295 | 16,753,947 |
| Total assets | 12,902,376 | 17,614,816 | 5,580,070 | 36,097,262 |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held for trading | 659,393 | 138,927 | — | 798,320 |
| Financial assets designated as at fair value through profit or loss | — | 10,291,681 | 9,972,360 | 20,264,041 |
| Available-for-sale financial assets | 10,284,055 | 5,341,075 | 935,404 | 16,560,534 |
| Total assets | 10,943,448 | 15,771,683 | 10,907,764 | 37,622,895 |

| | 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 |

| | As at June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held for trading | 4,868,286 | 6,948,587 | — | 11,816,873 |
| Financial assets designated as at fair value through profit or loss | 3,780 | 3,512,124 | 45,058,899 | 48,574,803 |
| Available-for-sale financial assets | 16,975,081 | 12,711,947 | 10,435,165 | 40,122,193 |
| Total assets | 21,847,147 | 23,172,658 | 55,494,064 | 100,513,869 |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis—continued

Company

| | As at December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets designated as at fair value through profit or loss | — | — | 3,126,253 | 3,126,253 |
| Available-for-sale financial assets | 9,563,266 | — | 711,282 | 10,274,548 |
| Total assets | 9,563,266 | — | 3,837,535 | 13,400,801 |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets designated as at fair value through profit or loss | — | — | 8,134,164 | 8,134,164 |
| Available-for-sale financial assets | 8,491,171 | — | 749,113 | 9,240,284 |
| Total assets | 8,491,171 | — | 8,883,277 | 17,374,448 |

| | As at December 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held for trading | 40,464 | — | — | 40,464 |
| Financial assets designated as at fair value through profit or loss | — | — | 22,337,555 | 22,337,555 |
| Available-for-sale financial assets | 12,834,280 | 4,120,161 | 1,111,141 | 18,065,582 |
| Total assets | 12,874,744 | 4,120,161 | 23,448,696 | 40,443,601 |

| | As at June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held for trading | 202,324 | — | — | 202,324 |
| Financial assets designated as at fair value through profit or loss | — | — | 34,574,638 | 34,574,638 |
| Available-for-sale financial assets | 15,481,797 | 2,927,534 | 1,429,494 | 19,838,825 |
| Total assets | 15,684,121 | 2,927,534 | 36,004,132 | 54,615,787 |

There were no transfers between level 1 and 2, and no transfers between level 2 and level 3 for the Group and the Company during the Relevant Periods.

The fair values of the financial assets included in the level 2 category above for the Group and the Company have been primarily determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.2 Reconciliation of Level 3 fair value measurements

Group

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2012 | 2,617,115 | 1,018,125 |
| Recognized in profit or loss | 238,257 | 135,883 |
| Fair value changes transfer out upon disposal | (353,710) | — |
| Purchases | 3,477,564 | — |
| Settlements/disposals | (1,358,451) | (194,713) |
| As at December 31, 2012 | 4,620,775 | 959,295 |
| Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year | (115,453) | — |

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2013 | 4,620,775 | 959,295 |
| Recognized in profit or loss | 569,543 | 83,334 |
| Fair value changes transfer out upon disposal | (953,874) | — |
| Purchases | 9,733,327 | 38,038 |
| Settlements/disposals | (3,997,411) | (145,263) |
| As at December 31, 2013 | 9,972,360 | 935,404 |
| Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year | (384,331) | — |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

**VI. EXPLANATORY NOTES—continued**

61. Fair value of financial instruments—continued

61.2 Reconciliation of Level 3 fair value measurements—continued

Group—continued

| | Financial assets held for trading | Financial assets designated as 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 | — |

| | Financial assets held for trading | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|---|
| As at January 1, 2015 | 10 | 27,107,521 | 3,444,794 |
| Recognized in profit or loss | — | 811,038 | — |
| Recognized in other comprehensive income | — | — | 33,607 |
| Fair value changes transfer out upon disposal | — | (497,656) | — |
| Purchases | — | 22,140,399 | 7,293,610 |
| Settlements/disposals | (10) | (4,502,403) | (336,846) |
| As at June 30, 2015 | — | 45,058,899 | 10,435,165 |
| Changes in unrealized gains for the period included in profit or loss for assets held at the end of the period | — | 313,382 | — |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.2 Reconciliation of Level 3 fair value measurements—continued

Company

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2012 | 1,850,343 | 711,282 |
| Recognized in profit or loss | 249,838 | — |
| Fair value changes transfer out upon disposal | (353,710) | — |
| Purchases | 2,721,284 | — |
| Settlements/disposals | (1,341,502) | — |
| As at December 31, 2012 | 3,126,253 | 711,282 |
| Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year | (103,872) | — |

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2013 | 3,126,253 | 711,282 |
| Recognized in profit or loss | 509,079 | — |
| Fair value changes transfer out upon disposal | (893,132) | — |
| Purchases | 9,241,768 | 37,831 |
| Settlements/disposals | (3,849,804) | — |
| As at December 31, 2013 | 8,134,164 | 749,113 |
| Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year | (384,053) | — |

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2014 | 8,134,164 | 749,113 |
| Recognized in profit or loss | 886,187 | (5,600) |
| Recognized in other comprehensive income | — | (35,259) |
| Fair value changes transfer out upon disposal | (756,853) | — |
| Purchases | 21,713,624 | 533,051 |
| Settlements/disposals | (7,639,567) | (130,164) |
| As at December 31, 2014 | 22,337,555 | 1,111,141 |
| Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year | 129,334 | — |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.2 Reconciliation of Level 3 fair value measurements—continued

Company—continued

| | Financial assets designated as at FVTPL | Available-for-sale financial assets |
|---|---|---|
| As at January 1, 2015 | 22,337,555 | 1,111,141 |
| Recognized in profit or loss | 485,999 | — |
| Recognized in other comprehensive income | — | (30,419) |
| Fair value changes transfer out upon disposal | (497,656) | — |
| Purchases | 16,451,143 | 520,000 |
| Settlements/disposals | (4,202,403) | (171,228) |
| As at June 30, 2015 | 34,574,638 | 1,429,494 |
| Changes in unrealized losses for the period included in profit or loss for assets held at the end of the period | (11,657) | — |

61.3 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 not measured in the consolidated statements 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 are not included in the tables below.

Group

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | | | | |
| Held-to-maturity investments | 9,741,939 | 9,730,464 | 12,623,756 | 12,029,344 | 18,817,891 | 18,965,760 | 22,352,540 | 22,649,928 |
| Financial assets classified as receivables | 74,921,669 | 79,328,919 | 124,319,993 | 129,456,756 | 227,033,219 | 237,609,010 | 297,629,167 | 315,752,272 |
| Loans and advances to customers | 37,645,668 | 38,072,161 | 48,176,387 | 48,859,226 | 63,239,421 | 64,600,859 | 76,721,252 | 79,034,798 |
| Total | 122,309,276 | 127,131,544 | 185,120,136 | 190,345,326 | 309,090,531 | 321,175,629 | 396,702,959 | 417,436,998 |
| Financial liabilities | | | | | | | | |
| Borrowings | (89,759,932) | (90,208,431) | (136,131,143) | (148,608,647) | (239,885,200) | (262,841,214) | (294,063,961) | (325,618,196) |
| Due to customers | (70,051,836) | (70,125,394) | (87,885,938) | (88,002,866) | (117,246,072) | (117,408,487) | (136,372,276) | (136,883,080) |
| Bonds and notes issued | (3,487,000) | (3,487,000) | (17,886,181) | (17,587,143) | (48,002,139) | (48,463,925) | (76,362,072) | (77,252,743) |
| Total | (163,298,768) | (163,820,825) | (241,903,262) | (254,198,656) | (405,133,411) | (428,713,626) | (506,798,309) | (539,754,019) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis—continued

Group—continued

| | As at December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Held-to-maturity investments | — | 9,730,464 | — | 9,730,464 |
| Financial assets classified as receivables | — | — | 79,328,919 | 79,328,919 |
| Loans and advances to customers | — | — | 38,072,161 | 38,072,161 |
| Total | — | 9,730,464 | 117,401,080 | 127,131,544 |
| Financial liabilities | | | | |
| Borrowings | — | — | (90,208,431) | (90,208,431) |
| Due to customers | — | — | (70,125,394) | (70,125,394) |
| Bonds and notes issued | — | (3,487,000) | — | (3,487,000) |
| Total | — | (3,487,000) | (160,333,825) | (163,820,825) |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total. |
| Financial assets | | | | |
| Held-to-maturity investments | — | 12,029,344 | — | 12,029,344 |
| Financial assets classified as receivables | — | — | 129,456,756 | 129,456,756 |
| Loans and advances to customers | — | — | 48,859,226 | 48,859,226 |
| Total | — | 12,029,344 | 178,315,982 | 190,345,326 |
| Financial liabilities | | | | |
| Borrowings | — | — | (148,608,647) | (148,608,647) |
| Due to customers | — | — | (88,002,866) | (88,002,866) |
| Bonds and notes issued | — | (17,587,143) | — | (17,587,143) |
| Total | — | (17,587,143) | (236,611,513) | (254,198,656) |

| | As at December 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Held-to-maturity investments | — | 18,965,760 | — | 18,965,760 |
| Financial assets classified as receivables | — | — | 237,609,010 | 237,609,010 |
| Loans and advances to customers | — | — | 64,600,859 | 64,600,859 |
| Total | — | 18,965,760 | 302,209,869 | 321,175,629 |
| Financial liabilities | | | | |
| Borrowings | — | — | (262,841,214) | (262,841,214) |
| Due to customers | — | — | (117,408,487) | (117,408,487) |
| Bonds and notes issued | — | (48,463,925) | — | (48,463,925) |
| Total | — | (48,463,925) | (380,249,701) | (428,713,626) |

| | As at June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Held-to-maturity investments | — | 22,649,928 | — | 22,649,928 |
| Financial assets classified as receivables | — | — | 315,752,272 | 315,752,272 |
| Loans and advances to customers | — | — | 79,034,798 | 79,034,798 |
| Total | — | 22,649,928 | 394,787,070 | 417,436,998 |
| Financial liabilities | | | | |
| Borrowings | — | — | (325,618,196) | (325,618,196) |
| Due to customers | — | — | (136,883,080) | (136,883,080) |
| Bonds and notes issued | — | (77,252,743) | — | (77,252,743) |
| Total | — | (77,252,743) | (462,501,276) | (539,754,019) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis—continued

Company

| | As at December 31, | | | | | | As at June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | | | | |
| Financial assets classified as receivables | 58,397,745 | 62,804,995 | 91,775,451 | 96,912,214 | 166,713,736 | 176,706,997 | 210,121,146 | 227,348,423 |
| Total | 58,397,745 | 62,804,995 | 91,775,451 | 96,912,214 | 166,713,736 | 176,706,997 | 210,121,146 | 227,348,423 |
| Financial liabilities | | | | | | | | |
| Borrowings | (57,728,000) | (58,149,526) | (87,880,000) | (100,316,725) | (171,890,000) | (194,846,014) | (211,210,000) | (242,764,235) |
| Bonds and notes issued | — | — | (12,000,000) | (11,736,432) | (31,882,703) | (32,312,360) | (31,891,602) | (32,732,398) |
| Total | (57,728,000) | (58,149,526) | (99,880,000) | (112,053,157) | (203,772,703) | (227,158,374) | (243,101,602) | (275,496,633) |

| | As at December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets classified as receivables | — | — | 62,804,995 | 62,804,995 |
| Total | — | — | 62,804,995 | 62,804,995 |
| Financial liabilities | | | | |
| Borrowings | — | — | (58,149,526) | (58,149,526) |
| Total | — | — | (58,149,526) | (58,149,526) |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets classified as receivables | — | — | 96,912,214 | 96,912,214 |
| Total | — | — | 96,912,214 | 96,912,214 |
| Financial liabilities | | | | |
| Borrowings | — | — | (100,316,725) | (100,316,725) |
| Bonds and notes issued | — | (11,736,432) | — | (11,736,432) |
| Total | — | (11,736,432) | (100,316,725) | (112,053,157) |

| | As at December 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets classified as receivables | — | — | 176,706,997 | 176,706,997 |
| Total | — | — | 176,706,997 | 176,706,997 |
| Financial liabilities | | | | |
| Borrowings | — | — | (194,846,014) | (194,846,014) |
| Bonds and notes issued | — | (32,312,360) | — | (32,312,360) |
| Total | — | (32,312,360) | (194,846,014) | (227,158,374) |

**A. FINANCIAL INFORMATION**
**NOTES TO THE FINANCIAL INFORMATION (continued)**
**(Amounts in thousands of RMB, unless otherwise stated)**

## VI. EXPLANATORY NOTES—continued

61. Fair value of financial instruments—continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis—continued

Company—continued

| | As at June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets classified as receivables | — | — | 227,348,423 | 227,348,423 |
| Total | — | — | 227,348,423 | 227,348,423 |
| Financial liabilities | | | | |
| Borrowings | — | — | (242,764,235) | (242,764,235) |
| Bonds and notes issued | — | (32,732,398) | — | (32,732,398) |
| Total | — | (32,732,398) | (242,764,235) | (275,496,633) |

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

**B. EVENTS AFTER THE REPORTING PERIOD**

Pursuant to the resolution of the 2014 Annual General Meeting on July 6, 2015, the shareholders approved the proposal on cash dividend distribution of RMB1,892.96 million for the year of 2014, after deducting the required appropriation for statutory surplus reserve and general reserve on the net profit of the Company for the year of 2014 as determined under the PRC GAAP.

On July 28, 2015, the Company issued financial bonds of RMB35.00 billion in the inter-bank bond market in the Mainland China, which comprised of RMB17.50 billion of three-year fixed rate bond at a coupon rate of 4.01% per annum and RMB17.50 billion of five-year fixed rate bond at a coupon rate of 4.21% per annum.

On August 31, 2015, the Group through its wholly-owned subsidiary Camellia Pacific Investment Holding Limited completed the 1,702,435,038 share subscription of Simsen International Corporation Limited, which accounts for 51.93% shareholding immediately after the completion of the share subscription, at a consideration of HKD468 million.

In July 2015, Huarong Securities Co., Ltd., a subsidiary of the Company issued 85-day fixed rate financial bonds with a principal of RMB1,000.00 million at a coupon rate of 3.1% per annum, payable on maturity date.

In August 2015, Huarong Securities Co., Ltd., a subsidiary of the Company issued 181-day fixed rate beneficiary certification with a principal of RMB62.55 million at a coupon rate of 3.8% per annum, payable on maturity date.

On August 4, 2015, Huarong Financial Leasing Co., Ltd., a subsidiary of the Company obtained CBRC approval for the proposed issue of financial bond in an aggregate principal amount of up to RMB4,000.00 million in the interbank bond market in China.

In September 2015, Huarong Rongde Asset Management Co., Ltd., a subsidiary of the Company issued three-year corporate bonds of RMB3,000.00 million at a coupon rate of 4.95% per annum, payable annually.

## C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
*Hong Kong*

## (A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity holders of the Company as if the Global Offering had taken place on June 30, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the Group's financial position as at June 30, 2015 or any future date following the Global Offering.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2015 derived from the consolidated statement of financial position as at June 30, 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

| | Consolidated net tangible assets of the Group attributable to equity holders of the Company at June 30, 2015(1) | Estimated net proceeds from the Global Offering(2) | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per share(3)&(4) | |
|---|---|---|---|---|---|
| | | (in millions of RMB) | | RMB | HKD |
| Based on the Offer Price of HK$3.03 per Offer Share .... | 81,184.7 | 13,871.3 | 95,056.0 | 2.47 | 3.01 |
| Based on the Offer Price of HK$3.39 per Offer Share .... | 81,184.7 | 15,533.5 | 96,718.2 | 2.51 | 3.06 |

(1) The consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2015 is derived from the Accountants' Report set out in Appendix I to the prospectus, which is based on the consolidated net assets of the Group attributable to equity holders of the Company as at June 30, 2015 of approximately RMB81,316.0 million with an adjustment for goodwill and other intangible assets in an aggregate amount of approximately RMB131.3 million as at June 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.03 per Offer Share (being the minimum Offer Price) and HK$3.39 per Offer Share (being the maximum Offer Price) and the assumption that there are 5,769,880,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per share is calculated after the adjustments referred to in note (2) above and on the basis that 38,465,750,462 shares are issued following the completion of the Global Offering on June 30, 2015 and assuming that the Over-allotment Option for the Global Offering is not exercised.

(4) The translation between Renminbi and Hong Kong dollars has been made at the rate of RMB0.82081 to HK$1.00, the exchange rate set by the PBOC prevailing at September 30, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate, or at any other rate or at all.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company to reflect any trading results or other transactions entered into by us subsequent to June 30, 2015. In particular, the unaudited pro forma adjusted consolidated net tangible assets in the table above have not been adjusted to show the effect of the Special Dividend. Pursuant to the resolution of the extraordinary general meeting of the Company held on June 14, 2015, the shareholders approved the resolution of the Special Dividend. For further details relating to the Special Dividend, please refer to the section entitled "Summary—Recent Development". The Company preliminarily estimated that the Special Dividend would amount to approximately RMB1,245.0 million, which would be further adjusted based on the results of the audited financial statements for the period ended on the Special Dividend Date. If the aforementioned Special Dividend were taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per share would be reduced to RMB2.44 (equivalent to HK$2.97), based on an Offer Price of HK$3.03 per Offer Share, and RMB2.48 (equivalent to HK$3.02), based on an Offer Price of HK$3.39 per Offer Share.

## (B) REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.*

**Deloitte.**
**德勤**

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

**TO THE DIRECTORS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets as at June 30, 2015 and related notes as set out on page II-1 of Appendix II to the prospectus issued by the Company dated October 16, 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page II-1 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering on the Group's financial position as at June 30, 2015 as if the event or transaction had taken place at June 30, 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

### Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

**Opinion**

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,
October 16, 2015

Jones Lang LaSalle 仲量聯行
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

October 16, 2015

The Board of Directors
**China Huarong Asset Management Co., Ltd.**
Tower A, No. 8, Financial Street
Xicheng District, Beijing

**CALCULATION REPORT CONSIDERING THE CALCULATED VALUE OF TOP 34 UNLISTED DEBT-TO-EQUITY SWAP(S) COMPANIES WITH CALCULATION BASIS**

Dear Sirs,

In accordance with the instructions received from China Huarong Asset Management Co., Ltd. ("Huarong" or the "Company"), we have undertaken a calculation engagement which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to estimate the calculated value of the top 34 unlisted Debt-to-equity Swap(s) companies with calculation basis (the "Unlisted Equity Interests") belonging to the Company as at June 30, 2015 (the "Reference Date"). The report which follows is dated October 16, 2015 (the "Report Date"). The Unlisted Equity Interests comprise a list of 34 companies selected by the Company which have a total carrying amount representing 70.6% of total unlisted equity interests acquired by the Company through debt-to-equity swaps.

The Company intends to list its shares in the Hong Kong Exchanges and Clearing Limited (the "HKEX") and offer the shares for public subscription (the "Proposed Transaction"). The purpose of this calculation engagement is to assist the Company with regards to compliance of the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules") issued by HKEX and voluntary disclosure obligations that are appropriate in relation to the Proposed Transaction.

The Company may, with our prior written consent, disclose this letter in any prospectus and to the HKEX in accordance with the requirements of the Listing Rules.

This calculation engagement was carried out in accordance with the requirements of Statement on Standards for Valuation Services No. 1 ("SSVS No. 1") issued by the Consulting Services Executive Committee of the American Institute of Certified Public Accountants (the "AICPA"). According to SSVS No. 1, a calculation engagement is defined as "An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range."

Calculated value is defined by SSVS No. 1 as "an estimate as to the value of a business, business ownership, security, or intangible assets, arrived at by applying calculation engagement procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures".

Based on our discussion with the management of the Company, we understand that the Company possesses only non-controlling interests in the Unlisted Equity Interests and is not involved in the management and daily operation; and as such the Company does not have access to all the necessary information required as in a valuation engagement, particularly those in which the income approach will be considered. Therefore, we and the Company reach a consensus that the guideline public company method under the market approach will be adopted in this calculation engagement.

As part of our analysis, we have used the information which is prepared and reviewed by the Company regarding the Unlisted Equity Interests and have relied to a considerable extent on such information in arriving at the calculated value. The calculation is based on accepted calculation procedures that rely substantially on the use of numerous assumptions, the background information and relevant data provided by the management of the Company and the consideration of various factors that are relevant to the operation of the Unlisted Equity Interests. We have also considered various risks and uncertainties that have potential impact on the Unlisted Equity Interests.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuation analysts. Our conclusions assume continuation of prudent management of the Unlisted Equity Interests over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

**INTRODUCTION**

This report has been prepared in accordance with the instructions received from China Huarong Asset Management Co., Ltd. ("Huarong" or the "Company"), we have undertaken a calculation engagement which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to estimate the calculated value of the top 34 unlisted Debt-to-equity Swap(s) companies with calculation basis (the "Unlisted Equity Interests") belonging to the Company as at June 30, 2015 (the "Reference Date"). The report which follows is dated October 16, 2015 (the "Report Date"). The Unlisted Equity Interests comprise a list of 34 companies selected by the Company which have a total carrying amount representing 70.6% of total unlisted equity interests acquired by the Company through debt-to-equity swaps.

**PURPOSE OF VALUATION**

The Company intends to list its shares in the Hong Kong Exchanges and Clearing Limited (the "HKEX") and offer the shares for public subscription (the "Proposed Transaction"). The purpose of this calculation engagement is to assist the Company with regards to compliance of the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules") issued by HKEX and voluntary disclosure obligations that are appropriate in relation to the Proposed Transaction.

The Company may, with our prior written consent, disclose this letter in any prospectus and to the HKEX in accordance with the requirements of the Listing Rules.

**BASIS OF OPINION**

This calculation engagement was carried out in accordance with the requirements of Statement on Standards for Valuation Services No. 1 ("SSVS No. 1") issued by the Consulting Services Executive Committee of the American Institute of Certified Public Accountants (the "AICPA"). According to SSVS No. 1, a calculation engagement is defined as "An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range."

The following factors form an integral part of this calculation engagement:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Unlisted Equity Interests;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Assessment of the leverage and liquidity of the subject asset.

**BASIS OF VALUE**

Calculated value is defined by SSVS No. 1 as "an estimate as to the value of a business, business ownership, security, or intangible assets, arrived at by applying calculation engagement procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures".

## BACKGROUND

The Unlisted Equity Interests comprise a list of 34 companies selected by the Company which have a total carrying amount representing 70.6% of total unlisted equity interests acquired by the Company through debt-to-equity swaps. The details of selected unlisted equity interests are as following:

| No. | Company | Holding | Industry |
|---|---|---|---|
| 1 | YiMa Coal Group Co., Ltd. | 6.19% | Energy |
| 2 | Chongqing Nantong Mining Co., Ltd. | 4.97% | Energy |
| 3 | Guizhou Shuicheng Coal Mining (Group) Co., Ltd. | 1.69% | Energy |
| 4 | Jizhong Energy Fengfeng Group Co., Ltd. | 5.32% | Energy |
| 5 | Fushun Mining Group Industry and Trade Co., Ltd. | 9.50% | Energy |
| 6 | Harbin Turbine Company Ltd. | 26.96% | Industrials |
| 7 | Beijing Beizhong Steam Turbine Generator Co., Ltd. | 69.35% | Industrials |
| 8 | Taiyuan Heavy Machinery (Group) Manufacture Co., Ltd. | 29.06% | Industrials |
| 9 | Beijing Huade Hydraulic Industrial Group Co., Ltd. | 68.42% | Industrials |
| 10 | Northern Heavy Industries Group Co., Ltd. | 10.14% | Industrials |
| 11 | Beijing Sevenstar Huadian Science & Technology Group Co., Ltd. | 45.24% | Information Technology |
| 12 | Beijing BDK Electronics Co., Ltd. | 56.90% | Information Technology |
| 13 | Beijing Peony Electronic Group Co., Ltd. | 88.61% | Information Technology |
| 14 | Panda Electronics Group Co., Ltd. | 36.84% | Information Technology |
| 15 | Southwest Aluminum (Group) Co., Ltd. | 50.46% | Materials |
| 16 | Fujian Nanping Aluminum Co., Ltd. | 33.35% | Materials |
| 17 | Baotou Iron & Steel (Group) Co., Ltd. | 16.98% | Materials |
| 18 | Xining Special Steel (Group) Co., Ltd. | 14.55% | Materials |
| 19 | Shougang Shuicheng Iron & Steel (Group) Co., Ltd. | 16.23% | Materials |
| 20 | Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. | 7.95% | Materials |
| 21 | Wuyang Iron & Steel Co., Ltd. | 8.31% | Materials |
| 22 | Xinyu Iron & Steel Group Co., Ltd. | 23.69% | Materials |
| 23 | Dahua Group Co., Ltd. | 18.00% | Materials |
| 24 | Daye Nonferrous Metals Co., Ltd. | 4.65% | Materials |
| 25 | Guizhou Kailin Group Co., Ltd. | 2.67% | Materials |
| 26 | Zunyi Titanium Co., Ltd. | 24.46% | Materials |
| 27 | Guangxi China Tin Group Co., Ltd. | 13.24% | Materials |
| 28 | Yunnan Tin Group Co., Ltd. | 14.33% | Materials |
| 29 | Nanjing Yuejin Automobile Co., Ltd. | 10.04% | Others-Automobile Manufacturers |
| 30 | China Hualu Group Co., Ltd. | 19.49% | Others-Consumer Electronics |
| 31 | Beijing Light Industry Xuehua Electronic Co., Ltd. | 38.50% | Others-Household Appliances |
| 32 | Shangtex Holding Co., Ltd. | 7.24% | Others-Textiles |
| 33 | Tiger Forest & Paper Group Co., Ltd | 5.64% | Other-Paper Products |
| 34 | Tsusugi Ka (Tianjin) Industrial Investment Fund Partnership (LLP) | 44.49% | Others-Asset Management & Custody Banks |

## ECONOMIC OVERVIEW

Since initiating market reforms in 1978, China has transformed from a centrally planned to a market based economy and experienced rapid economic development. In the past few years, China's nominal GDP has increased from RMB 31,405 billion in 2008 to RMB 63,646 billion in 2014 representing a CAGR of approximately 12.4%. Over the same period, China's nominal GDP per capita increased at a CAGR of 12.4% from RMB 23,708 in 2008 to RMB46,531 in 2014, demonstrating a significant increase in the purchasing power of the PRC population. The table below sets out selected economic statistics of China for the periods indicated.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2008-2014 CAGR |
|---|---|---|---|---|---|---|---|---|
| Population (million) | 1,328 | 1,335 | 1,341 | 1,347 | 1,354 | 1,360 | 1,367 | 0.50% |
| Nominal GDP (RMB billion) | 31,405 | 34,090 | 40,151 | 47,310 | 51,947 | 56,885 | 63,646 | 12.40% |
| Real GDP growth (%) | 9.60% | 9.20% | 10.40% | 9.30% | 7.80% | 7.70% | 7.40% | N/A |
| GDP per Capita (RMB) | 23,708 | 25,608 | 30,015 | 35,198 | 38,420 | 41,805 | 46,531 | 11.90% |
| Fixed Asset Investment (RMB billion) | 17,283 | 22,460 | 25,168 | 31,149 | 37,469 | 44,461 | 51,276 | 19.90% |

### Income and Expenditure

The rapid economic development in China which as evidenced by strong increase in nominal GDP and nominal GDP per capita has resulted in stellar growth in per capita disposable income of urban residents, rising from RMB15,781 in 2008 to RMB28,844 in 2014 at a CAGR of 10.6%, Disposable income has a direct impact on domestic consumption. The per capita consumption expenditure of urban household increased to RMB19,968 in 2014 compared to RMB11,243 in 2008. And the China's retail sales of consumer goods also achieved an increase of 10.0% CAGR over the same period.

The table below sets out the per capita disposable income and consumption expenditure levels of urban households and total retail sales of consumer goods for the periods indicated.

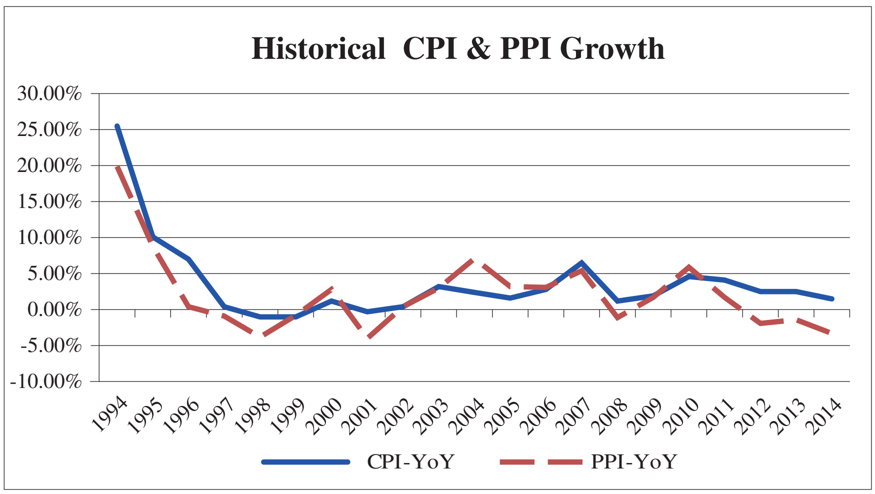
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2008-2014 CAGR |
|---|---|---|---|---|---|---|---|---|
| Per Capita Disposable Income of Urban Households (RMB) | 15,781 | 17,175 | 19,109 | 21,810 | 24,565 | 26,955 | 28,844 | 10.60% |
| Per Capita Consumption Expenditure of Urban Households (RMB) | 11,243 | 12,265 | 13,471 | 15,161 | 16,674 | 18,023 | 19,968 | 10.00% |
| Total Retail Sales of Consumer Goods (RMB billion) | 11,483 | 13,268 | 15,700 | 18,392 | 21,031 | 23,781 | 26,239 | 14.80% |

### Inflation and Interest rate

Since 1996, both the consumer price index (CPI) growth and the producer price index (PPI) growth of China had been fallen quickly from a double-digit growth to negative growth in 1998 and 1999 and became more stable in recent years. The China CPI growth is expected to fall between 1.50% and 2.50% in the next 3 years and the China PPI growth is expected to fall between -3.5% and 0.10% in the next 3 years.

Below is the historical CPI and PPI growth rate over the past 20 years.

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|
| CPI growth | 25.50% | 10.10% | 7.00% | 0.40% | -1.00% | -1.00% | 1.20% |
| PPI growth | 19.90% | 8.80% | 0.40% | -0.90% | -3.80% | -0.80% | 2.80% |
| | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** |
| CPI growth | -0.30% | -0.40% | 3.20% | 2.40% | 1.60% | 2.80% | 6.50% |
| PPI growth | -4.00% | 0.40% | 3.00% | 7.10% | 3.20% | 3.10% | 5.40% |
| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** |
| CPI growth | 1.20% | 1.90% | 4.60% | 4.10% | 2.50% | 2.50% | 1.50% |
| PPI growth | -1.10% | 1.70% | 5.90% | 1.70% | -1.90% | -1.40% | -3.30% |

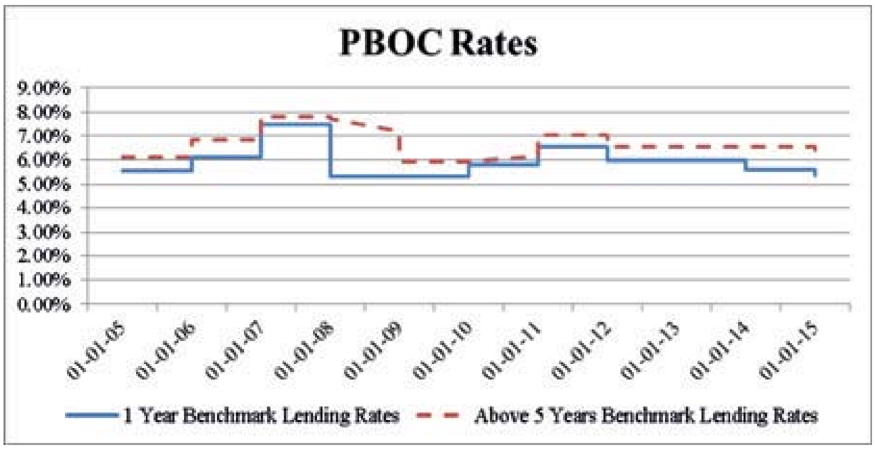



In the past 10 years the China' interest rate has been managed in between 5% to 8% with a significant decrease from about 8% from 2008 to 5-6% recently. In view of the weaker economic data, it is expected that there may be a further cut on the interest in 2015.

Below are the historical PBOC rates (as of March) in the past 10 years.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| 1-year rate | 5.58% | 5.58% | 6.39% | 7.47% | 5.31% | 5.31% |
| Above 5-year rate | 6.12% | 6.12% | 6.84% | 7.83% | 5.94% | 5.94% |

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| 1-year rate | 6.06% | 6.56% | 6.00% | 6.00% | 5.35% |
| Above 5-year rate | 6.40% | 7.05% | 6.55% | 6.55% | 6.15% |




**Economic Outlook**

The gross domestic product (GDP) of China in the first quarter of 2015 was RMB 14,066 billion, a year-on-year increase of 7.0%. The investment in fixed assets was RMB 7,751 billion, a year-on-year growth of 13.5%. The total retail sales of consumer goods reached RMB 7,072 billion, an increase of 10.6%. The government's forecast GDP of the year 2015 is at 7%. China's Development Research Center of the State Council (DRC) forecasts that the China's annual economic growth from 2016 to 2020 is 7%. The investment and consumption over GDP ratio will be 38% and 60%. By 2020, the China's nominal GDP will be about RMB 132 trillion.

**INDUSTRY OVERVIEW**

The industry discussion below was extracted from industry research reports published by ACMR-IBISWorld ("IBISWorld") in 2014 and 2015.

**Energy**

*Coal Mining Industry*

Revenues for China's coal mining industry increased 6.5% to $521.4 billion in 2014. The industry has seen steady growth except in 2013, where it saw a 6.3% decline due to a decrease in coal prices and competition from lower-priced imports. As domestic demand for coal has increased significantly, coal imports have also risen substantially to meet the demand. Imports have increased by 19.6% annually since 2009. The raw coal production in China increased from 2.96 billion tons in 2009 to 3.7 billion tons in 2014. This growth is expected to slow down in the coming years due to the environmental policies enforced by the Chinese government. IBISWorld forecasts that industry revenues will grow at 5.9% per year for the next 4 years.

It is the Government's policy to consolidate the industry. With the implementation of the Coal and Coke Industries Policy introduced by the National Development and Reform Commission, the government begun to promote small and medium scale coal and coke manufacturers to exit the market through offering compensation in order to achieve the goal of industry restructuring to better monitor output and performance. As a result, many mergers and acquisitions have been taken place in the industry. The government has also shutdown many substandard coal mines and promotes plans to build large-scale coal and coke production. IBISWorld expects that the number of firms in the market will decline by 1.8% annually. Industry concentration is expected to increase as large-scale enterprises expand, allowing optimization of resources and production costs reduction. Currently the four largest firms account for 22.9% of the total industry revenue. The industry consists of many small firms, of which only 20% have annual revenues exceeding $10.0 million. Entry barriers of the industry are relatively high as issuance of mining rights is controlled by the state. Any new entrants must obtain the mining right in addition to six other licenses.

Coal accounts for approximately 70% of the energy consumption in China and subsequently coal prices have increased in recent years and expected to remain quite high in the future. Besides the thermal power generation industry, the iron and steel industries and the building and chemical industries account for over 40% of coal consumption. As there is no substitute for coal in these industries, the demand is not compromised. With the rising domestic prices of coal and appreciation of the Chinese Yuan, imports from Australia and Indonesia are expected to increase an annualized rate of 8.1% in the next five years.

China's main coal supply is situated in Shanxi, Inner Mongolia, Anhui, Shandong and Henan. The highest coal reserves are situated in the northern and western parts of China, however these provinces transportation infrastructure are not as well developed as in the eastern provinces. It is expected that there will be a focus on developing these mines in the near future due to the rising demand.

*Coal Product Manufacturing*

The Coal Product Manufacturing in China has experienced rapid growth in the past five years. Since 2010, the industry has been growing at an annualized rate of 32.8% to an estimated $4.4 billion in 2014. However, coal products are highly polluting, and as China's economy grows, so too does its focus on protecting the environment. Therefore, future domestic economic growth will lead to a slowdown in demand growth for products from this industry. IBISWorld forecasts that in the five years through 2019, the Coal Product Manufacturing industry will grow at the much slower and still yet high rate of 10.5% per year to $7.3 billion in 2019.

The concentration of the Coal Product Manufacturing industry is quite low, with the top four companies only accounting for 6.3% of total industry revenue in 2014. The number of industry enterprises has been increasing 6.8% annually from 137 in 2010 to an estimated 178 in 2014. Rapid industry development has been attracting new enterprises.

However, many of the companies already in this industry are small-scale and extensive restructuring over the past few years has led to some mergers and acquisitions. This trend has lowered the growth rate of enterprises over the period. This consolidation is expected to be a positive change as the more concentrated industry will be able to better optimize resources for distribution and waste reduction.

The three major types of products are Coal bricks, Honeycomb briquettes and Coal balls, with coal bricks account for 70.0% of total industry revenue in 2014. The major markets of this industry are thermal power generators, heating power producers and households. Thermal power generation plants are the largest market for the Coal Product Manufacturing industry in China, accounting for an estimated 44.1% of total industry revenue. Enterprises in the heating power production industry are the second largest market for the Coal Product Manufacturing industry, accounting for 23.5% of revenue in 2014.

The Coal Product Manufacturing industry is concentrated in Liaoning, Shandong, Zhejiang and Hunan, where there are rich coal reserves. These provinces are estimated to account for 48.5% of total industry revenue in 2014. There are large untapped coal reserves in the northern and western parts of China; however, the transportation infrastructure in these areas is under development. As demand for coal products increases, the development of coal mines in North and West China is expected to accelerate. Many industry enterprises are beginning to set up establishments in the western region, especially in Tibet. Therefore, the market share of West China is expected to increase slowly in the future.

**Industrials**

*Electrical Equipment and Machinery Manufacturing industry*

The Electrical Equipment and Machinery Manufacturing industry in China produces many intermediate electrical items that are used by a wide range of downstream industries. In 2014, industry revenue is expected to grow 7.9%. In the next five years, industry revenue is forecasted to increase at an annualized rate of 7.3% to reach $10.6 billion in 2019.

The concentration level of the Electrical Equipment and Machinery Manufacturing Industry is low. The top four manufacturers are forecast to account for 12.7% of industry revenue in 2014. The combined market share of the top four companies has been on a decreasing trend since 2007 due to intensified competition among the industry's firms. The industry's concentration level is expected to decrease slightly in the next two to three years. As the industry is still in the growth phase of its life cycle, it is expected that there will many new entrants to the industry that will capture market share.

Competing imports account for a significant proportion of domestic demand. In 2014, imports accounted for an estimated 46.5% of domestic demand. Competing imports are also forecast to increase steadily by 7.5% annually, as Chinese firms continue to import high-end electrical equipment and machinery manufacturing equipment. Demand for imported products is expected to remain relatively stable in competing imports as a proportion of domestic demand at around 46.5% to 46.8%.

Due to the industrial and commercial nature of the industry's products, most are sold directly to manufacturers in downstream industries. This segment accounted for about 46.3% of industry revenue during 2014. As this industry produces equipment for the manufacturing electrical equipment and machinery, strong demand from downstream industries will increase the purchases of manufacturing equipment. According to the China Electricity Council, total investment in China's power sector will be $815.0 billion between 2011 and 2015, representing a 68.0% increase over that in the past five years (2006 to 2010). This will generate large demand for power generation equipment and power grid facilities and promote demand for the relevant electrical equipment and machinery manufactured in this industry.

**Materials**

*Aluminum Industry*

The aluminum industry in China has grown significantly since 2010, with annual revenues increasing at an annualized rate of 17.8% from $2.56 billion to $4.23 billion in 2014. As China has relatively limited bauxite ore reserves and its domestic bauxite resources have a low-content ratio, China imports a large amount of bauxite from Indonesia and Australia. Approximately 50.5% of domestic demand is satisfied by import, with total imports reaching $4.3 billion. Imports have increased 51.9% and 41.2% in 2013 and 2014 respectively and are expected to increase at an annualized rate of 25% in the next five years due to the scarcity of bauxite in China and rising domestic demand. Exports are expected to remain at zero in the future, especially since a 15.0% tax has been introduced on bauxite exports.

The aluminum industry has been quite volatile in recent years, with industry trends following the real estate and automobile manufacturing sectors. With the recent slowdown of China's property market, the aluminum industry is also anticipated to stabilize and grow at a slower rate. IBISWorld forecasts that the industry revenue will still increase at an annualized rate of 9.0% for the next five years which is in line with the overall medium term growth of the economy.

Bauxite mining in China is highly concentrated within 4 provinces in China; Henan, Sichuan, Shanxi and Guizhou, which accounted for over 99.5% of total industry revenue in 2014. The three largest firms in the aluminum ore mining industry comprise of 62.5% of the total industry revenue. With the implementation of the Energy Conservation and Emissions Reduction strategy in 2008, the industry has been consolidating with many small, less efficient mining merged with larger firms.

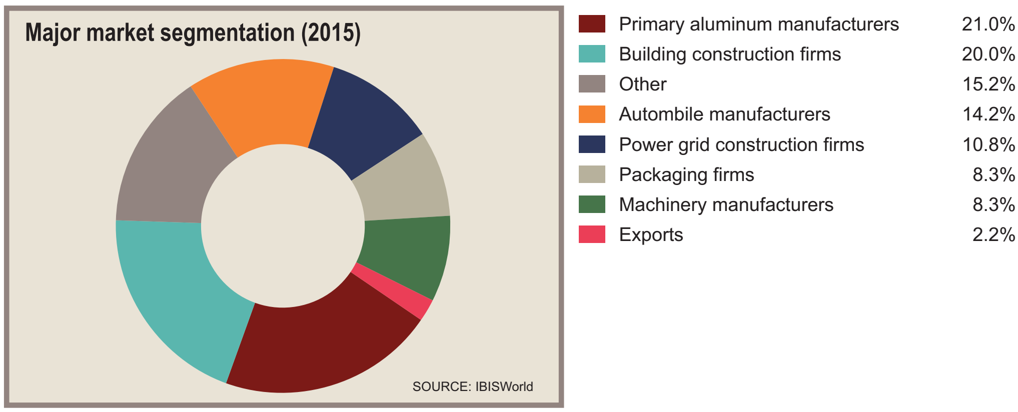
*Aluminum Smelting Industry*

With increasing downstream demand for aluminum products over the past three decades, aluminum-related industries developed rapidly, expanding output capacity as product prices appreciate. Alumina output, the major material for primary aluminum, has increased from 3.3 million tons in 1998 to an estimated 46.8 million tons in 2014 due to major players expanding output capacity and an increasing number of new entrants in the industry. Primary aluminum output, the basic material for various aluminum products, is expected to increase from 2.6 million tons in 1999 to 23.7 million tons in 2014. As a result, revenue for the Aluminum Smelting industry in China has been growing at an average annualized rate of 11.4% between 2009 and 2014 to $77.4 billion.

As a high-energy consuming industry, the Aluminum Smelting industry has faced increasing power prices, macroeconomic regulatory measures and raw material costs. However, the industry is employing more advanced technology and production equipment to improve productivity and efficiency. Accordingly, IBISWorld expects the industry's revenue, between 2014 and 2019, to grow at an annualized rate of 7% to $108.6 billion.

As domestic demand for alumina increases due to rising primary aluminum output, major industry players have been increasing their investment in the major provinces with rich bauxite reserves, leading to a high concentration level for alumina capacity. Over the next two years, with the completion of several large alumina projects in Guangxi, Guizhou and Yunnan, the industry concentration level for alumina capacity is expected to increase further.

Demand for aluminum products mainly comes from the construction, transportation, electricity and machinery manufacturing industries, which are estimated to account for 60% of industry revenue. As a result, demand for aluminum products from downstream industries has a great effect on the industry.

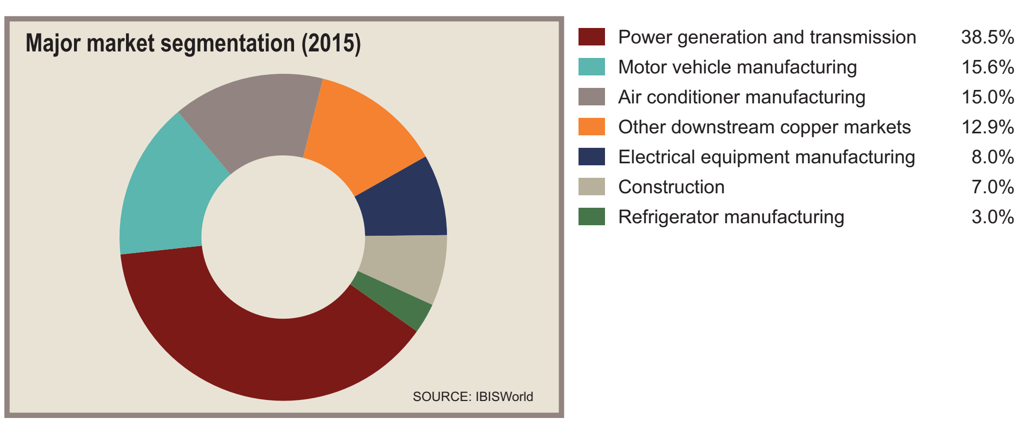



*Copper Ore Mining*

In the five years through 2014, revenue for the Copper Ore Mining industry in China has been growing 26.1% annually on average to reach $16.5 billion.

The top four players are expected to jointly account for less than 31.0% of industry revenue in 2014, indicating that this industry is subject to a low level of industry concentration. Due to the fragmented distribution of mineral resources in China, it is difficult for companies to enlarge their market shares significantly. However, the higher mineral resource tax implemented in 2007 is forcing many small players to exit this industry or be acquired by larger companies in future years. This is expected to contribute to slightly higher industry concentration levels in the future.

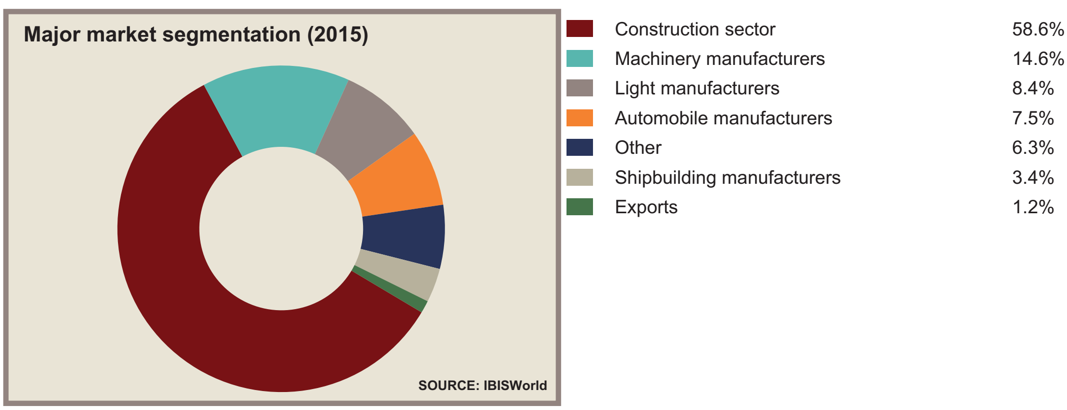
The dominant downstream market for this industry is the Copper Smelting industry, which is correlated to general economic condition. For the final consumer market, the market share is as follows:




The industry is now facing two main threats: First, sales of recycled copper are projected to increase, which will have a minor negative impact on copper ore mining. In addition, stricter environmental regulations will increase operational costs and force some small players out of the industry. However, the outlook of the industry is still bright, because imports as a share of domestic demand are expected to decrease to 49.6% in 2019, and the domestic production is expected to grow steadily.

*Iron Ore Mining*

Despite the recent decline in the price of iron ore, IBISWorld predicts that the iron ore mining industry revenues will continue to grow at an annualized rate of 6.6% for the next five years due to strong domestic demand for iron and steel products. Approximately one third of China's domestic iron ore demand is covered by imports totaling $98.7 billion in 2014. As the Chinese government has removed tariffs on imports, it is forecasted that imports will continue to grow by 3.3% per year for the next five years. There is limited export of iron ore as the Chinese government has discouraged exports due to domestic shortages. The only direct downstream industry for iron ore is the iron and steel smelting industry, and the determinants for that industry include building construction, machinery manufacturing and automobile manufacturing industry amongst others. The construction sector has experienced very high growth in previous years but is expected to slow down, however it is still likely to be the largest consumer of steel.




*Iron and Steel Smelting*

China is the world's largest iron and steel consumer and producer, accounting for 51.2% of world output. Although China is expected to continue rapid urbanization and industrialization, IBISWorld anticipates that the supply surplus is expected to persist which will cause the iron and steel smelting industry's revenue to decline by 3.2% annually in the following years until there is an industry restructuring. Profitability in the iron and steel smelting industry is also expected to decline due to the recent drops in steel prices.

The industry is likely to experience an increase in consolidations. According to IBISWorld, the number of firms in the industry is expected to decrease at an annualized rate of 3.9% in the next five years as per guidelines set out by the government in the New Steel Industry Development Policy to expand the scale of major steel companies and reduce the number of iron and steel smelting companies.

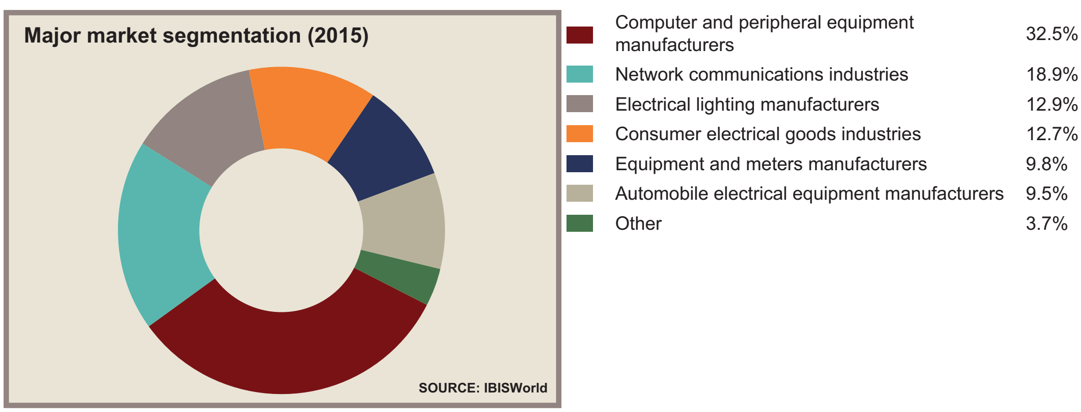
*Steel Rolling*

According to IBISWorld the steel rolling industry is expected to grow at an average rate of 2.2% for the next five years. The large-scale infrastructure construction projects initiated through the government's investment package will help maintain the domestic demand for steel products as exports begin to slow down. Hundreds of small iron and steel plants were constructed in North China to accommodate the large quantities of iron ore in Hebei and coal resources in Shanxi. It is expected that the industry will experience a stage of consolidation with smaller and outdated firms being merged due to the implementation of energy-saving and environmental protection measures by the government.

**Information Technology**

*Semiconductor Industry*

China's semiconductor industry has grown rapidly in the past 5 years, with industry revenues rising 38.74% from $44.09 billion to $61.17 billion. IBISWorld predicts that industry revenues will increase by 5.0% annually to $78.1 billion by 2019. The largest demand by industry revenue for semiconductor devices will remain the computer and peripheral equipment manufacturing industries (32.5%) and the network communications industries (18.9%). Demand from these sectors is expected to increase as demand for products such as memory boards, personal computer modems and loaded computer boards continues to rise. In addition, IBISWorld expects that industries such as lighting, industrial automation, meters, medical electrons, automobile electrons and displays will be expanding thus increasing the need for semiconductors.




The semiconductor industry in China has a relatively low concentration level as there are a number of small and medium manufacturers in the industry. According to IBISWorld, the top four firms in terms of market share in the industry only accounted for a combined 8.3% of 2014 industry revenues. As a result, the price competition within China is very high with an average profit margin of 3%.

China is anticipated to remain as one of the world's largest semiconductor manufacturers as many foreign manufacturers set up factories in China. Exports, which account for 46.8% of industry revenue, have declined since 2012 primarily due to the major expansions and improvements of domestic producers which allowed domestic demand to be met through domestic production. With continuous investment in research and development (R&D), as well as the implementation of automation to many of the manufacturing processes, domestic producers are expected to become more efficient and be able to provide a larger variety of products with improved quality. IBISWorld forecasts that these improvements will help to boost exports by an annualized growth of 1.7% until 2019. Imports have steadily increased in recent years due to the fact that a majority of China's domestic production remains on the low-end of the spectrum. According to Handel Jones of International Business Strategies, Inc, 91% of semiconductors consumed by China were supplied by foreign companies[1]. To remain being competitive, domestic firms have to continue to enhance their R&D capabilities and production capacity.

1 Source: http://usa.chinadaily.com.cn/epaper/201410/07/content_18701860.htm

The largest variable costs within the semiconductor manufacturing industry is raw materials, which includes silicon chips, copper and electrical components. These components accounted for approximately 68.1% of industry revenue in 2014 and are expected to increase over the next few years due to high demand, in particular silicon chips. Industry wages have also been steadily rising, with an annualized growth of 10.7% in the last five years through 2014 to an estimated $1.4 billion. Key trends in the industry for the coming years include automation, development of next-generation products and modularization development. Domestic enterprises have invested heavily on developing advanced digitized processes and have implemented increased automation of production lines, thus increase manufacturing capacity and efficiency levels. This has also helped by reducing the amount of labor, allowing labor costs to remain stable despite the wage increases.

*Electronic Component Manufacturing Industry*

China is the world's largest manufacturer of electronic goods, and as the demand for consumer electronics continues to increase, the electronic components industry in China is expected to grow continuously. Industry revenues grew by 8.6% in 2014 to $186.2 billion, and the average growth in the past five years was 11.1%. IBISWorld expects that industry revenues will continue to increase by 7.6% per year until 2019. The largest demand for electronic components are computer and peripheral equipment manufacturers (40.5%), followed by mobile and network communication equipment manufacturers (25.7%). Both continue to experience high domestic and foreign demand. The development of China's communications technology sector has led to high demand for products such as telegraph transformers, fiber optic connectors and wireless communication terminal equipment. Other industry players such as consumer electronics manufacturers, automobile electrical equipment manufacturer, and electrical lighting manufacturers are also expected to increase their demand for electronic components in the coming years.

China continues to import a large amount of electronic components, with total imports $18.7 billion in 2014. This is largely due to the fact most of the domestic manufacturing was concentrated in the medium to low-end products while demand for high-end products produced by foreign countries with high technology continues to increase. However, imports are expected to grow at a slower rate as foreign companies establish manufacturing facilities in China while domestic firms improve their technological capabilities. As predicted by IBISWorld, exports and imports are expected to grow at an annualized rate of 5.5% and 6.5% respectively.

A number of industry participants are foreign-owned enterprises, which accounted for 49.5% of the industry participants and 69.0% of total industry revenues. Industry concentration is low; with the four largest firms accounting for only 14.6% of total industry revenues. IBISWorld predicts that industry concentration is expected to increase as foreign ventures and private enterprises continue to expand.

Profitability in the electronic component manufacturing industry has been decreasing due to rising raw material prices, increased competition, higher wages and lower prices for low-end products. The prices of raw material such as silicon chips, copper and iron, which account for 65.4% of industry revenues, have increased substantially in the past years due to high demand. As a result, industry profitability has declined from 5.9% of industry revenue in 2006 to 4.0% in 2014. However, IBISWorld anticipates that profitability is likely to rise as more high-end products are manufactured domestically.

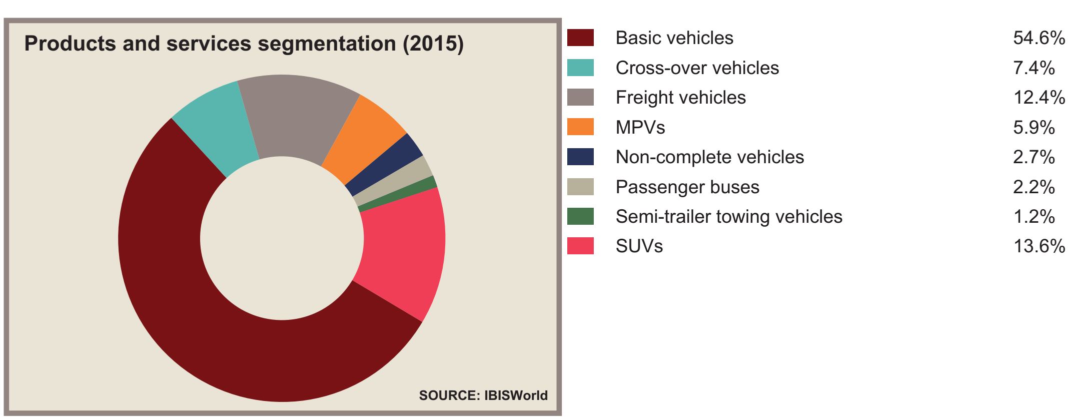
**Others**

*Automobile Manufactures*

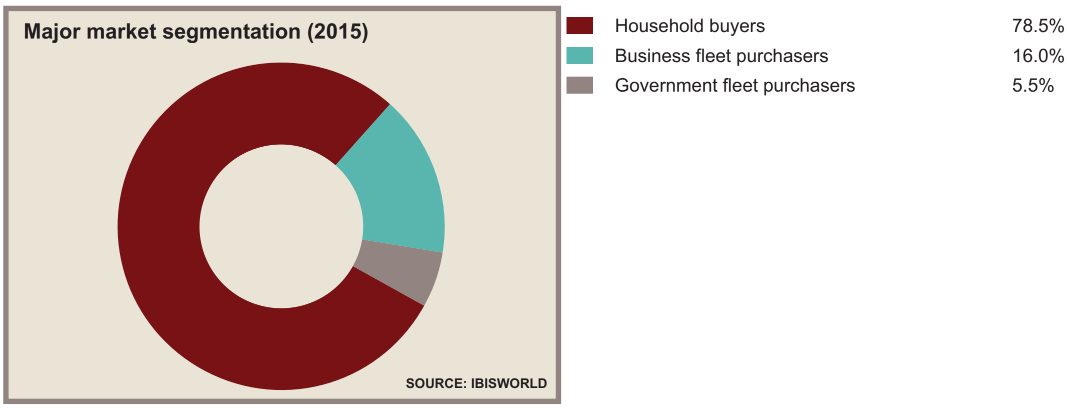
The total revenue of China's Automobile Manufacturing industry increased 11.3% from 2013 to $559.8 billion in 2014. It has been increasing at an annualized rate of 14.2% during the past five years, driven by rising domestic demand across urban and rural areas and increasing exports. With strong support from the Chinese government, this industry is expected to experience steady and substantial growth over the next five years, with annualized revenue increases of 8.8%. IBISWorld predicts that the industry revenue in 2019 will be $852.3 billion. The key drivers for future growth include China's substantial domestic demand, particularly in rural regions, government support, and the development of more foreign markets.

Over the past five years, there has been significant demand for foreign automobiles in China. The import value was approximately $61.0 billion, 10.1% of domestic demand in 2014, with an annualized growth rate of 18.4%. This was mainly due to the rise in households with higher disposable incomes which in turn has led to a greater demand for luxury imported automobiles. Furthermore, import growth has risen as many joint-venture automobile manufacturers established their own marketing companies for imported automobiles in response to the implementation of regulations on automobile sales and dealers. Industry export has also increased 4.8% in 2014, with an annualized rate of 15.2% over the past five years. The main advantage of domestic automobile manufacturers is lower-priced products: the average price for China's exported automobiles is approximately $10,000, while the price for imported automobiles is about $30,000. The number of enterprises operating in the industry decreased from 76 in 2009 to 63 in 2014, while establishment numbers decreased from 363 to 342. This was mainly due to mergers among participating firms in the industry. The profit margin was approximately 10.8% in 2014.

The classification system for automobiles in China was adopted in 2005, with two major categories: passenger vehicles and commercial vehicles. Passenger vehicles are subdivided into four segments: basic-type (or cars), multipurpose vehicles (MPVs), sport utility vehicles (SUVs) and cross-type vehicles. Commercial vehicles include five segments: commercial passenger vehicles, freight vehicles, non-complete commercial passenger vehicles, non-complete freight vehicles and semi-trailer towing vehicles. The basic vehicle dominated the passenger segment with an estimated market share of 54.6% by automobile sales volume. The market share of MPVs and SUVs is relatively small but has grown rapidly in the past five years.



The market demand of the automobile industry is classified into three segments: household buyers, business fleet purchasers and government fleet purchasers. 78.5% of automobiles were purchased by households, and this proportion is expected to continue increasing in near future. The business fleet segment has grown steadily in recent years as the heightened economic activity requires a large number of passenger vehicles and freight vehicles. This segment has a 16.0% share in the industry in terms of the number of purchased automobiles. The market share of government fleet purchasers has gradually declined to about 5.5% of total sales volume, which is mainly due to the increase in the number of household purchasers and government regulations that impose limits on the number of automobiles local governments can purchase.




In the international market, Chinese automobile manufacturers have been developing in Southeast Asia, West Asia, Central Asia, Africa, South America and Europe. The globalization level in the industry is expected to increase in the future, with more Chinese automobile manufacturers being listed on foreign stock exchanges. In December 2005, Dongfeng Motor Corporation listed on the Hong Kong Securities Exchange, which was the largest IPO (initial public offering) in the global automobile industry that year. Also, the listing is regarded as a symbol of Chinese automobile manufacturers embracing international capital markets. Key success factors of China automobile manufacturing industry include optimum capacity utilization, effective cost controls, establishment of export markets, technological advancements and having an extensive distribution and collection network. The industry as a whole is expected to continue to grow steadily in the future.

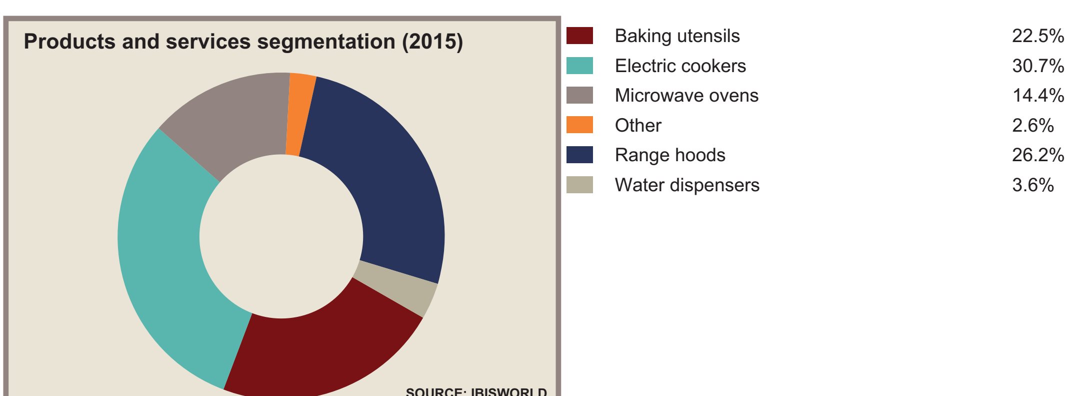
| | Revenue | IVA | Establishments | Enterprises | Employment | Exports | Imports | Wages | Assets | Automobile Output (Ten Thousand Units) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 110,484.5 | 24,869.8 | 257 | 80 | 508,813 | 3,594.3 | 8,456.1 | 2,661.1 | 102,981.5 | 574 |
| 2006 | 148,726.7 | 32,335.5 | 265 | 80 | 573,102 | 5,841.4 | 12,212.9 | 3,631.5 | 127,483.7 | 728 |
| 2007 | 185,828.0 | 43,483.1 | 285 | 80 | 633,163 | 10,513.5 | 16,516.8 | 4,497.9 | 151,735.0 | 888 |
| 2008 | 213,983.9 | 49,136.4 | 372 | 78 | 644,541 | 12,009.8 | 21,450.3 | 5,300.3 | 176,500.8 | 935 |
| 2009 | 288,504.8 | 62,176.1 | 363 | 76 | 771,925 | 7,612.7 | 26,206.8 | 10,914.1 | 229,798.8 | 1,391 |
| 2010 | 372,287.7 | 78,420.3 | 355 | 75 | 858,849 | 8,220.0 | 36,052.1 | 12,157.1 | 285,038.5 | 1,830 |
| 2011 | 412,824.0 | 86,566.7 | 348 | 73 | 994,976 | 11,999.4 | 47,213.0 | 11,967.8 | 321,689.6 | 1,840 |
| 2012 | 422,089.3 | 88,200.8 | 321 | 67 | 1,070,072 | 14,502.8 | 50,309.2 | 14,412.4 | 353,711.3 | 1,927 |
| 2013 | 502,886.1 | 104,801.5 | 332 | 65 | 1,118,626 | 14,728.0 | 56,002.3 | 16,324.0 | 384,716.7 | 2,212 |
| 2014 | 559,797.3 | 116,213.9 | 342 | 63 | 1,164,882 | 15,435.5 | 60,978.8 | 18,092.0 | 418,904.2 | 2,407 |
| 2015 | 621,375.0 | 128,935.3 | 352 | 62 | 1,210,226 | 16,515.9 | 66,771.8 | 19,763.7 | 463,308.0 | — |
| 2016 | 681,026.9 | 141,245.0 | 361 | 61 | 1,256,034 | 17,771.1 | 74,116.7 | 21,443.7 | 501,762.6 | — |
| 2017 | 742,319.4 | 154,105.5 | 370 | 60 | 1,298,934 | 19,210.6 | 83,307.2 | 23,030.5 | 538,893.0 | — |
| 2018 | 796,508.7 | 165,116.3 | 379 | 59 | 1,341,328 | 20,613.0 | 92,554.3 | 24,734.8 | 576,615.5 | — |
| 2019 | 852,264.3 | 176,589.2 | 387 | 58 | 1,384,700 | 22,055.9 | 102,087.4 | 26,466.2 | 614,544.6 | — |

*Household Appliance*

The revenue for the Household Electrical Appliance Manufacturing industry in China was $36.5 billion in 2014, up 8.4% from 2013. The industry has been growing steadily in the past five years, with revenue increasing at an annualized rate of 11.4%. In 2014, industry output was 558.7 million units of household electrical appliances. The industry's performance is closely aligned with that of the real estate sector and product replacement cycles in China. IBISWorld predicts the revenue for the Household Electrical Appliance industry in China will increase at an annualized rate of 7.5% to $52.4 billion in the next five years through 2019. Growth will be pushed by the further development of high-end products in the industry. A large number of household electrical appliances will hit their expiration dates in the next five years, which will raise replacement demand for the industry's products.

The investment in R&D has increased greatly in recent years, especially for microwave ovens and electric cooker manufacturing. With the market becoming more competitive, innovation has become an increasingly important basis of competition. Over the past five years, foreign markets expanded, especially those in Europe and the United States. In 2014, the industry's export increased 8.4% to $1.0 billion, accounting for 2.8% of revenue. IBISWorld expects the exports to increase at an annualized rate of 7.6% in the five-year period to 2019. Competing imports are low in this industry, accounting for 0.1% of domestic demand in 2014, with a value of $39.7 million. IBISWorld predicts imports will increase at an annualized rate of 6.7% in the five years to 2019. However, imported products will continue to account for a small percentage of the domestic market due to the different lifestyles of the Chinese.

The product segments of China's Household Appliance industry can be classified into six different segments including baking utensils, electric cookers, microwave ovens, range hoods, water dispensers and others. Electric cookers are the industry's main product segment, accounting for 30.7% of total industry revenue. Baking utensils accounted for an estimated 21.4% of total industry revenue, with sales volume of approximately 188.6 million. Spurred by the development of ovens and induction cookers, sales of electric baking utensils have been on the rise. With people paying more attention to quality of life, water dispensers are becoming increasingly popular. IBISWorld anticipates that the rapid rise in domestic demand for this segment will lead to many manufacturers entering this market. Other products manufactured by this industry include juicers, soybean machines, bread makers and disinfection cabinets which represent approximately 2.6% of total industry revenue.




The Household Electrical Appliance Manufacturing industry in China has been developing rapidly. With growing domestic demand and rapid technological advancements, competition is becoming fiercer. Over the past five years, revenue has been growing significantly, driven by increasing disposable income and preferential government policies, such as energy-saving and rural resident home appliance subsidies. The industry is expected to maintain strong sustainable growth in the coming years.

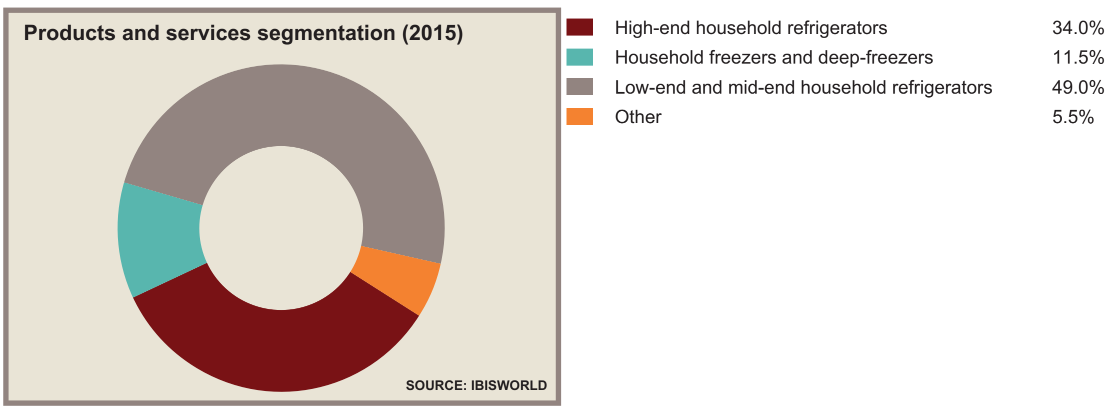
| | Revenue ($m) | IVA ($m) | Establishments | Enterprises | Employment | Exports ($m) | Imports ($m) | Wages ($m) | Assets ($m) | Output (Million Units) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 10,107.5 | 2,646.5 | 539 | 462 | 201,023 | 910.1 | 5.0 | 523.5 | 7,899.6 | 207 |
| 2006 | 12,551.5 | 2,876.2 | 632 | 534 | 230,140 | 1,037.0 | 6.5 | 761.8 | 8,249.0 | 268 |
| 2007 | 15,914.1 | 3,976.6 | 700 | 620 | 251,192 | 698.1 | 5.7 | 945.4 | 10,057.8 | 348 |
| 2008 | 21,167.8 | 4,826.8 | 916 | 814 | 298,992 | 733.0 | 6.4 | 1,605.8 | 12,341.2 | 369 |
| 2009 | 21,240.8 | 4,889.5 | 962 | 840 | 273,761 | 659.6 | 6.2 | 1,602.6 | 13,363.5 | 376 |
| 2010 | 24,969.7 | 5,864.8 | 982 | 842 | 308,563 | 772.5 | 8.1 | 2,121.7 | 15,088.1 | 427 |
| 2011 | 28,086.7 | 6,508.0 | 1,050 | 863 | 310,538 | 844.4 | 11.5 | 2,457.6 | 16,941.4 | 437 |
| 2012 | 29,131.6 | 6,704.9 | 1,093 | 883 | 308,333 | 853.7 | 34.0 | 2,618.6 | 18,525.4 | 460 |
| 2013 | 33,647.0 | 7,671.5 | 1,155 | 932 | 312,958 | 927.9 | 36.8 | 2,957.3 | 19,213.9 | 508 |
| 2014 | 36,473.3 | 8,233.6 | 1,219 | 981 | 317,339 | 1,005.8 | 39.7 | 3,306.3 | 19,886.4 | 559 |
| 2015 | 39,427.7 | 8,851.1 | 1,283 | 1,031 | 321,465 | 1,087.3 | 42.6 | 3,656.7 | 20,542.6 | 611 |
| 2016 | 42,503.0 | 9,488.4 | 1,349 | 1,082 | 325,322 | 1,173.2 | 45.7 | 4,004.1 | 21,200.0 | 664 |
| 2017 | 45,690.8 | 10,133.6 | 1,415 | 1,133 | 329,226 | 1,262.4 | 48.7 | 4,356.5 | 21,857.2 | 719 |
| 2018 | 48,980.5 | 10,792.3 | 1,481 | 1,184 | 332,848 | 1,354.5 | 51.8 | 4,700.6 | 22,491.0 | 774 |
| 2019 | 52,360.2 | 11,461.5 | 1,548 | 1,235 | 336,176 | 1,450.7 | 55.0 | 5,039.1 | 23,098.3 | 829 |

*Household Refrigerator and Freezer*

The Household Refrigerator and Freezer Manufacturing industry accounts for about 16.0% of the total Household Electrical Appliance Manufacturing sector in China. Over the past five years, the industry has been growing at an annualized rate of 12.9% to $57.6 billion. In the next five years, IBISWorld expects the industry revenue to grow at an annualized rate of 6.5% to total $79.0 billion in 2019. Growth will be mainly fuelled by the further development of high-end products. A large number of household appliances will hit their expiration dates during the next five years, which will raise demand for new high-end replacement products in this industry. In addition, the launch of new preferential policies will stimulate demand for industry products.

IBISWorld forecasts that exports will increase slowly over the next five years. The export value of industry products is projected to rise 4.2% annually to $3.2 billion in 2019, accounting for 4.0% of total revenue. Refrigerator manufacturers in China are looking to expand production capacity of high-end products with rapidly improving technology. More foreign importers will purchase side-by-side products and multi-door items manufactured in China at a low cost. Growth of high-end product exports will also increase the average price of refrigerators and reduce the risk of anti-dumping policies from foreign countries. Competing import values are projected to total $106.5 million by 2019, accounting for 0.1% of domestic demand. As Chinese enterprises are expanding production capacity of side-by-side refrigerators and multi-door products, technologies will improve and output of these products will continue to rise. Domestic firms will also invest more capital in marketing channels by building third- and fourth-tier markets, and launching more marketable products to boost sales. Manufacturers are also expected to pay more attention to rural areas as urban markets become saturated. Product segmentation is expected to change in coming years. Refrigerators between 100 and 150 liters in size were once able to satisfy most family requirements. However, with a developing economy and subsequent changes in consumption, large-capacity products will be more popular, especially refrigerators above 200 liters that offer independent multi-stage temperature functions. With increasing household disposable income levels, IBISWorld forecasts that sales of high-end products will increase at an annualized rate of more than 20.0% in the domestic refrigerator market over the next five years.

There are three types of products in this industry: refrigerators, freezers and deep-freezers. Refrigerators are the main product segment in this industry, accounting for an estimated 83.0% of total industry revenue. Low-end and mid-end products make up the largest share of the segment with 49.0% of revenue. Total revenue of freezers and deep-freezers accounts for 11.5% of industry revenue. Most freezers and deep-freezers manufactured in China are exported. Other industry products include equipment for manufacturing ice cream, domestic ice-makers, and other refrigeration products, which account for 5.5% of industry revenue.




China is one of the largest manufacturing centers of the world and one of the largest consumption markets for refrigerators and freezers. With rapid increases in domestic demand and exports, industry players, especially local producers, will continue to benefit from this growth in the future.

| | Revenue | IVA | Establishments | Enterprises | Employment | Exports | Imports | Wages | Assets | Output of Household Refrigerators (Million Units) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 10,610.2 | 2,339.4 | 589 | 155 | 83,886 | 1,606.6 | 27.9 | 245.5 | 10,055.1 | 30 |
| 2006 | 19,338.2 | 3,937.8 | 692 | 182 | 105,998 | 2,317.3 | 23.1 | 402.7 | 14,330.2 | 35 |
| 2007 | 23,345.3 | 5,382.4 | 815 | 209 | 116,590 | 2,447.4 | 25.4 | 589.4 | 14,584.0 | 44 |
| 2008 | 27,078.1 | 6,227.9 | 874 | 264 | 154,293 | 1,850.6 | 25.9 | 1,057.6 | 18,021.2 | 48 |
| 2009 | 31,412.1 | 7,143.1 | 891 | 280 | 166,387 | 1,632.9 | 29.7 | 1,554.5 | 20,208.0 | 61 |
| 2010 | 38,264.4 | 8,224.6 | 925 | 291 | 201,470 | 2,038.6 | 29.4 | 1,758.6 | 26,470.9 | 76 |
| 2011 | 42,702.5 | 9,540.2 | 958 | 301 | 220,695 | 2,009.5 | 36.5 | 2,469.7 | 29,084.9 | 106 |
| 2012 | 46,169.9 | 10,470.5 | 990 | 312 | 238,862 | 2,362.2 | 59.9 | 2,811.4 | 32,837.8 | 114 |
| 2013 | 53,009.8 | 11,724.0 | 1,033 | 327 | 260,694 | 2,437.3 | 68.8 | 3,150.4 | 38,362.3 | 123 |
| 2014 | 57,597.3 | 12,825.7 | 1,075 | 341 | 279,595 | 2,566.8 | 75.7 | 3,469.8 | 42,388.4 | — |
| 2015 | 61,890.7 | 13,870.2 | 1,113 | 355 | 297,476 | 2,701.2 | 82.9 | 3,804.2 | 46,775.9 | — |
| 2016 | 66,323.3 | 14,979.0 | 1,149 | 369 | 314,262 | 2,826.3 | 90.1 | 4,156.1 | 50,349.4 | — |
| 2017 | 70,615.5 | 16,204.3 | 1,179 | 382 | 328,676 | 2,946.4 | 97.1 | 4,485.7 | 53,307.8 | — |
| 2018 | 74,694.6 | 17,466.1 | 1,204 | 392 | 341,377 | 3,052.1 | 102.0 | 4,773.1 | 55,388.3 | — |
| 2019 | 78,981.3 | 18,766.3 | 1,226 | 401 | 350,257 | 3,150.5 | 106.5 | 4,992.1 | 57,369.8 | — |

*Silk Fabric and Clothing Manufacturing industry*

The industry has been performing well in recent years. In the past five years through 2014, the Silk Fabric and Clothing Manufacturing industry in China grew at an annualized rate of 13.6% to an estimated $7.5 billion. IBISWorld forecasts that industry revenue will grow at the slower rate of 8.1% per year to $11.05 billion by 2019.

The top four silk fabric and clothing manufacturers in China generate only 6.0% of total industry revenue. The low concentration level can be attributed to the existence of a large number of small and medium-sized enterprises in the industry. However, many of the industry's smaller and export-oriented companies are being forced to merge with larger firms, due to rising manufacturing costs and intensified competition. As a result, the industry's concentration level will increase.

The Silk Fabric and Clothing Manufacturing industry in China competes with companies manufacturing fabric and clothing from other materials, such as cotton, wool, and linen. The development of these substitute products could limit demand growth for this industry. IBISWorld expects competition from other developing countries with lower labor costs will become a significant challenge to the industry in the long term. As a result, the industry will undergo restructuring over the next few years and increase R&D investments in order to increase production efficiency and develop more value-added products.

In order to continue growing, manufacturers in the industry will need to continue to develop both domestic and overseas markets. Export-oriented manufacturers will need to develop products of higher quality to compete with foreign companies and manufacturers of substitute products. In addition, technological advances in manufacturing technology will be critical in order to raise production capacity and improve the end quality of industry products.

There are mainly 3 sectors in the market of this industry. Apparel manufacturers purchase silk fabric to make clothing. Revenue generated from this market is expected to account for 40.6% of total industry revenue in 2014. Household goods, apparel and accessory wholesalers account for 34.5% of total industry revenue in 2014. Textile, clothing and household goods retailers, including department stores, supermarkets, clothing stores, online shops and baby stores, are set to generate 18.7% of total industry revenue.

*Investment and Asset Management*

Strong economic development since China's accession to the World Trade Organization has been a key factor increasing demand for investment management and venture capital. As a result, the Investment and Asset Management industry in China has been growing at an annualized rate of 11.9% since 2009 to total $10.51 billion in 2014. IBISWorld forecasts that industry revenue will grow 9.2% annually over the next five years to reach $16.30 billion in 2019.

The industry is concentrated in China's economic centers: Beijing, Shanghai, Guangdong, Zhejiang and Jiangsu. In 2014, the industry's top four players are all state-owned and contribute 52.2% of total industry revenue. However, as market-oriented products and services have been popularized in recent years, a large number of private enterprises that provide customized and flexible services have been growing rapidly. Overall speaking, the level of industry concentration is medium and increasing.

In addition to the internal competition, the Investment and Asset Management industry also competes with other related industries, such as the Securities Investment industry in China, which is engaged in investment activities for stocks, bonds, funds, futures and other financial securities.

The demand of this industry is determined mainly by four factors: first, the economic growth level is closely correlated to the industry's growth; second, the booming business environment in

China has led to a diverse range of business activities that require investment and asset management services which increases demand for industry services; and third, improvements in technologies raise service quality and industry demand. Fourth, the government has launched many new policies to encourage the development of various asset management approaches other than those provided by the four major state-owned asset management enterprises.

The market is mainly comprised of four sectors, where revenue is almost evenly distributed. State-owned enterprises account for 30.2% of industry revenue, with state-owned capital management being the main service provided; financial firms, including banks, central banks, commercial banks and policy banks, account for 25.6% of industry revenue. The management of state-owned fund projects accounts for about 21.0% of industry revenue; state-owned fund projects include accumulation funds, insurance funds, and pension funds. Investment projects, including venture capital projects, investment management projects, and short-term returns, contribute to approximately 17.6% of industry revenue.

## CALCULATION APPROACH AND METHODOLOGY

In arriving at the calculated value of the Unlisted Equity Interests as at the Reference Date, we have considered three generally accepted approaches: namely, the market approach, cost approach and income approach.

### Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

### Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

### Income Approach

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

**Selection of Equity Valuation Methodology**

Based on our discussion with the management of the Company, we understand that the Company possesses only non-controlling interests in the Unlisted Equity Interests and is not involved in the management and daily operation; and as such the Company does not have access to all the necessary information required as in a valuation engagement, particularly one in which the income approach will be considered. Therefore, the guideline public company method under the market approach will be adopted in this calculation engagement for the Unlisted Equity Interests (exclusive of Zunyi Titanium Industry Co., Ltd. and Tsusugi Ka (Tianjin) Industrial Investment Fund (LLP)). The guideline public company method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the calculated value of the Unlisted Equity Interests.

We have focused on the financial performance of first half year of 2015, fiscal year 2014 and fiscal year 2013 when reviewing the financial statements of the comparable companies.

A wide range of multiples have been considered in this calculation engagement in order to take into consideration the uniqueness of the each of the Unlisted Equity Interests. The multiples that have been considered are as follows:

- Enterprise value to earnings before interest, tax, depreciation and amortization ("EBITDA") multiple ("EV/EBITDA multiple");
- Price to earnings per share multiple ("PE multiple");
- Price to book value per share multiple ("PB multiple"); and
- Price to sale per share multiple ("PS multiple").

For those Unlisted Equity Interests which have listed securities as their most significant assets, the market approach is applied to their assets and liabilities to arrive at the calculated value of the individual Unlisted Equity Interests.

**Calculation under cost approach**

Based on our discussion with the management of the Company, the production of Zunyi Titanium Industry Co., Ltd. has recently been suspended and Tsusugi Ka (Tianjin) Industrial Investment Fund (LLP) is a company engaged in the business of managing and operating private equity funds. Therefore, for these two companies, both income approach and market approach are not appropriate and the cost approach will be adopted in this calculation engagement.

**ASSUMPTIONS**

In determining the calculated value of the Unlisted Equity Interests, the following key assumptions have been made:

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Unlisted Equity Interests;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at the calculated value;
- We have assumed the capital structure of the Unlisted Equity Interests will not change; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Reference Date.

## MARKET MULTIPLE

In determining the best suitable market multiples, a list of comparable companies was identified. The selection criteria include the followings:

1. The companies derive most, if not all, of their revenues from the same industry of the Unlisted Equity Interests;
2. The principle markets or operating locations of selected comparable companies are in China, same as the Unlisted Equity Interests;
3. The comparable companies are publicly listed; and
4. Sufficient data, including but not limited to EV/EBITDA, PE PB, and PS multiples, of the companies is available.

The comparable companies satisfying the above criteria are listed in the Appendix.

## ADDITIONAL CONSIDERATIONS

### Discount for Lack of Marketability (DLOM)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount ("DLOM") reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In this calculation exercise, a DLOM of 40% is adopted.

## SOURCE OF INFORMATION

Our investigation procedures in preparing this calculation report included discussions and interviews with the management of Company and the project managers who are in charge of the investment of each Unlisted Equity Interests, with regard to the histories, operations, historical and current status and outlook of the Unlisted Equity Interests, an overview of certain financial data, and an analysis of the related industry and competitive environment. We have also done analysis of comparable companies/transactions, reviewed prior sales transactions, and other relevant documents.

In conducting this calculation exercise, we have reviewed information from several sources, including, but not limited to:

- Background information of the Unlisted Equity Interests provided by the Company;
- Public source information related with the Unlisted Equity Interests (e.g. information from official website of the Unlisted Equity Interests);
- Financial statements for the first half year of 2015, fiscal year 2014 and fiscal year 2013 provided by the Company;
- Annual report of public listed subsidiaries or parent companies of the Unlisted Equity Interests;
- Other operational and market information in relation to the business of the Unlisted Equity Interests; and
- Annual report of public listed comparable companies.

We have relied to a considerable extent on information provided by the Company in arriving at the calculated value.

## CALCULATION COMMENTS

The calculation of the calculated value of Unlisted Equity Interests requires consideration of all relevant factors affecting the operation of the business related to the Unlisted Equity Interests and its ability to generate future investment returns. The factors considered in the calculation include, but are not limited to, the following:

- The nature of business of the Unlisted Equity Interests;
- The financial condition of the Unlisted Equity Interests' business and the economic outlook in general; and
- The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted calculation procedures that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, the assumptions and consideration of such matters are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

## RISK FACTORS

- ***Competition in the market***

As growth opportunities in the market have been identified in recent years, more companies have entered into this business. This may have adverse effect on the operating performance of the Unlisted Equity Interests and hence affect the value of the business.

- ***Economic considerations***

There is no assurance that the expected economic growth will be realized and future social and economic changes will be favorable to the Unlisted Equity Interests.

- ***Changes in political, economic and regulatory environment***

The Unlisted Equity Interests are subject to various laws and regulations governing its operations. Future political and legal changes may have either favorable or unfavorable impacts on the Unlisted Equity Interests.

## THE CALCULATED VALUE

Based on the results of our investigation and analysis outlined in the report, as at the Reference Date, the calculated values of the Unlisted Equity Interests are stated as follows:

| Sector | Calculated Value (CNY Million) |
|---|---|
| Energy | 1,067 |
| Industrials | 1,377 |
| Materials | 11,872 |
| Information Technology | 2,420 |
| Others | 3,348 |
| **Total** | **20,084** |

## LIMITING CONDITIONS

This resulting calculated value was based on the agreed calculation engagement procedures, limited information and calculation engagement methods that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Unlisted Equity Interests over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Yours faithfully,
For and on behalf of
**Jones Lang LaSalle**
**Corporate Appraisal and Advisory Limited**
**Simon M.K. Chan**
*Regional Director*

*Note: Mr. Simon M.K. Chan is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of CPA Australia. He is also a Certified Valuation Analyst and a member of The International Association of Consultants, Valuers and Analysts (IACVA). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States.*

## APPENDIX – PEERS COMPANIES

| Ticker | Name | Ticker | Name | Ticker | Name | Ticker | Name |
|---|---|---|---|---|---|---|---|
| 1088 HK Equity | 中國神華 | 000157 CH Equity | 中聯重科 | 002532 CH Equity | 新界泵業 | 601727 CH Equity | 上海電氣 |
| 1898 HK Equity | 中煤能源 | 000425 CH Equity | 徐工機械 | 600765 CH Equity | 中航重機 | 600875 CH Equity | 東方電氣 |
| 1171 HK Equity | 兗州煤業 | 000528 CH Equity | 柳工 | 601100 CH Equity | 恒立油缸 | 002531 CH Equity | 天順風能 |
| 601699 CH Equity | 潞安環能 | | | | | 1133 HK Equity | 哈爾濱電氣 |
| 000983 CH Equity | 西山煤電 | | | | | 1072 HK Equity | 東方電氣 |
| 600348 CH Equity | 陽泉煤業 | | | | | 2727 HK Equity | 上海電氣 |
| 000937 CH Equity | 冀中能源 | | | | | 200771 CH Equity | 杭汽輪 B |
| 600395 CH Equity | 盤江股份 | | | | | 002630 CH Equity | 華西能源 |
| 601001 CH Equity | 大同煤業 | | | | | 002074 CH Equity | 東源電器 |
| 002128 CH Equity | 露天煤業 | | | | | | |
| 1393 HK Equity | 恒鼎實業 | | | | | | |
| 3948 HK Equity | 伊泰 | | | | | | |
| 000159 CH Equity | 國際實業 | | | | | | |
| 000552 CH Equity | 靖遠煤電 | | | | | | |
| 000723 CH Equity | 美錦能源 | | | | | | |
| 000780 CH Equity | 平莊能源 | | | | | | |
| 000933 CH Equity | 神火股份 | | | | | | |
| 000968 CH Equity | 煤氣化 | | | | | | |
| 600121 CH Equity | 鄭州煤電 | | | | | | |
| 600123 CH Equity | 蘭花科創 | | | | | | |
| 600157 CH Equity | 永泰能源 | | | | | | |
| 600188 CH Equity | 兗州煤業 | | | | | | |
| 600397 CH Equity | 安源股份 | | | | | | |
| 600403 CH Equity | 大有能源 | | | | | | |
| 600508 CH Equity | 上海能源 | | | | | | |
| 600546 CH Equity | 山煤國際 | | | | | | |
| 600652 CH Equity | 愛使股份 | | | | | | |
| 600714 CH Equity | 金瑞礦業 | | | | | | |
| 600740 CH Equity | 山西焦化 | | | | | | |
| 600971 CH Equity | 恒源煤電 | | | | | | |
| 600997 CH Equity | 開灤股份 | | | | | | |
| 601011 CH Equity | 寶泰隆 | | | | | | |
| 601088 CH Equity | 中國神華 | | | | | | |
| 601101 CH Equity | 昊華能源 | | | | | | |
| 601666 CH Equity | 平煤股份 | | | | | | |
| 601699 CH Equity | 潞安環能 | | | | | | |
| 601898 CH Equity | 中煤能源 | | | | | | |
| 601918 CH Equity | 國投新集 | | | | | | |

## APPENDIX – PEERS COMPANIES CONT'D

| Industry Classification | | Industry Classification | | Industry Classification | | Industry Classification | |
|---|---|---|---|---|---|---|---|
| Energy — Coal & Consumable Fuels | | Industrials — Industrial Machinery | | Industrials — Industrial Machinery | | Industrials — Heavy Electrical Equipment | |
| **EV/EBITDA multiple** | | **EV/EBITDA multiple** | | **EV/EBITDA multiple** | | **EV/EBITDA multiple** | |
| Max | 90.8 | Max | 24.3 | Max | 71.0 | Max | 45.4 |
| Min | 5.6 | Min | 20.7 | Min | 37.5 | Min | 9.8 |
| Median | 18.5 | Median | 23.2 | Median | 42.2 | Median | 13.6 |
| Average | 23.4 | Average | 22.8 | Average | 50.3 | Average | 19.0 |
| **P/B multiple** | | **P/B multiple** | | **P/B multiple** | | **P/B multiple** | |
| Max | 15.3 | Max | 1.5 | Max | 6.0 | Max | 12.6 |
| Min | 0.6 | Min | 1.5 | Min | 3.3 | Min | 0.5 |
| Median | 2.1 | Median | 1.5 | Median | 5.8 | Median | 2.9 |
| Average | 3.0 | Average | 1.5 | Average | 5.1 | Average | 4.1 |

## APPENDIX – PEERS COMPANIES CONT'D

| Ticker | Name |
|---|---|
| 000612 CH Equity | 焦作萬方 |
| 601600 CH Equity | 中國鋁業 |
| 600595 CH Equity | 中孚實業 |
| 600219 CH Equity | 南山鋁業 |
| 600888 CH Equity | 新疆眾和 |
| 002540 CH Equity | 亞太科技 |
| 000807 CH Equity | 雲鋁股份 |
| 002501 CH Equity | 利源精製 |
| 600673 CH Equity | 東陽光科 |
| 300337 CH Equity | 銀邦股份 |
| 601677 CH Equity | 明泰鋁業 |
| 2600 HK Equity | 中國鋁業 |
| 486 HK Equity | 俄鋁 |
| 1378 HK Equity | 中國宏橋 |
| 1333 HK Equity | 中國忠旺控股 |
| 1208 HK Equity | 五礦資源 |
| 1220 HK Equity | 志道國際 |
| 98 HK Equity | 興發鋁業控股 |

| Industry Classification | |
|---|---|
| Materials — Aluminum | |
| **EV/EBITDA multiple** | |
| Max | 118.5 |
| Min | 7.9 |
| Median | 30.2 |
| Average | 44.2 |
| **P/B multiple** | |
| Max | 7.5 |
| Min | 0.7 |
| Median | 2.7 |
| Average | 3.4 |

| Ticker | Name |
|---|---|
| 600078 CH Equity | 澄星股份 |
| 600141 CH Equity | 興發集團 |
| 600470 CH Equity | 六國化工 |
| 002170 CH Equity | 芭田股份 |
| 600727 CH Equity | 魯北化工 |
| 002538 CH Equity | 司爾特 |
| 000422 CH Equity | 湖北宜化 |
| 600096 CH Equity | 雲天化 |
| 002470 CH Equity | 金正大 |
| 000830 CH Equity | 魯西化工 |
| 600596 CH Equity | 新安股份 |
| 600227 CH Equity | 赤天化 |

| Industry Classification | |
|---|---|
| Materials — Fertilizers & Agricultural Chemicals | |
| **EV/EBITDA multiple** | |
| Max | 97.5 |
| Min | 10.3 |
| Median | 30.5 |
| Average | 37.4 |
| **P/B multiple** | |
| Max | 12.7 |
| Min | 1.4 |
| Median | 3.5 |
| Average | 4.2 |

| Ticker | Name |
|---|---|
| 000960 CH Equity | 錫業股份 |
| 600961 CH Equity | 株冶集團 |
| 000751 CH Equity | *ST鋅業 |
| 600338 CH Equity | 西藏珠峰 |
| 000060 CH Equity | 中金嶺南 |
| 002114 CH Equity | 羅平鋅電 |
| 601168 CH Equity | 西部礦業 |

| Industry Classification | |
|---|---|
| Materials — Diversified Metals & Mining | |
| **EV/EBITDA multiple** | |
| Max | 111.9 |
| Min | 26.6 |
| Median | 36.0 |
| Average | 46.8 |
| **P/B multiple** | |
| Max | 9.9 |
| Min | 2.3 |
| Median | 6.6 |
| Average | 6.0 |

| Ticker | Name |
|---|---|
| 600227 CH Equity | 赤天化 |
| 600426 CH Equity | 華魯恒升 |
| 000422 CH Equity | 湖北宜化 |
| 000830 CH Equity | 魯北化工 |
| 000912 CH Equity | 瀘天化 |
| 002274 CH Equity | 華昌化工 |
| 600423 CH Equity | 柳化股份 |
| 600096 CH Equity | 雲天化 |
| 600230 CH Equity | 滄州大化股份有限公司 |
| 002109 CH Equity | 興化股份 |
| 000822 CH Equity | 山東海化 |
| 000950 CH Equity | 建峰化工 |
| 600470 CH Equity | 六國化工 |
| 3983 HK Equity | 中海石油化學 |
| 297 HK Equity | 中化化肥 |
| 546 HK Equity | 阜豐集團 |
| 827 HK Equity | 玖源集團 |
| 746 HK Equity | 理文化工 |
| 408 HK Equity | 葉氏化工集團 |
| 2198 HK Equity | 中國三江精細化工有限公司 |
| 1866 HK Equity | 中國心連心化肥 |
| 509 HK Equity | 世紀陽光 |
| 850 HK Equity | 中亞能源 |
| 8189 HK Equity | 泰達生物 |
| 640 HK Equity | 星謙化工 |
| 1329 HK Equity | 首創鉅大 |
| 1047 HK Equity | 毅興行 |

| Industry Classification | |
|---|---|
| Materials — Commodity Chemicals | |
| **EV/EBITDA multiple** | |
| Max | 67.6 |
| Min | 4.0 |
| Median | 13.3 |
| Average | 21.6 |
| **P/B multiple** | |
| Max | 6.6 |
| Min | 0.8 |
| Median | 2.5 |
| Average | 2.5 |

## APPENDIX – PEERS COMPANIES CONT'D

| Ticker | Name | Ticker | Name | Ticker | Name | Ticker | Name |
|---|---|---|---|---|---|---|---|
| 600019 CH Equity | 寶鋼股份 | 300150 CH Equity | 世紀瑞爾 | 600060 CH Equity | 海信電器 | 3355 HK Equity | 先進半導體 |
| 600010 CH Equity | 包鋼股份 | 300044 CH Equity | 賽為智能 | 200016 CH Equity | 康佳集團 | 85 HK Equity | 中國電子 |
| 000898 CH Equity | 鞍鋼股份 | 300270 CH Equity | 中威電子 | 002429 CH Equity | 兆馳股份 | 002185 CH Equity | 華天科技 |
| 000709 CH Equity | 河北鋼鐵 | 002312 CH Equity | 三泰控股 | 000909 CH Equity | 數源科技 | 601012 CH Equity | 隆基股份 |
| 600005 CH Equity | 武鋼股份 | 002528 CH Equity | 英飛拓 | 300389 CH Equity | 艾比森 | 600584 CH Equity | 長電科技 |
| 000825 CH Equity | 太鋼不銹 | 1708 HK Equity | 南京三寶科技 | 300256 CH Equity | 星星科技 | 1385 HK Equity | 上海復旦 |
| 600808 CH Equity | 馬鋼股份 | 8051 HK Equity | 千里眼 | 903 HK Equity | 冠捷科技 | | |
| 000778 CH Equity | 新興鑄管 | 002052 CH Equity | 同洲電子 | 1070 HK Equity | TCL 多媒體 | | |
| 600022 CH Equity | 山東鋼鐵 | 300211 CH Equity | 億通科技 | 751 HK Equity | 創維數碼 | | |
| 200761 CH Equity | 本鋼板材 | 002519 CH Equity | 銀河電子 | 710 HK Equity | 精電 | | |
| 600399 CH Equity | 撫順特鋼 | 482 HK Equity | 聖馬丁 | 259 HK Equity | 億都（國際控股） | | |
| 000932 CH Equity | 華菱鋼鐵 | 002236 CH Equity | 大華股份 | 2358 HK Equity | 久融控股 | | |
| 601003 CH Equity | 柳鋼股份 | 1149 HK Equity | 中國安芯 | 167 HK Equity | 萬威國際 | | |
| 002318 CH Equity | 久立特材 | | | | | | |
| 600782 CH Equity | 新鋼股份 | | | | | | |

| Industry Classification | | Industry Classification | | Industry Classification | | Industry Classification | |
|---|---|---|---|---|---|---|---|
| Materials — Steel | | Information Technology — Electronic Equipment & Instruments | | Information Technology — Electronic Equipment & Instruments | | Information Technology — Semiconductor Equipment | |
| **EV/EBITDA multiple** | | **EV/EBITDA multiple** | | **EV/EBITDA multiple** | | **EV/EBITDA multiple** | |
| Max | 15.0 | Max | 250.7 | Max | 28.5 | Max | 45.9 |
| Min | 6.1 | Min | 34.2 | Min | 1.9 | Min | 7.1 |
| Median | 9.5 | Median | 60.9 | Median | 18.1 | Median | 20.2 |
| Average | 10.0 | Average | 97.9 | Average | 15.8 | Average | 23.3 |
| **P/B multiple** | | **P/B multiple** | | **P/B multiple** | | **P/B multiple** | |
| Max | 2.0 | Max | 17.6 | Max | 9.4 | Max | 7.9 |
| Min | 0.7 | Min | 0.6 | Min | 0.3 | Min | 1.7 |
| Median | 1.4 | Median | 6.9 | Median | 3.2 | Median | 5.7 |
| Average | 1.4 | Average | 7.8 | Average | 3.8 | Average | 5.6 |

## APPENDIX – PEERS COMPANIES CONT'D

| Ticker | Name |
|---|---|
| 600166 CH Equity | 福田汽車 |
| 600418 CH Equity | 江淮汽車 |
| 200625 CH Equity | 長安汽車 |
| 000550 CH Equity | 江鈴汽車 |
| 3808 HK Equity | 中國重汽 |
| 1122 HK Equity | 慶鈴汽車 |

| Industry Classification | |
|---|---|
| Others — Automobile Manufacturers | |
| **EV/EBITDA multiple** | |
| Max | 114 |
| Min | 2.3 |
| Median | 18.5 |
| Average | 33.4 |
| **P/B multiple** | |
| Max | 3.1 |
| Min | 0.7 |
| Median | 2.1 |
| Average | 2.0 |

| Ticker | Name |
|---|---|
| 000988 CH Equity | 華工科技 |
| 000917 CH Equity | 電廣傳媒 |
| 000016 CH Equity | 康佳集團 |
| 000100 CH Equity | TCL集團 |
| 600207 CH Equity | 安彩高科 |
| 002238 CH Equity | 天威視訊 |
| 600832 CH Equity | 東方明珠 |
| 600839 CH Equity | 四川長虹 |
| 002052 CH Equity | 同洲電子 |
| 600100 CH Equity | 同方股份 |
| 600076 CH Equity | 青鳥華光 |
| 600690 CH Equity | 青島海爾 |
| 002369 CH Equity | 卓翼科技 |
| 000727 CH Equity | 華東科技 |
| 000909 CH Equity | 數源科技 |
| 600122 CH Equity | 宏圖高科 |
| 600060 CH Equity | 海信電器 |
| 600747 CH Equity | 大連控股 |

| Industry Classification | |
|---|---|
| Others — Consumer Electronics | |
| **EV/EBITDA multiple** | |
| Max | 60.0 |
| Min | 3.3 |
| Median | 26.2 |
| Average | 33.9 |
| **P/B multiple** | |
| Max | 15.2 |
| Min | 2.5 |
| Median | 5.6 |
| Average | 6.2 |

| Ticker | Name |
|---|---|
| 200521 CH Equity | 美菱電器 |
| 600336 CH Equity | 澳柯瑪 |
| 002668 CH Equity | 奧馬電器 |
| 921 HK Equity | 海信科龍 |
| 000921 CH Equity | 海信科龍 |

| Industry Classification | |
|---|---|
| Others — Household Appliances | |
| **EV/EBITDA multiple** | |
| Max | 22.8 |
| Min | 10.2 |
| Median | 12.0 |
| Average | 13.9 |
| **P/B multiple** | |
| Max | 6.3 |
| Min | 1.2 |
| Median | 3.2 |
| Average | 3.5 |

| Ticker | Name |
|---|---|
| 000726 CH Equity | 魯泰 |
| 601339 CH Equity | 百隆東方 |
| 600851 CH Equity | 海欣股份 |
| 600177 CH Equity | 雅戈爾 |
| 002269 CH Equity | 美邦服飾 |
| 002503 CH Equity | 搜于特 |
| 002563 CH Equity | 森馬服飾 |
| 601566 CH Equity | 九牧王 |
| 603555 CH Equity | 貴人鳥 |
| 002293 CH Equity | 羅萊家紡 |
| 2313 HK Equity | 申洲國際集團控股有限公司 |

| Industry Classification | |
|---|---|
| Others — Textiles | |
| **EV/EBITDA multiple** | |
| Max | 94.5 |
| Min | 8.3 |
| Median | 28.0 |
| Average | 35.7 |
| **P/B multiple** | |
| Max | 11.5 |
| Min | 1.2 |
| Median | 3.1 |
| Average | 4.8 |

| Ticker | Name |
|---|---|
| 1812 HK Equity | 晨鳴紙業 |
| 2314 HK Equity | 理文造紙 |
| 2689 HK Equity | 玖龍紙業 |
| 600966 CH Equity | 博滙紙業 |
| 600308 CH Equity | 華泰股份 |

| Industry Classification | |
|---|---|
| Others — Paper Products | |
| **EV/EBITDA multiple** | |
| Max | 15.0 |
| Min | 9.6 |
| Median | 10.4 |
| Average | 11.7 |
| **P/B multiple** | |
| Max | 1.9 |
| Min | 0.7 |
| Median | 1.3 |
| Average | 1.3 |

The following is a summary of certain PRC and Hong Kong tax consequences to investors relating to their subscription to H Shares under the Global Offering and their holdings as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this prospectus does not address any aspect of Hong Kong and PRC taxation other than income tax, capital tax, stamp duty, business tax and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing and disposing of H Shares.

## PRC TAXATION

### Dividends

#### *Individual investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) ("IIT Law"), as amended, and its implementation rules, dividends paid by PRC companies are generally subject to a PRC withholding tax at a flat rate of 20%.

Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No.045 (《國家稅務總局關於國稅發 [1993] 045 號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No.348) issued by the SAT on June 28, 2011, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non-PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with the applicable tax treaties between the PRC and the countries in which they are tax residents and the applicable tax arrangements between the Mainland China and Hong Kong (Macau). In general, the distribution of applicable dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the tax authorities in the PRC to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply for a refund of the excess amount withheld, subject to an approval of the competent tax authority. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%. The company will withhold tax from any dividend payment at an applicable tax rate (which can be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the company).

#### *Enterprises*

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("EIT Law"), and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on the PRC-sourced income, if such non-resident enterprise does not have an organization or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC, subject to any applicable treaties for the avoidance of double taxation. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable.

Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (Guo Shui Han [2008] No.897) issued by the SAT on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to Non-PRC Resident Enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A Non-PRC Resident Enterprise shareholder which is entitled to a preferential tax rate under a tax agreement or an arrangement may, directly or through its entrusted agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld. The Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No.394) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to Non-PRC Resident Enterprise shareholders. Such tax rate may be modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including specified natural person and legal entity) by a PRC company, but such tax generally does not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax does not exceed 5% of the total amount of dividends payable by that PRC company.

***Tax Treaties***

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to a preferential treatment of such withholding tax in respect of dividends received from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, UK and US. A Non-PRC Enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement shall apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and the amount payable at an agreed rate, subject to the approval of the PRC tax authorities.

**Taxes Related to Share Transfer**

***Individual investors***

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises was still exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementing rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No.167), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax, except for the shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not levied income tax on non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Shares.

***Enterprises***

In accordance with the EIT Law and its implementation rules, a Non-PRC Resident Enterprise is generally subject to enterprise income tax at a rate of 10% with respect to the PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties.

**Shanghai-Hong Kong Stock Connect Taxation Policy**

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "Shanghai-Hong Kong Stock Connect Taxation Policy") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Co., Ltd ("CSDC") at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDC by producing the tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who transfer shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

**PRC stamp duty**

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), effective on October 1, 1988, PRC stamp duty does not apply to acquisitions or dispositions of H Shares outside of the territory of the PRC, as the PRC stamp duty is imposed on documents that are legally binding in the PRC and protected by PRC laws.

**Estate duty**

The PRC does not collect estate duty so far.

**Business tax**

According to the PRC Provisional Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) amended on November 10, 2008 and implemented on January 1, 2009, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax. The business tax rate applicable to financial and insurance companies is 5%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No.110) promulgated by the MOF and the SAT on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai and Beijing. The MOF and the SAT further notified that the aforesaid pilot scheme for the conversion of business tax to VAT will be implemented nationwide since August 1, 2013. However, as of the Latest Practicable Date, the financial industry has not yet been included into the pilot industries for the conversion of business tax to VAT.

## FOREIGN EXCHANGE CONTROLS OF THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice on Deepening the Reform of the Foreign Exchange Administration System (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No.89), since January 1, 1994, current account items applied to the policy of conditional exchange of Renminbi. The official exchange rate and the market rate for Renminbi were unified. The unified Renminbi exchange rate applied to a single, controlled floating exchange rate system based on market demand and supply. The PBOC published the Renminbi to other main currencies exchange rate on daily basis by reference to the change of international foreign exchange market. Foreign exchange buying and selling between designated foreign exchange banks and their clients are allowed within the limit of floating exchange rates.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective from April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolish all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

On August 5, 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Revised Foreign Exchange Control Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administration authorities. Second, the Revised Foreign Exchange Control Regulations improved the mechanism for determining the Renminbi exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.

Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current account transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example, foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks and can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises (like us) which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

On December 26, 2014, SAFE issued the Notice of SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), which came into effect on the day of issuance. Except that banks and insurance companies of which the repatriation and settlement of foreign exchange received from overseas listing are subject to other regulations, the foreign exchange of an overseas listed domestic financial institution shall be administrated in accordance with the SAFE Notice. The SAFE Notice provides that:

- SAFE and its branches and Administrative Department of Foreign Exchange ("FE") supervise, manage and examine the business registration, account opens and its use, the cross-border income and expenses, capital exchange for the local enterprises listed overseas.
- a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation with related materials.
- After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares of the listed company shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials.
- a domestic issuer (except for bank financial institutions) shall present his certificate of overseas listing to open a special account with a local bank for overseas listing of local enterprises to handle corresponding capital exchange and transfer for its business for its initial offer (or enhancement) or repurchase.
- a domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in the prospectus or other public documents such as the offering circular of corporate bonds, circular to shareholders and resolutions of meetings of the board of directors or shareholders' general meeting.

On August 11, 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

## TAXATION IN HONG KONG

### Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

### Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers (for examples, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

**Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

**Estate Duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of China. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled "Regulatory Environment."

## PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions, PBOC, NAO of the State Council, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

## PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

## THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014;
- the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations"), which was promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law, and was applicable, to the overseas share subscription and listing of joint stock limited companies; and
- the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (《到境外上市公司章程必備條款》) (the "Mandatory Provisions"), which was jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix VI of this listing document.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

### General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A SOE that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organizations.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

**Incorporation**

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC Government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

According to the Securities Law, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the Company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

**Allotment and Issue of Shares**

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

**Registered Shares**

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items or assets, intellectual property rights, and land use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

**Increase of Share Capital**

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration for the registration of the reduction in registered capital.

**Repurchase of Shares**

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholders' general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholders' general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

**Shareholders**

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholders' general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' General Meetings**

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;

- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes shareholders' annual general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board**

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

**Board Meetings**

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

**Chairman of the Board**

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

**Qualification of Directors**

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of personal debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

**Board of Supervisors**

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

**The directors and senior management may not act concurrently as supervisors**

The board of supervisors shall appoint a chairman and may appoint vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- 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 shareholders;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of Board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

**Manager and Senior Management**

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;

- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

**Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

**Finance and Accounting**

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

**Appointment and Retirement of Accounting Firms**

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

**Distribution of Profits**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

**Dissolution and Liquidation**

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

**Overseas Listing**

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic listed domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

**Loss of H Share Certificates**

If a registered H Share certificate in is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement H Share certificate. A separate procedure regarding the loss of overseas listed and foreign invested H Share certificates is provided for in the Mandatory Provisions.

**SECURITIES LAW AND REGULATIONS**

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information of the Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations on the Administration of Share Issuance and Trading deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market.

Article 238 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

## ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on the Mutual Enforcement of Arbitration Award between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

**OVERSEAS INVESTMENT REGULATIONS**

Pursuant to the Regulations on the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on August 19, 2014 which became effective on October 6, 2014, the MOFCOM and provincial commerce authorities shall be responsible for the filing and approval of overseas investment according to particular situation of overseas investment of enterprises. Upon such filing or approval of overseas investment, any changes to the Certificate of Overseas Investment (《企業境外投資證書》) shall be reported to the original filing or approving MOFCOM and provincial commerce authority for the application of approval of changes in compliance with relevant laws.

Pursuant to Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the foreign exchange administrative authorities.

Pursuant to the Administrative Measures on Approval and Filing of Overseas Investment Projects (《境外投資項目核准和備案管理辦法》) promulgated by the NDRC on April 8, 2014 which became effective on May 8, 2014, any overseas investment project with a domestic investment of US$1 billion or above (excluding those involving sensitive country or region and sensitive industry) shall be subject to an approval of the NDRC. Other overseas investment projects shall be subject to the filing procedures. Any change of the approved or filed overseas investment projects shall be applied with the NDRC.

## ANTI-MONEY LAUNDERING REGULATIONS

The Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including supervision over anti-money laundering, formulation of rules and regulations regarding anti-money laundering activities of financial institutions, monitoring and inspection of the anti-money laundering practice of financial institutions and investigations on suspicious transactions within their respective scope of authority. The persons in charge of the financial institutions shall be responsible for the effective implementation of internal control system regarding anti-money laundering. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and transaction records, as well as a report system for transactions involving large sums of money and for dubious transactions according to applicable requirements.

Pursuant to the Provisions on Financial Institutions Anti-money Laundering (《金融機構反洗錢規定》) promulgated by the PBOC which became effective on January 1, 2007, financial institutions and their branches are required to establish a comprehensive internal control system for anti-money laundering, and set up a special anti-money laundering department or designate an internal department to implement the anti-money laundering measures, formulate internal anti-money laundering policies and procedures and organize anti-money laundering training for staff to enhance their anti-money laundering capability.

Pursuant to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) promulgated jointly by the PBOC, CBRC, CSRC and CIRC which became effective on August 1, 2007, financial institutions are required to establish a client identification system, maintain records for the identities and relevant transactions of all clients and keep all retail transaction documents and record books.

Pursuant to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any transactions involving large sums of money or dubious transactions, the head office or the designated department of the financial institutions shall electronically report such transactions to the China Anti-money Laundering Monitoring and Analysis Center.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company laws applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

**Corporate Existence**

Under Hong Kong company laws, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

**Share Capital**

Under the new Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and asset verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

**Restrictions on Shareholding and Transfer of Shares**

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the state, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange described in the section entitled "Share Capital" in this prospectus.

**Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing financial assistance for the purpose of an acquisition of such shares similar to those under the Hong Kong company law.

**Variation of Class Rights**

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, please refer to the section entitled "Appendix VI—Summary of Articles of Association" to this prospectus for details.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

**Directors, Senior Management and Supervisors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

**Board of Supervisors**

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Derivative Action by Minority Shareholders**

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations and diligent duties to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations and diligent duties to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

**Protection of Minorities**

Under Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

**Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, other than an annual general meeting, is 14 days. The notice period for an annual general meeting is 21 days.

**Quorum for Shareholders' Meetings**

Under Hong Kong laws, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

**Voting**

Under Hong Kong laws, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

**Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

**Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

**Receiving Agent**

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Dispute Arbitration**

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

**Mandatory Deductions**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong laws.

**Remedies of the Company**

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

**Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

**HONG KONG LISTING RULES**

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

**Compliance Advisor**

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

**Accountants' Report**

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

**Process Agent**

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

**Public Shareholding**

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

**Independent Non-Executive Directors and Supervisors**

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

**Restrictions on Repurchase of Securities**

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

**Redeemable Shares**

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

**Pre-emptive Rights**

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and H shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the company's articles of association, prior to (i) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (ii) any major subsidiary of the company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by securities supervision or administration authorities of State Council; or (iii) where upon approval by securities supervision or administration authorities of State Council, the shareholders of domestic shares of the company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

**Supervisors**

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

**Amendment to Articles of Association**

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

**Documents for Inspection**

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of shareholders' meetings.

**Receiving Agents**

Under Hong Kong laws, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

**Statements in H Share Certificates**

A PRC issuer is required to ensure that all of its listing documents and H Share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

**Legal Compliance**

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

**Contract between the PRC Issuer and Directors, Senior Management and Supervisors**

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning affairs between us and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral

body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

**Subsequent Listing**

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

**English Translation**

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

**General**

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

## OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

## SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC (other than the territories of Hong Kong, Macau and Taiwan).

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the Articles of Association of the Company. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Articles of Association of the Company are available for inspection at the address specified in Appendix VIII in "Documents Delivered to the Registrar of Companies and Available for Inspection".

**Classes of Shares**

Shareholders holding different types of shares shall be Shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association.

Shareholders of each class shall rank pari passu in respect of their entitlement to dividends and any other forms of distribution.

Except Shareholders of other types of shares, Shareholders holding Domestic Shares and Shareholders holding overseas-listed Shares are considered as Shareholders of different classes.

Subject to approval by the securities regulatory authority of the State Council, Shareholders holding unlisted Shares of the Company may arrange for the listing and trading of its Shares on stock exchange outside the PRC. No approval of meeting of class Shareholders is required for the listing and trading of such shares on stock exchange outside the PRC. For Shareholders of the Company whose Domestic Shares are permitted to be listed and traded overseas, its class of Shares will be converted to overseas listed Shares.

**Directors and Other Management Members**

***Power to Allot and Issue Shares***

There is no provision in the Articles of Association empowering the Directors to allot and issue the Company's Shares.

The increase in registered capital of the Company shall be proposed by the Board for the approval of the Shareholders' general meeting by way of special resolution and subject to the approval by the competent authority of China.

***Power to Dispose of the Assets of the Company***

The Board shall only dispose of the Company's assets within the scope of the Shareholders' general meeting's authorization.

The Board shall not, without the prior approval of the Shareholders' general meeting, dispose or agree to dispose of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposition and the value of the consideration for any disposition of any fixed assets that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed by the Shareholders' general meeting.

A disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of security by way of fixed assets.

***Emoluments, Compensation or Payments for Loss of Office***

With the prior approval at the Shareholders' general meeting, the Company shall sign written contracts with its Directors and Supervisors of the Company concerning their emoluments. Such emoluments include:

(I) emoluments in respect of his/her service as a Director, Supervisor or senior management member of the Company;

(II) emoluments in respect of his/her service as a Director, Supervisor or senior management member of a subsidiary of the Company;

(III) remuneration otherwise in connection with the provision of other management services to the Company and its subsidiary;

(IV) compensation for his/her loss of office or retirement as a Director or Supervisor.

A Director or Supervisor shall not file any lawsuit against the Company for the benefits they are entitled to for the foregoing matters other than pursuant to the aforesaid contracts.

In the contract for emoluments entered into by the Company with a Director or Supervisor, it shall be provided that such Director or Supervisor of the Company has the right to receive, in connection with the takeover of the Company and subject to prior approval at the Shareholders' general meeting, compensation or other payments for loss of office or retirement. A takeover of the Company means any of the following circumstances:

(I) an offer is made to all Shareholders by any person;

(II) an offer is made by any person such that the offeror will become the controlling Shareholder.

If any Director or Supervisor does not comply with the above requirements, any sum payable to them shall belong to those persons who have sold their Shares as a result of the above-mentioned offer, and the expenses incurred for the pro rata distribution of the sum among those persons shall be borne by the relevant Director and Supervisor and shall not be deducted from the sum distributed.

***Loans to Directors, Supervisors and Other Management Members***

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to Directors, Supervisors or senior management members of the Company, or their respective associates. However, the following circumstances are not subject to such prohibition:

(I) the provision by the Company of a loan or a guarantee of a loan to a subsidiary of the Company;

(II) the provision by the Company of a loan, a guarantee in connection with the making of a loan or other funds to Directors, Supervisors and senior management members of the Company to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties, in accordance with the terms of an employment contract approved at the Shareholders' general meeting;

(III) the Company may make a loan to or provide a guarantee in connection with the making of a loan to the Directors, Supervisors and senior management members or their respective associates, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees and conducted on normal commercial terms.

A loan made by the Company in breach of the above provisions shall be immediately repaid by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

(I) at the time when the loan was provided to an associate of the Directors, Supervisors and senior management members of the Company, the lender did not know the relevant circumstances;

(II) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

***Financial Assistance for the Acquisition of Shares in the Company***

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Company's Shares. Such purchasers of the Company's Shares shall include those who directly or indirectly assume the obligations in relation to the purchase of the Shares of the Company.

The Company or its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or release the obligations of the aforesaid obligator.

The following activities shall not be prohibited:

(I) the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the purchase of the Company's Shares, or the giving of the financial assistance is an incidental part of a plan of the Company;

(II) the lawful distribution of the Company's assets by way of dividends;

(III) the allotment of bonus Shares of the Company as dividends;

(IV) reduction of registered capital, repurchase of Shares or reorganization of the share capital structure effected in accordance with the Articles of Association;

(V) the lending of money by the Company within its scope of business and in its ordinary course of business (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);

(VI) the provision of money by the Company for an employee shareholding scheme (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).

For these purposes, financial assistance includes (without limitation to) the following meanings:

(I) gift;

(II) guarantee (including the assumption of obligations by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own fault), release or waiver of any rights;

(III) provision of loan or entering into a contract under which the obligations of the Company are to be fulfilled before the obligations of another party, and a change in the parties to, and the assignment of rights arising under, such loan or a contract;

(IV) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets or when its net assets would thereby be reduced to a material extent.

For these purposes, "assuming an obligation" includes the assuming of obligations by the changing of the obligor's financial position by way of entering into a contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

***Disclosure of Interests in Contracts with the Company***

Where a Director, Supervisor or senior management member of the Company in any way, directly or indirectly, has a material interest in a contract, transaction or an arrangement or a proposed contract, transaction or an arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the relevant matters thereof is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor or senior management member of the Company discloses his/her interest in accordance with the aforesaid requirements to the Board and the relevant matter is approved at a meeting of the Board of Directors in which the interested Director, Supervisor or senior management member is not counted in the quorum and refrains from voting, a contract, transaction or an arrangement is voidable by the Company, except against a bona fide party thereto acting without notice of the breach of duty by the relevant Director, Supervisor or senior management member.

A Director, Supervisor or senior management member of the Company is deemed to have an interest in a contract, transaction or an arrangement in which an associate of him/her has an interest.

Where a Director, Supervisor or senior management members of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he/she has an interest in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed to be a sufficient declaration of his/her interest, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Where a Director or any associates (as defined in the Hong Kong Listing Rules) of a Director has material interests in a matter to be resolved by the meeting of the Board, he/she shall abstain from voting on such resolution(s), shall not vote on behalf of other Directors and shall not be counted as quorum of the meeting, unless otherwise specified in laws, regulations, regulatory documents and as otherwise required under relevant provisions of the securities regulatory authority at the place where the Shares of the Company are listed.

Resolutions of the Board shall be passed by more than one-half of the votes of the Directors who have no relevant interest in the resolutions. Where less than three Directors who have no material interest in the resolutions attend the board meeting, the Board shall refer such matters to Shareholders' general meeting of listed companies for review. The Board should explain to the Shareholders' general meeting the discussion of the Board on such resolution(s) and the views of the Directors who have no interest in such resolution(s).

***Appointment, Removal and Retirement***

The Company has a Board of Directors which shall be accountable to the Shareholders' general meeting. The Board shall consist of 7 to 15 Directors, and the specific numbers of the Board members shall be decided by the Shareholders' general meeting. No less than one-third (at least three) of them shall be independent Directors. The Directors shall have a term of office of three years and shall be eligible for re-election upon expiry of their terms of office.

The Board shall have one chairman and may have vice chairman; both shall be taken by Directors and elected and removed by a majority of all Directors.

Directors shall be elected at the Shareholders' general meeting. The Board or Shareholders, individually or in the aggregate, holding 5% or more of the Company's Shares with voting rights have the right to nominate a candidate to be elected as a Director. Independent Directors shall be nominated by the Board, the Board of Supervisors or Shareholders, individually or in aggregate, holding 1% or more of the Company's Shares with voting rights.

The qualification of a Director, Supervisor and senior management member shall be in compliance with the applicable laws, regulations, rules of departments and regulatory documents and the Articles of Association. The qualification of Directors and senior management member must be verified by the banking regulatory authority of the State Council.

A Director may resign before the expiry of his/her term. The resigning Director shall submit to the Board a written resignation. Unless otherwise specified in the Articles of Association, the resignation of a Director shall be effective when the written resignation is served to the Board. In case that the number of Directors falls below the two thirds of the numbers of the Board members or the quorum as a result of delayed re-election upon expiry of the terms of the current session of a Director or resignation of a Director, the leaving Director shall, prior to a new Director taking his/her office, continue to perform his/her duties as a Director in accordance with the laws, regulations, regulatory documents and the Articles of Association. The resignation of a Director shall only take effect upon the election of a Director in place of the leaving Director. Under the aforesaid circumstances, the Board shall convene an extraordinary Shareholders' meeting to elect a new Director to fill the vacancy as soon as possible.

A person may not serve as a Director, Supervisor or senior management member of the Company in any of the following circumstances:

(I) a person without legal capacity or with restricted legal capacity;

(II) a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders or who has been deprived of his/her political rights;

(III) a person who is a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation as a result of mismanagement and he is personally liable for the insolvency of such company or enterprise;

(IV) a person who is a former legal representative of a company or enterprise which has its business license revoked or is ordered to close down its business due to violation of law and who has personal liability;

(V) a person who has relatively large amount of debts due and outstanding;

(VI) a person who is subject to criminal investigation by the legal authority which is not yet closed;

(VII) a person who is removed from office by other institutions or organizations due to the failure of performance of obligations involving his/her credibility;

(VIII) a non-natural person;

(IX) a person who is convicted of contravention of relevant securities regulations provisions by relevant competent authorities of the State, and such conviction involves a fraudulent act or dishonesty, where not more than five years have elapsed since the date of the conviction;

(X) a person of whom laws, regulations, rules of departments, regulatory documents and Articles of Association, the banking regulatory authority of the State Council and other regulatory bodies deem not appropriate to act as a Director, Supervisor or senior management member.

The Company shall remove or dismiss a Director, Supervisor or senior management member according to the procedure stipulated by the Articles of Association if the aforesaid circumstances occur during the term of office.

The validity of an act of a Director, president and other senior management members on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any non-compliance in his/her office, election or his/her qualification.

***Duties***

The Directors, Supervisors and senior management member of the Company shall comply with the laws, regulations, rules of departments and the Articles of Association and shall honestly perform their duties for the interests of the Company and Shareholders.

In addition to obligations imposed by laws, regulations or listing rules of the stock exchange on which the Company's Shares are listed, the Company's Directors, Supervisors and senior management member owes a duty to each Shareholder, in the exercise of the functions and powers entrusted to them by the Company:

(I) not to cause the Company to exceed the scope of the business stipulated in its business license;

(II) to act honestly in the best interest of the Company;

(III) not to expropriate in any guise the Company's property, including (without limitation to) usurpation of opportunities advantageous to the Company;

(IV) not to expropriate the rights of Shareholders, including (without limitation to) rights to distribution and voting rights, save for a restructuring of the Company submitted to Shareholders' general meeting for approval in accordance with the Articles of Association.

Each of the Directors, Supervisors and senior management members of the Company owes a duty, in the exercise of his/her powers or discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances.

Each of the Directors, Supervisors and senior management member of the Company shall carry out his/her duties in accordance with fiduciary principles and shall not put himself/herself in a position where his/her duties and his/her interests may conflict. This principle includes (without limitation to) discharging the following obligations:

(I) to act honestly in the best interests of the Company;

(II) to exercise powers within the scope of his/her powers;

(III) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, regulations or with the informed consent of the Shareholders given in Shareholders' general meeting, not to delegate the exercise of his/her discretion to other person;

(IV) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(V) except in accordance with the Articles of Association or with the informed consent of Shareholders given in Shareholders' general meeting, not to enter into contract, transaction or arrangement with the Company;

(VI) without the informed consent of Shareholders given in Shareholders' general meeting, not to use the Company's property for his/her own benefit in any form;

(VII) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation to) opportunities advantageous to the Company;

(VIII) without the informed consent of Shareholders given in a Shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

(IX) to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power and inside information in the Company to advance his/her own private interests;

(X) not to compete with the Company in any form unless with the informed consent of the Shareholders given in Shareholders' general meeting;

(XI) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(XII) unless with the informed consent of the shareholders given in Shareholders' general meeting, to keep in confidence confidential information regarding the Company acquired by him/her in the course of and during his/her term and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental competent authorities is permitted if:

1. disclosure is required by law;
2. disclosure is required for public interest;
3. the interests of the Director, Supervisor or senior management member require the disclosure.

Each Director, Supervisor or senior management member of the Company shall not cause the following persons or institutions ("associates") to do what he/she is prohibited from doing:

(I) the spouse or minor child of that Director, Supervisor or senior management member of the Company;

(II) a person acting in the capacity of trustee of that Director, Supervisor or senior management member of the Company or any person referred to in the preceding paragraph (I) above;

(III) a person acting in the capacity of partner of that Director, Supervisor or senior management member of the Company or any person referred to in paragraphs (I) and (II) above;

(IV) a company in which that Director, Supervisor or senior management member of the Company, alone or jointly with persons referred to in paragraphs (I), (II) and (III) above, or other Directors, Supervisors and senior management members, have a de facto controlling interest;

(V) the directors, supervisors and senior management members of the controlled company referred to in paragraph (IV).

The fiduciary duties of the Directors, Supervisors and senior management members of the Company do not cease upon termination of their term. The duty to keep confidential trade secrets of the Company survives after the termination of their term. The continuous period of other duties must be decided according to the principle of fairness, depending on the time lapse between the act concerned and the termination and the circumstances under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and regulations, where a Director, Supervisor or senior management member of the Company is in breach of his/her duties to the Company, the Company has a right to:

(I) claim damages from the relevant Director, Supervisor or senior management in compensation for losses incurred by the Company as a result of his/her negligence;

(II) rescind any contract or transaction entered into by the Company with the Director, Supervisor or senior management member and with a third party (where the third party knows or should know that there is a breach of obligation by such Director, Supervisor or senior management member);

(III) demand a surrender of profits made by the Director, Supervisor or senior management member in breach of his/her duties;

(IV) recover any funds received by the Director, Supervisor or senior management member which should have been received by the Company, including (without limitation to) commissions;

(V) demand return of the interest earned or may have been earned by the Director, Supervisor or senior management member on funds that should have been paid to the Company.

A Director, Supervisor or senior management member of the Company may be relieved from liability for specific breaches of his/her duties by the informed consent of the Shareholders' general meeting. Other than obligated by laws, regulations, regulatory documents or relevant requirements of the listing rules of the securities regulatory authority at the place where the Company's shares are listed, the controlling shareholders, when exercising his/her rights as a shareholder, shall not vote to bring about decisions that would impair the interest of all or part of the Shareholders on the following matters:

(I) to release the obligation of Directors and Supervisors to act honestly in the best interest of the Company;

(II) to allow Directors and Supervisors (for the interest of themselves or others), to expropriate by any means, the Company's property, including (without limitation to) opportunities advantageous to the Company;

(III) to allow Directors and Supervisors (for the interest of themselves or others) to expropriate the rights of other Shareholders, including (without limitation to) rights to distribution and voting rights, save for restructuring of the Company submitted to the Shareholders' general meeting for approval in accordance with the Articles of Association.

**Alterations to Constitutional Documents**

The Company shall amend the Articles of Association if any of the following circumstances occurs:

(I) any matters contained in the Articles of Association becoming in conflict with the provisions of the amended laws and regulations after the amendment of the PRC Company Law and other relevant laws and regulations;

(II) changes of the Company resulting in inconsistency with the Articles of Association;

(III) a resolution being passed by the Shareholders' general meeting to amend the Articles of Association.

Any amendments to the Articles of Association approved by the Shareholders' general meeting, which are subject to approval by relevant authorities, shall be filed to the relevant competent authorities for approval. Where an amendment shall be subject to registration, the Company shall register such amendment in accordance with the relevant laws.

**Variation of Rights of Existing Shares or Classes of Shares**

Prior approval from the banking regulatory authority of the State Council is required for any entity or person to purchase 5% or more of total issued Shares of the Company. Any shareholder who owns more than 5% of the total Shares must report in writing to the Company on the day it occurs so that the Company could apply for the approval of the banking regulatory authority of the State Council within five days from the date of the occurrence of the event.

If a Shareholder who owns 5% or more of the total Shares of the Company without prior approval of the banking regulatory authority of the State Council, the exercise of rights of the Shareholder in respect of the Shares in excess of 5% of the total Shares of the Company ("Excess Shares") shall be subject to restrictions unless approval is obtained from the banking regulatory authority of the State Council. The restrictions include (without limitation to):

(I) the Excess Shares shall have no voting rights at Shareholders' general meeting (including class Shareholders' meeting);

(II) the Excess Shares shall have no rights in respect of the nomination of candidates for Directors or Supervisors.

Notwithstanding the foregoing, holders of Excess Shares shall not be subject to any restrictions in exercising other Shareholders' rights under the Articles of Association. If a Shareholder fails to obtain approval from the banking regulatory authority of the State Council for the holding of the Excess Shares, the Shareholder shall transfer the Excess Shares within a period prescribed by the banking regulatory authority of the State Council.

Rights conferred on any class Shareholders in the capacity of Shareholders may not be varied or abrogated unless approved by a special resolution of Shareholders' general meeting and by holders of that affected class of Shares at a Shareholders' general meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be variation or abrogation of the rights of class Shareholders:

(I) to increase or decrease the number of Shares of such class, or to increase or decrease the number of Shares of class having voting or distribution rights or privileges equal to or more than those of Shares of such class;

(II) to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

(III) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

(IV) to reduce or remove a dividend preference or a liquidation preference during the process of the Company's liquidation, attached to Shares of such class;

(V) to add, remove or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;

(VI) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

(VII) to create a new class of Shares having voting or distribution right or privileges equal to or more than those of the Shares of such class;

(VIII) to restrict the transfer or ownership of the Shares of such class or add such restriction;

(IX) to issue rights to subscribe for, or convert into, Shares of such class or another class;

(X) to increase the rights and privileges of Shares of another class;

(XI) to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of responsibilities in such proposed restructuring;

(XII) to revise or abrogate provisions of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at Shareholders' general meetings, shall nevertheless have the right to vote at class general meetings in respect of matters concerning paragraphs (II) to (VIII), (XI) to (XII) above, but interested Shareholder(s) shall not be entitled to vote at class general meetings.

For the purpose of this section, interested Shareholder(s) shall have the following meaning:

(I) if the Company has made a repurchase offer to all Shareholders on pro rata basis or made a repurchase of its own Share by means of public transaction at the stock exchange in accordance with the Articles of Association, "interested Shareholder(s)" shall refer to the controlling Shareholders as defined in the Articles of Association;

(II) if the Company has made a repurchase of its own Share by means of agreement outside the stock exchange in accordance with the Articles of Association, "interested Shareholder(s)" shall refer to the Shareholders who are parties to the agreement;

(III) in a restructuring plan of the Company, "interested Shareholder(s)" refers to those Shareholders who assume less responsibilities than other Shareholders of the same class or those Shareholders who enjoy interests different from other Shareholders of the same class.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights held by the Shareholders of that class present at the relevant meeting who are entitled to vote.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all Shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply to the Company 20 days before the date of the class meeting. Notice of class meetings may only be served to Shareholders entitled to vote thereat.

Class meeting shall be conducted in a manner as similar as possible to that of Shareholders' general meeting. The provisions of the Articles of Association relating to the manner of conducting any Shareholders' general meeting shall apply to class meeting.

The special voting procedures at a class meeting shall not apply in the following circumstances:

(I) where the Company issues Domestic Shares and overseas listed Shares, either separately or concurrently, once every 12 months, with not more than 20% of each of its existing issued Domestic Shares and overseas listed Shares pursuant to approval by a special resolution at Shareholders' general meeting;

(II) where the Company issues Domestic Shares and overseas listed Shares under a plan adopted at the time of its establishment within 15 months from the date of approval of the plan by the securities regulatory authority of the State Council;

(III) where the shareholders holding unlisted Shares of the Company arranges the listing and trading of its Shares on an overseas stock exchange pursuant to approval of the securities regulatory authority of the State Council.

**Alteration of Capital**

***Increase of Registered Capital***

Upon the demands of operation and business development and in accordance with relevant laws, regulations and the Articles of the Association, the Company may, subject to resolutions of the Shareholders' general meeting and approval of the relevant competent authorities, increase its registered capital in the following ways:

(I) offering Shares to specific investors;

(II) offering Shares to the public;

(III) placing Shares to existing Shareholders;

(IV) dispatching bonus Shares to existing Shareholders;

(V) capitalization of capital reserve;

(VI) other methods permitted by laws, regulations and by the relevant regulatory authorities.

The increase in the share capital of the Company by issuing new Shares shall be approved in accordance with the Articles of Association and shall be conducted in accordance with the procedures under relevant laws, regulations and regulatory documents.

If the issue of convertible bonds by the Company may result in the increase in its registered capital, the convertible bonds shall be issued in accordance with the requirements of relevant laws, regulations, regulatory documents and the offering document in relation to the issue.

***Reduction of Registered Capital***

The Company reduces its registered capital in accordance with the PRC Company Law and procedures under other relevant laws, regulations, regulatory documents and the Articles of Association.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within 10 days of the adoption of the resolution to reduce its registered capital and shall publish an announcement in a newspaper at least three times within 30 days. Creditors shall, within 30 days of receiving the written notice or within 90 days since the date of the first public announcement for those who have not received the written notice, be entitled to demand the Company to pay its debts in full or to provide a guarantee for repayment.

The registered capital of the Company after reduction shall not be less than the statutory minimum.

**Special Resolutions—Majority Required**

Resolutions of Shareholders' general meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one-half of the voting rights held by the Shareholders (including proxies) present at the meeting.

A special resolution shall be passed by two-thirds or more of the voting rights held by the Shareholders (including proxies) present at the meeting.

The following matters shall be approved by Shareholders' general meeting by special resolution:

(I) increase or reduction of the Company's registered capital;

(II) merger, division, dissolution, liquidation or change of corporate form of the Company;

(III) issue and listing of corporate bonds, any class of Shares, warrants or other marketable securities;

(IV) repurchase of the Company's shares;

(V) amendments to the Articles of Association;

(VI) share incentive scheme;

(VII) purchase, disposal of major assets or provision of guarantee with aggregate value of more than 30% of the total assets of the Company within a period of a year;

(VIII) review and approval of major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, writing off of assets, major decisions of legal corporations and external donations;

(IX) alteration of profit distribution policy;

(X) other matters stipulated by laws, regulations, regulatory documents, the requirements of the securities regulatory authority at the place where the Company's Shares are listed or the Articles of Association, or matters which are significant to the Company and are determined by ordinary resolution of Shareholders' general meeting to be approved by special resolutions.

Apart from the aforementioned matters which shall be passed by special resolutions, other matters requiring approval at Shareholders' general meeting shall be approved by ordinary resolutions.

**Voting Rights (generally, on a poll and right to demand a poll)**

Shareholders (including their proxies) are entitled to exercise the voting rights of their Shares at Shareholders' general meeting. Each Share shall have one voting right. Shares of the Company held by the Company shall not carry voting rights and shall not be included in the total number of voting Shares present at Shareholders' general meeting.

Except for procedural or administrative matters of Shareholders' general meeting which may be decided by resolution passed by a show of hands as determined by the chairman of the meeting, all other matters shall be decided by resolution passed by a poll.

A poll demanded on the election of chairman or adjournment of the meeting shall be taken immediately. A poll demanded on any other resolution shall be taken at such time as the chairman of the meeting decides and the meeting may proceed to discuss any other matters. The result of the poll shall be deemed as a resolution adopted at the meeting at which the poll is demanded.

On a poll, a Shareholder (including their proxies) who is entitled to have two or more votes need not cast all his votes for or against a resolution.

**Shareholders' General Meetings**

Shareholders' general meetings include annual general meetings and extraordinary general meetings.

The Board shall convene an annual general meeting once each year and within six months from the close of every accounting year. If the meeting is deferred under special circumstances, the Company shall promptly report to the banking regulatory authority of the State Council and explain the reason therefor.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(I) the number of Directors is less than two-thirds of the total number of Directors specified at the Shareholders' general meeting or lower than the minimum quorum;

(II) the uncovered loss of the Company reaches one-third of the Company's total share capital;

(III) Shareholders who individually or jointly hold more than 10% of the voting Shares of the Company request to convene the meeting in writing;

(IV) the Board deems it necessary to convene the meeting;

(V) the Board of Supervisors proposes to convene the meeting;

(VI) any other circumstances as stipulated by the laws, regulations, regulatory documents and the Articles of Association.

**Accounts and Audit**

***Financial and Accounting Systems and Financial Reports***

The Company shall establish its financial and accounting systems according to laws, regulations and the requirements of the Chinese accounting standards formulated by the financial competent authority of China.

The Board shall at each annual general meeting submit to Shareholders the financial statements prepared by the Company as required by the relevant laws, regulations and regulatory documents.

The Company's financial reports shall be made available at the Company for Shareholders' review 20 days before the date of annual general meeting. Each Shareholder shall be entitled to obtain a copy of the financial reports as referred to in the Articles of Association.

In addition to financial statements prepared in accordance with Chinese accounting standards and regulations, the Company may also prepare its financial statements according to the international or overseas accounting standards in the place where the Company's Shares are listed. Material differences between the financial statements prepared according to different accounting standards shall be explicitly explained in the notes to the financial statements. When distributing the after-tax profits in the fiscal year, the Company shall base on the lower of the after-tax profits in the aforesaid two financial statements.

The Company shall publish its financial report twice in each fiscal year, i.e. the interim financial report within 60 days after the end of the first six months of a fiscal year and the annual financial report within 120 days after the end of a fiscal year, subject to the requirement of the securities regulatory authorities in the place where the Shares of the Company are listed.

***Appointment of an Accounting Firm***

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the PRC to audit the annual financial reports and review other financial reports of the Company.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting and shall end at the conclusion of the next annual general meeting.

The Board shall appoint an accounting firm to fill any casual vacancy in the office of the accounting firm before the convening of Shareholders' general meeting subject to the approval of the following Shareholders' general meeting. If the Company has other serving accounting firms, such accounting firms shall continue to perform their duties as long as the vacancy remains unfilled.

The remuneration or the basis of remuneration of an accounting firm shall be determined by Shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

***Change and Removal of an Accounting Firm***

The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved at Shareholders' general meeting and shall be filed with the relevant securities regulatory authority of the State Council.

Notwithstanding the terms of the contract between an accounting firm and the Company, the Shareholders' general meeting may dismiss that firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not affect the rights of the accounting firm to claim for compensation.

The Company shall notify the accounting firm in advance before the dismissal or non-reappointment of such accounting firm. The accounting firm shall be allowed to present its views at the Shareholders' general meeting at which the dismissal is considered.

The Shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm not currently serving the company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the Board to fill a vacancy, or the dismissal of an accounting firm before the expiry of its term:

(I) the proposal of appointment or dismissal shall be sent to the accounting firm to be appointed, to be or has been terminated prior to the issue of the notice of Shareholders' general meeting. The termination of an accounting firm includes dismissal, resignation and retirement.

(II) if the accounting firm being terminated requires the Company to forward its written statement to Shareholders, the Company shall take the following measures unless the written statement is not received in time:

1. to state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement;
2. to deliver a copy of the statement to Shareholders as an appendix to the notice of meeting in accordance with the Articles of Association.

(III) if the statement of the accounting firm is not delivered in accordance with paragraph (II) above, the relevant accounting firm may request such statement to be read at the Shareholders' general meeting and may make further appeals.

(IV) the accounting firm leaving its post shall be entitled to attend the following meetings:

1. the Shareholders' general meeting at which its term of service would otherwise have expired;
2. the Shareholders' general meeting for filling the vacancy caused by its dismissal;
3. the Shareholders' general meeting convened as a result of its voluntary resignation.

The accounting firm leaving its post shall be entitled to receive all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the meetings on matters in relation to its previous engagement as the accounting firm of the Company.

***Resignation of an Accounting Firm***

Any accounting firm may resign its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as stipulated in such notice. Such notice shall include the following:

(I) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the Shareholders or creditors of the Company; or

(II) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant governing authority of the State within 14 days upon receipt of the written notice. If the notice contains a statement under paragraph (II) above, a copy of such statement shall be placed at the Company for Shareholders' inspection. The copy of such statement shall also be sent by prepaid mail to holders of overseas listed Shares of the Company at the address as recorded in the register of Shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Where the accounting firm resigns, it shall be requested by the Company to explain to the Shareholders' general meeting whether there is any impropriety on the part of the Company.

**Notice of Meetings and Matters to be Dealt with at the Meeting**

When the Company is to convene a Shareholders' general meeting, it shall notify all Shareholders in respect of time, place and matters to be considered 45 days before the meeting. Shareholders who intend to attend the Shareholders' general meeting shall send a written reply to the Company 20 days before the meeting.

The notice of shareholders' general meeting shall be in compliance with the following requirements:

(I) in written form;

(II) the designated location, date and time of the meeting;

(III) the matters and all resolutions to be considered at the meeting. Proposed changes to any resolution passed at previous Shareholders' general meeting shall be disclosed in full rather than disclosing the changes only;

(IV) the information and explanation necessary for Shareholders to make decisions regarding the matters to be discussed, including (but not limited to) specific terms and contracts (if any) for a proposed transaction, and a detailed explanation of the reasons and consequences where the Company proposes a merger, repurchase of share capital, restructuring of Shares or other forms of restructuring;

(V) where any Director, Supervisor, president and other senior management member have an important interest in matters to be discussed, the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such Director, Supervisor, president and other senior management members who are Shareholders is different from the impact on other Shareholders of the same class, the difference shall be explicitly explained;

(VI) the full text of any special resolution proposed to be passed at the meeting;

(VII) a prominent statement that Shareholders entitled to attend and vote at the Shareholders' general meeting may entrust one or more proxies, who does not need to be a Shareholder of the Company, to attend the meeting and vote on their behalf;

(VIII) name and phone number of the person for meeting enquiry;

(IX) the place and time for the delivery of the proxy letter of the meeting;

(X) record date of equity interest for eligible Shareholders for attending the Shareholders general meeting;

(XI) where the Shareholders' general meeting is convened through the internet or by other means, particulars of the time and procedure of voting through internet or by other means in the notice of the Shareholders' general meeting.

Notice of Shareholders' general meeting shall be served to Shareholders (whether or not entitled to vote at the Shareholders' general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of Shareholders. For holders of Domestic Shares, notice of Shareholders' general meeting may be issued by way of public notice.

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the period between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of Domestic Shares shall be deemed to have received the notice of the relevant Shareholders' general meeting. For holders of the overseas listed shares, subject to the applicable laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, the notice of a Shareholders' general meeting may be published on the website of the Company and Hong Kong Stock Exchange in place of personal delivery or prepaid mail to the holders of the overseas listed Shares.

The Company shall, based on the written replies received 20 days before the date of the Shareholders' general meeting, calculate the number of voting Shares represented by Shareholders who intend to attend the meeting. If the number of voting Shares represented by the Shareholders who intend to attend the meeting has reached one-half or more of the Company's total voting Shares, the Company may hold the Shareholders' general meeting. Otherwise, the Company shall within five days notify the Shareholders again by public notice of the matters to be considered, the place and the date for the meeting. The Company may then hold the meeting after the publication of such public notice.

When the Company convenes Shareholders' general meeting, Shareholders, the Board, Board of Supervisors and more than half of independent Directors (at least two), individually or in the aggregate, holding 3% or more of the Shares in issue with voting rights of the Company shall have the right to submit proposals to the Company in writing. The Company shall place matters in the proposals within the scope of functions of the Shareholders' general meeting on the agenda of such meeting. Shareholders, individually or in the aggregate, holding more than 3% of the total Shares in issue with voting rights of the Company shall have the right to submit interim proposals in writing ten days before the Shareholders' general meeting to the convenor. The convenor shall within two days upon receiving such proposals give supplemental notice, and inform such matters in the interim proposals. The interim proposals should carry specific subjects and matters to be resolved that fall within the scope of authority of the Shareholders' general meeting. Unless in the circumstance set out in the preceding paragraph, the convenor, after sending out the public notice of the Shareholders' general meeting, shall not amend or add any new matter to those that have already been listed in the notice of the Shareholders' general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

The Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

(I) decide the Company's operating policies and annual investment plans;

(II) elect and replace of the Directors and Supervisors who are not representative of the employees of the Company and decide on remuneration matters of Directors and Supervisors;

(III) consider and approve the reports of the Board;

(IV) consider and approve the reports of the Board of Supervisors;

(V) consider and approve the annual preliminary and final financial budgets of the Company;

(VI) consider and approve the plans for the distribution of profits and loss recovery plan;

(VII) consider any matters proposed by Shareholders, individually or in the aggregate, holding more than 3% of the total issued Shares of the Company with voting rights;

(VIII) adopt a resolution for the increase or decrease in registered capital of the Company;

(IX) adopt a resolution for the issue of debentures, shares of any types of class, warrants or other marketable securities and of the Company and its listing;

(X) adopt a resolution for the merger, separation, dissolution, liquidation and change in the form of the Company;

(XI) amend to the Articles of Association, the procedural rules of the Shareholders' general meetings and the meetings of the Board and the Board of Supervisors;

(XII) decide the engagement, dismissal or replacement of accounting firm of the Company which conducted statutory audit for the financial report of the Company on a regular basis;

(XIII) adopt a resolution for the repurchase of the Shares of the Company;

(XIV) consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, writing off of assets, major decisions of legal corporations and external donations;

(XV) consider and approve matters in relation to the change of use of the raised funds;

(XVI) consider and approve share incentive plans;

(XVII) consider and approve purchase or sale of substantial assets or guarantees made by the Company in a year at an amount in excess of 30% of the total assets of the Company;

(XVIII) consider and approve connected transactions which are regulated by the relevant requirements under the laws, regulations, regulatory documents, the securities regulatory authority at the place where the Company's Shares are listed and Articles of Association to be considered and approved by the Shareholders' general meeting;

(XIX) consider and approve matters in relation to responsibilities and insurance of Directors and Supervisors;

(XX) consider and approve all other matters which are regulated by the laws, regulations, regulatory documents, applicable requirements of the securities regulatory authority at the place where the Company's Shares are listed and the Articles of Association to be considered and approved by the Shareholders' general meeting.

The above matters which are within the scope of authority of the Shareholders' general meeting shall be considered and approved by the Shareholders' general meeting. However, the Shareholders' general meeting may delegate power to the Board to decide on such matters under necessary, reasonable and lawful circumstances.

**Transfer of Shares**

Unless otherwise provided by laws, regulations, securities regulatory authority at the place where the Company's Shares are listed, fully paid-up Shares in the Company are freely transferable and are not subject to any lien. To transfer the overseas listed Shares listed in Hong Kong, the transferor shall carry out registration at the local stock registration organization entrusted by the Company in Hong Kong.

All the fully paid-up overseas listed Shares that are listed in Hong Kong can be freely transferred in accordance with the Articles of Association. Unless the following requirements are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal:

(I) any transfer documents and other documents which are relevant to or which would affect the ownership of the Shares shall be registered with a registration fee payable to the Company in accordance with the Hong Kong Listing Rules required by Hong Kong Stock Exchange;

(II) such transfer documents only relate to the overseas listed Shares listed on the Hong Kong Stock Exchange;

(III) any stamp duty payable on the transfer documents are duly paid in accordance with the laws of Hong Kong;

(IV) relevant H Share certificates and other proof which proves the transferor's ownership of the Shares shall be provided, as the Board may reasonably require;

(V) there shall only be a maximum of four joint holders in the event that the Shares are to be transferred to joint holders;

(VI) no Company's lien shall be attached to the relevant Shares.

Where the Board refuses to register the transfer of Shares, the Company shall issue a notice of refusal to the transfer or and the transferee within two months from the date of application for the transfer.

Shares of the Company held by the promoter shall not be transferred within one year from the date of incorporation of the Company. Shares that have been issued before public offering of the Company shall not be transferred within one year from the date that the Shares of the Company are listed on a stock exchange.

Directors, Supervisors and the senior management members of the Company shall declare to the Company that their shareholdings in the Company and any alternation of such shareholdings. They shall not transfer more than 25% of all the Shares held in the Company in any particular year during their tenure. They shall not transfer the Shares of the Company held within one year from the date of the Company's listing on a stock exchange, or six months after their resignation from their positions with the Company.

The Company shall not accept any pledge with its own Shares as the objectives.

**Power of the Company to Purchase Its Own Shares**

The Company may repurchase its Shares in the following circumstances in accordance with the laws, regulations and provisions of the Article of Associations and subject to the approval of the relevant governing authority of the State:

(I) reducing the registered capital of the Company;

(II) merging with any other companies holding Shares of the Company;

(III) giving the Shares to employees of the Company as a reward;

(IV) being requested to repurchase the Shares of the Company by the Shareholders who object to the resolutions adopted at the Shareholders' general meeting concerning merger or division of the Company;

(V) other circumstances permitted by laws and regulations.

Other than the abovementioned circumstances, the Company may not purchase or sell its own Shares.

Where the Company repurchases its shares under circumstances (I) to (III), it shall obtain approval from Shareholders' general meeting. Where the Company repurchases its Shares under circumstance (I), it shall cancel the Shares within ten days from the date of repurchase. Where the Company repurchases its Shares under circumstances (II) and (IV), the Company shall transfer or cancel the Shares within six months.

The Shares repurchased by the Company under circumstance (III) shall not exceed 5% of the total issued Shares of the Company. The funds for repurchase shall be paid from the after-tax profits of the Company. The Shares redeemed shall be transferred to the employees within one year.

The Company may repurchase its Shares in accordance with the laws in any of the following ways after being approved by relevant competent authorities of the State:

(I) making a repurchase offer pro rata to all Shareholders;

(II) repurchasing by means of public dealing on a stock exchange;

(III) repurchasing by an off-market agreement;

(IV) other methods as permitted by laws and regulations or by relevant competent authorities.

Where the Company repurchases its Shares by an off-market agreement, the prior approval of Shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may terminate or amend the contracts entered into in the aforementioned ways or waive its rights under a contract entered into in the aforementioned ways.

A contract to repurchase Shares includes (without limitation to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares. The Company shall not assign a contract to repurchase its Shares or the rights under a contract to repurchase its Shares.

For the redeemable shares which can be purchased by the Company, other than such purchases made through the stock exchange or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all Shareholders alike.

**Power for Any Subsidiary of the Company to its Own Shares**

There are no provisions in the Articles of Association preventing ownership of shares in the Company by a subsidiary.

**Dividends and Other Methods of Profit Distribution**

The Company may distribute final or interim dividend in forms of cash and Shares. Profit distribution of the company should attach importance to the reasonable investment returns to the investors, and profit distribution policy of the Company shall be consistent and stable.

Shareholders are entitled to receive interests payable in respect of any capital paid up for the Shares before the date of payment specified ("Date of Payment") by the Company. However, Shareholders may not participate in the dividend distribution declared before the date of payment in respect of any Shares paid up prior to the date of payment.

The Company's after-tax profits shall be distributed in the following order of priority:

(I) offsetting the losses in previous years;

(II) contributing 10% of them to its statutory reserve fund;

(III) contributing to its general reserves;

(IV) contributing to its discretionary reserve fund;

(V) paying dividends to its Shareholders.

No further contribution to the Company's statutory reserve fund is required when the cumulative amount reaches 50% of the Company's registered capital. In case the Company's statutory reserve fund is not sufficient to offset the losses of any previous year, the profits of the current year shall be used to offset the loss before contributing to the statutory reserve fund.

The Company may contribute to the statutory reserve fund and general reserves from the after-tax profits and, upon the resolution of the Shareholders' general meeting, may contribute to the discretionary reserve fund from the after-tax profits. The Company may, upon the resolution of the Shareholders' general meeting, distribute at the proportion of the Shares held by a Shareholder any of its profits after offsetting its losses, contributing to its statutory reserve fund, general reserve and discretionary reserve fund.

Any distribution of the Company's profits to any Shareholder before offsetting its losses or contributing to its statutory reserve fund in violation of the above methods shall forthwith be returned to the Company.

The Company shall appoint receiving agents on behalf of holders of the overseas listed invested Shares to receive on behalf of such Shareholders dividends declared and all other monies owing by the Company in respect of their overseas listed Shares. The receiving agents appointed by the Company on behalf of holders of the overseas listed Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

**Proxies**

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more other persons (whether a Shareholder or not) as his proxy to attend and vote on his behalf. According to the appointment of the Shareholder, a proxy so appointed shall:

(I) have the same right as the Shareholder to speak at the meeting;

(II) have authority to demand or join in demanding a poll;

(III) have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have right to vote on a poll.

Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his/her agent so authorized in writing, or if the appointer is a legal person or other institutions, sealed by the stamp of the legal person or institution or signed by its legal representative, directors, or agents so appointed by written form.

The proxy letter shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting not less than 24 hours before the time of the meeting at which the proxy proposes to vote or the time appointed for the voting. If the proxy letter is signed by other person authorized by the appointer, the power of attorney or other authorization document shall be notarially certified. The notarially certified power of attorney or other authorization document, together with the proxy letter, shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting.

The proxy letter issued by a Shareholder to entrust proxy to attend Shareholders' general meeting shall contain the following contents:

(I) name of the proxy;

(II) proxy's voting right;

(III) the number of Shares represented by the proxy;

(IV) instructions on each item to be discussed on the agenda of the Shareholders' general meeting, stating whether the Shareholder agrees to, objects to or abstains from voting the resolution in respect of his shareholding respectively;

(V) issuing date of the proxy letter and its effective period;

(VI) signature (or seal) of the appointer.

The format of power of attorney or proxy letter provided to Shareholders by the Board of the Company for appointing proxies shall enable the Shareholder to instruct his proxies to vote for or against or abstain from voting and to make instructions on each item to be discussed on the agenda of the Shareholders' general meeting. The proxy letter shall specify whether the proxy may vote as he/she thinks fit in the absence of instructions from the Shareholder. If the proxy letter does not specify, the proxy may vote as he/she thinks fit in respect of any item without any specified instruction and the Shareholder shall be responsible for such voting.

A vote given in accordance with the terms of an instrument of proxy shall be valid if no notice in writing had been given to the Company with respect to the previous death or loss of capacity of the appointer, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the relevant Shares before the commencement of the relevant meeting.

**Calls on Shares and Forfeiture of Shares**

For dividends that are not claimed by anyone, the Company may exercise the right of expropriation under the precondition of complying with the relevant laws and regulations of China, but the right shall be exercised only after the expiration of the applicable period.

The Company shall send dividend warrants to Shareholders by mail directly or through the receiving agent. The Company shall have the right to terminate sending dividend warrants to

Shareholders by mail after a dividend warrant fails to be redeemed for two consecutive occasions. However, the Company can exercise the right after the first occasion when such a dividend warrant is returned as undelivered.

The Company shall have the right to sell the Shares of Shareholders of overseas-listed Shares who are untraceable in a way deemed appropriate by the Board, provided the following conditions are met:

(I) the Company has distributed dividends at least three times to such Shares within 12 years, and the dividends are not claimed by anyone during the period;

(II) the Company publishes announcements in one or more newspapers in the place where the Company's Shares are listed after the expiration of the 12-year period, stating its intention to sell the Shares, and informs the stock exchange on which the Company's Shares are listed.

**Rights of Shareholders**

The ordinary shareholders of the Company shall enjoy the following rights:

(I) the right to dividends and other types of interest distributed in proportion to the number of shares held;

(II) the right to attend or appoint a proxy to attend shareholders' general meetings;

(III) to exercise the voting rights based on the number of shares held by them;

(IV) the right of Supervision over the Company's operations, and the right to present proposals or to raise enquires;

(V) the right to transfer, bestow or pledge shares in accordance with laws, regulations, regulatory documents, relevant requirements of the securities regulatory authority at the place where the Company's Shares are listed and provisions of the Articles of Association;

(VI) the right to obtain relevant information in accordance with the laws, regulations and provisions of the Articles of Association, including:

1. the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

2. the right to inspect and, subject to payment of a reasonable charge, obtain a copy of the following information in the specified place during the business hour of the Company:

   (1) the particulars of each of the Company's Directors, Supervisors and senior management members;

   (2) minutes of the Shareholders' general meetings;

   (3) all parts of the register of Shareholders;

   (4) the state of the Company's share capital;

   (5) the latest audited financial statements, reports of the Board of Directors and the Board of Supervisors;

   (6) special resolutions of the Shareholders' general meeting;

(7) reports showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of Shares repurchased by the Company since the end of the previous fiscal year and the total expenses incurred by the Company for this purpose;

(8) other information available for inspection and duplication as required by laws, regulations, securities regulatory authority of the place where the shares of the Company are listed or the Articles of Association.

If any Shareholder requests a copy of minutes of the Shareholders' general meeting, the Company shall deliver such copy after seven days upon the receipt of a reasonable cost.

The Company may refuse any inspecting or copying request which involves commercial secrets and price sensitive information of the Company.

(VII) the right to request the Company to purchase the Shares of the Shareholder who raises objection to the resolution on merger or division made at the Shareholders' general meeting;

(VIII) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;

(IX) other rights conferred by laws, regulations, regulatory documents and the Articles of Association.

**Quorum of the General Meetings and Separate Class Meetings**

The Company shall calculate the number of Shares with voting rights represented Shareholders who intend to attend the meeting based upon the written reply received 20 days prior to the Shareholders' general meeting. Where the number of voting rights Shares held by Shareholders who are going to attend the meeting reaches half or more of the total of Shares with voting rights of the Company, then the meeting can be held. Otherwise, the Company shall, within five days, inform the Shareholders again, about the matters to be discussed in the meeting, with the location and date of the meeting by an announcement. The Company may convene a Shareholders' general meeting after such announcement has been made.

When the voting Shares represented by the Shareholders to be present in the meeting reach half or more of the total voting Shares of that class in the meeting, the Company can convene class meeting; otherwise, the Company shall, within five days, inform the Shareholders again of the matters to be reviewed in the meeting, the meeting date and place through an announcement. The company may convene class meeting after such announcement has been made.

**Liquidation**

In any of the following circumstances, the Company may be dissolved and liquidate in accordance with the laws:

(I) dissolution as resolved by a Shareholders' general meeting;

(II) dissolution as a result of merger or division of the Company;

(III) its business license is revoked or it is ordered to close down its business or its business license is cancelled in accordance with laws;

(IV) being legally declared bankruptcy as a result of failure to repay the debt due;

(V) where the Company suffers significant hardship in its operation or management so that the interests of its Shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by any other means, the Shareholders holding 10% or more of the voting rights of all the Shareholders of the Company may petition the people's court to dissolve the Company.

Where the Company is dissolved as a result of merger or division, a liquidation committee shall be formed to carry out the dissolution.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a Shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within 12 months after the commencement of the liquidation.

Upon passing of the resolution at the Shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting and report at least once a year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to place a final report before the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall give notices to the creditors within ten days after its establishment and issue announcements at least three times in the newspaper within 60 days after its establishment. The creditors shall report claims to the liquidation committee within 30 days after the date of the receipt of such notices or within 45 days after the date of the first announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation team shall register the claims.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

**Other Provisions Material to the Company and Its Shareholders**

The Company is a joint stock limited company in perpetual existence.

The Articles of Association shall be passed at the Shareholders' general meeting by resolution and approved by regulatory authorities of the banking industry under the State Council before becoming effective upon the initial public offering and listing date of the Shares of the Company. The original Articles of Association shall automatically expire upon the effective date of the Articles of Association. The Articles of Association shall become a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and its Shareholders and among the Shareholders inter se from the date on which it becomes effective.

The Company may, in line with its business development needs, and upon the decision of its internal department and the approval of relevant competent authorities of the State, establish, change or revoke domestic or overseas entities including but not limited to branches and subsidiaries in accordance with the laws, regulations, regulatory documents and requirements of the Articles of Association. The Company may invest in other limited liability enterprises and joint stock enterprises in accordance with relevant laws and shall be held responsible for the enterprises in which the Company has invested within the limitation of the amount of the Company's capital contribution.

Holders of the ordinary Shares of the Company shall perform the following obligations:

(I) to comply with the laws, regulations, rules, regulatory documents and the Articles of Association;

(II) to make contribution according to the number of Shares subscribed by them and the methods of capital contribution;

(III) not to withdraw their contributed share capital unless in such circumstances as stipulated by the laws and regulations;

(IV) not to abuse the Shareholders' rights to harm the interest of the Company or other Shareholders;

(V) not to abuse the Company's independent status as a legal person and the Shareholders' limited liability to damage the interest of the creditors of the Company;

(VI) other obligations imposed by the laws, regulations and regulatory documents and the Articles of Association.

**Board Secretary**

The Company shall have a Board secretary who shall be appointed and dismissed by the Board. The Board secretary is the Company's senior management member responsible for and reporting to the Board. A Board secretary may be dismissed by the Board if the Board identifies any misconduct or negligence of duty of the Board secretary. The major duties of the Board secretary include the following:

(I) to prepare and submit the reports and documents issued by the Board of Directors and Shareholders' general meetings to the relevant government authorities;

(II) to assist the Directors in handling the daily work of the Board, providing the Directors with or, reminding them of and ensuring that they understand the regulations, policies and requirements of the relevant regulatory authorities in relation to the Company's operation; and to assist the Directors and president in complying with the relevant laws, regulations, regulatory documents, the Articles of Association and any other application rules when exercising their powers;

(III) to organize and prepare the documents of Shareholders' general meetings, Board meetings and special committees of the Board, prepare minutes of meetings and ensure the procedures of such meetings are in compliance with the legal requirements, and monitor the execution of the resolution by the Board;

(IV) to organize and coordinate information disclosure with the aim of enhancing the transparency of the Company and to ensure that the Company prepares and submits the reports and documents required by the regulatory authorities in accordance with laws;

(V) to assist the Board in preparing and revising documentation for corporate governance of the Company, and to establish a scientific decision making system and corporate governance procedure;

(VI) to be responsible for the confidentiality work relevant with the information disclosure, formulating the confidentiality measures, urge all Directors, Supervisors and senior management member and relevant insiders to keep the information confidential before the disclosure, and adopt remedial measures in due time in the case of the disclosure of inside information;

(VII) to coordinate the relationship between the Company and the regulatory authorities, intermediaries and media and to coordinate the relationship with regulatory authorities, intermediaries and media;

(VIII) to be responsible for keeping the important documents such as resolutions and minutes of the Shareholders' general meeting, the Board and the special committee of the Board;

(IX) to maintain the shareholders' register, the register of Directors, Supervisors and Senior Management members and the information regarding the shareholding of Directors, Supervisors and Senior Management members of the Company;

(X) to ensure that the persons who have the right of access to the relevant records and documents of the Company can obtain the same in a timely manner;

(XI) to perform other duties conferred by laws, regulations, rules, regulatory documents and the Articles of Association and other matters as authorized by the Board.

**Board of Supervisors**

The Company shall have a Board of Supervisors. The Board of Supervisors is a supervisory entity of the Company responsible to the Shareholders' general meeting and monitors the senior management members such as the financial directors, Directors and the president so as to prevent them from abusing their powers and infringing the interest of Shareholders. The Board of Supervisors of the Company shall be composed of three to nine Supervisors and the specific number shall be determined by the Shareholders' general meeting. The Board of Supervisors shall have one chairman who shall have relevant accounting, audit, financial or legal professional knowledge and experience. The chairman of the Board of Supervisors shall be elected or dismissed by not less than two-thirds of all the Supervisors.

The qualification of a Supervisor shall be in compliance with the requirements of laws, regulations, regulatory documents and the Articles of Association. Supervisors representing Shareholders and external Supervisors shall be elected, replaced or dismissed by the Shareholders' general meeting. Supervisors representing employees shall be elected, replaced or dismissed at the employee representative meeting by the employees of the Company and will be an employee. Supervisors representing Shareholders shall be nominated by the Board of Supervisors or Shareholders individually or jointly holding 5% or more of the Shares with voting rights of the Company in aggregate. External Supervisors shall be nominated by the Board of Supervisors or Shareholders individually or jointly holding 1% or more of the Shares with voting rights of the Company in aggregate.

A Supervisor may resign prior to the expiration of his/her term of office. To resign from office, a Supervisor shall submit a written resignation letter to the Board of Supervisors. The provisions on the resignation of Supervisors under the Articles of Association shall be applicable as reference. In case that the number of Supervisors falls below the quorum as a result of delayed re-election upon expiry of the terms of the current session of the Supervisors or resignation of a Supervisor, the leaving Supervisor shall, prior to a new Supervisor taking his/her office, continue to perform his/her duties as a Supervisor in accordance with the requirements under laws, regulations, rules, regulatory documents and the Articles of Association.

The Board of Supervisors shall perform the following duties;

(I) to examine and oversee the financial conditions of the Company, and review financial information including the financial reports and profit distribution plan;

(II) 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;

(III) to monitor the implementation of policies of the Company and the basic management systems;

(IV) to nominate Supervisors representing Shareholders, external Supervisors and independent Directors;

(V) if necessary, to prepare the audit for departure audit of Directors and senior management members;

(VI) to supervise the performance of Directors and senior management members and to propose the removal of Directors and senior management members who are in breach of the laws, regulations, the Articles of Association or the resolutions of the Shareholders' general meeting;

(VII) to urge Directors and senior management members to correct their acts which impair the interests of the Company;

(VIII) to propose to convene an extraordinary meeting of the Board;

(IX) 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;

(X) to submit proposals to the Shareholders' general meeting;

(XI) 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;

(XII) to formulate the assessment methods and remuneration package of Supervisors and carry out appraisal of Supervisors for approval at the shareholders' general meeting;

(XIII) to monitor the risk management and internal control of the Company and direct the job of the internal audit department of the Company;

(XIV) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association.

Supervisors may attend the meetings of the Board and the senior management and may make enquiries or suggestions on the resolutions. The Board of Supervisors may carry out investigation if any irregularities of the operation of the Company are identified. The Board of Supervisors may exercise its right, if necessary, to engage intermediaries and professionals for assistance at reasonable expense of the Company.

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 four meetings every year and at least once every six months. Regular meetings of the Board of Supervisors shall not be convened by way of correspondence. The Board of Supervisors shall inform all Supervisors in writing ten days prior to the holding of the meeting.

The Chairman of the Board of Supervisors shall convene an extraordinary meeting within ten days from the date of receipt of the following requests:

(I) the chairman of the Board of Supervisors deems necessary;

(II) request by more than one-third of the Supervisors;

(III) request by all external Supervisors;

(IV) other circumstances as stated in laws, regulations, rules, regulatory documents and the Articles of Association.

To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. In case of emergency, the convening of an extraordinary meeting of the Board of Supervisors is not subject to the aforementioned notification time, but reasonable notice shall be given.

A meeting of the Board of Supervisors shall not be conducted unless two-thirds or more of all the Supervisors (including those who appoint other Supervisors to attend the meeting on their behalf) are present. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the Supervisors.

Supervisors shall attend the meetings of the Board of Supervisors in person. If a Supervisor is unable to attend the meeting for any reason, he/she may appoint another Supervisor in writing to attend the meeting on his/her behalf. A proxy form shall state the name of the proxy, the scope of the authorization, the authority of the proxy and the period of validity, and also be signed or affixed by the principal and the proxy. The Supervisor attending the meeting on behalf of another Supervisor shall exercise his/her power within the scope of authorization. A Supervisor who does not attend a meeting of the Board of Supervisors either in person or by proxy shall be deemed to have waived his/her voting rights at the meeting.

**Board**

The Board shall perform the following duties:

(I) to convene and report its work to the Shareholders' general meeting;

(II) to implement the resolutions of the Shareholders' general meeting;

(III) to determine the operation plans, development strategies and investment proposals of the Company;

(IV) to formulate annual financial budget and final account statement of the Company;

(V) to formulate profit distribution plan and plan for recovery of losses of the Company;

(VI) to formulate proposals for increases or reductions of the registered capital of the Company;

(VII) to formulate plans for the merger, separation, changes of the form and dissolution of the Company;

(VIII) to formulate proposals for the issue of corporate bonds, any types of shares, warrants or other marketable securities by the Company and the listing of the Company;

(IX) to formulate plans for the repurchase of Shares of the Company;

(X) to formulate the amendments to the Articles of Association, the rules of procedures of the Shareholders' general meeting and the rules of procedures of the Board;

(XI) to consider and approve the terms of reference of the president;

(XII) to appoint or remove the president of the Company and the secretary to the Board;

(XIII) to appoint or remove vice president and other senior management members (excluding secretary to the Board) and the director of the internal audit as nominated by the president;

(XIV) based on the proposal of Shareholders, who independently or in aggregate holding 10% or above Shares with voting rights of the Company, chairman of the Board and more than one-third 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 committee of the Board;

(XV) to propose the performance appraisal system for Directors and remuneration packages for directors to the Shareholders' general meeting for approval;

(XVI) to determine the compensation, appraisal, incentive and punishment matters of the senior management members and director of the internal audit department of the Company;

(XVII) 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 the internal control and compliance management as well as internal audit of the Company;

(XVIII) to determine the structure of internal management departments of the Company;

(XIX) to evaluate and improve the corporate governance of the Company on a regular basis;

(XX) to formulate equity incentive scheme;

(XXI) to manage the matters in relation to the information disclosure and investors' relations of the Company;

(XXII) to propose the appointment, removal or termination of appointment of accounting firm to the Shareholders' general meeting;

(XXIII) to consider and approve, or authorize the Connected Transactions Management Committee to approve, connected party transactions, except for those which shall be considered and approved by the Shareholders' general meeting;

(XXIV) within the scope of authorization of a Shareholders' general meeting, to consider and approve the investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, writing off of assets, material decisions of legal corporations and external donations;

(XXV) to consider and approve the proposals of each special committee of the Board;

(XXVI) to consider the work report of the president to ensure that each Director obtains the information related to the fulfillment of his/her duties in accordance with the relevant regulatory requirement in a timely manner; to review the work of senior management members to monitor and ensure their effective performance of management duty;

(XXVII) to consider execution and rectification of the regulatory suggestions from the banking regulators of the State Council to the Company;

(XXVIII) to review the structure of the first class Company Branches of the Company inside and outside the PRC;

(XXIX) to consider the responsibilities and insurance matters of senior management;

(XXX) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association, and other matters as authorized by the Shareholders' general meeting.

The above issues within the power of the Board shall be examined and decided by Board meetings but may be delegated to the chairman of the Board or the president for making decision thereon provided that it is necessary, reasonable and lawful.

Resolutions of the Board shall be passed by a majority vote of all Directors. Resolutions concerning the following shall be passed by two-thirds or more of all the Directors and the Board meeting shall not be convened by way of correspondence:

(I) to formulate the development strategy of the Company;

(II) to formulate annual financial budget and final financial account statement of the Company;

(III) to formulate profit distribution plan and plan for recovery of losses;

(IV) to formulate proposals for increase or reduction of the registered capital;

(V) to formulate plans for the merger, separation, changes of the form and dissolution of the Company;

(VI) to formulate proposals for the issue of corporate bonds, any types of shares, warrants or other marketable securities by the Company and the listing of the Company;

(VII) to formulate plans for the repurchase of Shares of the Company;

(VIII) to formulate proposals for any amendment to the Articles of Association;

(IX) within the scope of authorization of a Shareholders' general meeting, to consider and approve the investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, writing off of assets, major decisions of legal corporations and external donations;

(X) to appoint or remove the president and other senior management members of the Company and decide on their remuneration, award and punishment;

(XI) to elect the chairman (other than the chairman of the Strategy and Development Committee) and members of each special committee of the Board;

(XII) to propose the appointment, dismissal and termination of appointment of accounting firm to the Shareholders' general meeting;

(XIII) other matters that after being passed by the Board as ordinary resolutions, to be of a material effect on the Company and have to be passed by not less than two-thirds of the Directors;

(XIV) to approve any annual cap or one-off donations for the relief of regions with material contingencies which are beyond the scope of approval by the Shareholders' general meeting and other matters;

(XV) to approve other resolutions which shall be passed by not less than two-thirds of the Directors as provided for by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association.

Board meetings are divided into regular Board meetings and extraordinary Board meetings. The Supervisors shall be informed by the Board to attend meetings of the Board. Regular Board meetings shall be convened at least four times a year, approximately once a quarter. Regular Board meetings shall not be convened by way of correspondence. The Board shall notify all Directors and Supervisors in writing 14 days before the meeting is convened and attach relevant meeting documents.

The chairman of the Board shall issue the notice of convening an extraordinary meeting of the Board within ten days from the date of the occurrence of the following circumstances:

(I) request of the Shareholders who, individually or jointly hold 10% or more of the Shares with voting rights of the Company in aggregate;

(II) The chairman of the Board deems necessary;

(III) request of more than one-third of Directors;

(IV) request of the Board of Supervisors;

(V) request of more than half of the independent Directors (at least two);

(VI) request of the president;

(VII) other circumstances as stated in laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association.

To convene an extraordinary meeting of the Board, written notice shall be given to all Directors seven days before the date of meeting. In case of emergency, the convening of an extraordinary meeting of the Board is not subject to the aforementioned notification time, but reasonable notice shall be given.

A Board meeting shall not be conducted unless more than half of the Directors (including those who appoint other Directors to attend the meeting on their behalf) are present. If a Director has interest in any matters to be discussed, the Board meeting shall not be held until a simple majority of the Directors who do not have any interest in the matters to be discussed are present.

Directors shall attend the meetings of the Board in person. If a Director is unable to attend the meeting for any reason, he/she may appoint another Director with the same class in writing to attend the meeting on his/her behalf. A proxy form shall state the name of the proxy, the scope of the authorization, the authority of the proxy and the period of validity, and also be signed or affixed by the principal and the proxy. The Director attending the meeting on behalf of another Director shall exercise his/her power within the scope of authorization. A Director who does not attend a Board meeting either in person or by proxy shall be deemed to have waived his/her voting right at the meeting.

**Special Committees of the Board**

Special committees including Strategy and Development Committee, Risk Management Committee, Connected Transactions Committee, Audit Committee and Nomination and Remuneration Committee are set up under the Board of the Company. The Board may set up other special committees and restructure the existing committees as necessary. Each special committee shall be accountable to the Board and assist the Board in the performance of duties as authorized by the Board, as well as provide professional suggestions to the Board and make decisions on specialized matters.

Each special committee shall have at least three members and all of its members shall be Directors.

***Strategic and Development Committee***

The Strategic and Development Committee shall be chaired by the chairman of the Board.

The Strategic and Development Committee shall perform the following principal duties:

(I) to consider and discuss the operation goal, overall strategic development plan and to make advices to the Board; to assess factors that may affect the strategic development plan and its implementation of the Company based on the conditions of the economy and finance condition both home and abroad as well as the change trend of the market, and make suggestions of adjustment of the strategy plan to the Board in a timely manner;

(II) to consider and discuss the annual financial budget and final accounting statement based on the development strategy, and make suggestions to the Board;

(III) to make assessment to the overall development of each type business and make suggestions of adjustment of the strategic development plan to the Board in a timely manner;

(IV) to consider and discuss the execution of the operation and investment plan, the strategic capital distribution and the assets and liabilities management target of the Company, and make suggestions to the Board;

(V) to consider and discuss the significant reorganization of institutions and adjustment plan, and make suggestions to the Board;

(VI) to responsible for the material investment and financing solutions which shall be approved by the Shareholders' general meeting and the Board, and acquisition of assets, disposal of assets, writing off of asset and foreign security, etc and make suggestions to the Board;

(VII) to consider and discuss the establishment of legal-person institutions, merger of enterprises and acquisition plans which shall be approved by the Shareholders' general meeting and the Board, and make suggestions to the Board;

(VIII) to consider and discuss the structure and adjustment plan of the internal functional departments and first class Company Branches and other institutions directly controlled by the Company and make suggestions to the Board;

(IX) to consider and discuss the development of information technology and other special strategic development plan, and make suggestions to the Board;

(X) to review and assess the soundness of corporate governance of the Company and ensure that the financial report, risk management and internal control are in compliance with the governance standards of the Company;

(XI) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association, and other matters as authorized by the Board.

***Audit Committee***

The chairman of the Audit Committee shall be an independent Director while all members of it shall be non-executive Directors. The majority of the Audit Committee shall be independent Directors and at least one of them shall have the appropriate professional qualification or accounting or relevant financial management expertise.

The Audit Committee shall perform the following principal duties and permissions:

(I) to supervise the formulation and implementation of the internal control, the core businesses and management regulation systems of the Company and make assessment to the compliance and effectiveness of significant operation activities of the Company;

(II) to supervise the financial information and its disclosure, significant financial policies and its implementation as well as financial operation of the Company; and to monitor the authenticity of the financial report and the effectiveness of the procedures of the financial report conducted by the Management;

(III) to consider and discuss the basic management system, regulation, medium and long term audit plan, annual work plan and setting-up solutions of the internal audit system, and make suggestions to the Board;

(IV) to supervise and assess the job of the internal control of the Company: to supervise the implementation of the internal audit system of the Company; to make assessment on the working procedures and effectiveness of the internal audit department;

(V) to make proposal to appoint or change the external audit institution and report to the Board for consideration and discussion, and to take reasonable measures to monitor the job of the external audit institution, reviewing the report of the external audit institutions, ensuring the final responsibility to the Board and the Audit Committee;

(VI) to review the annual audit report and other special advice, the audited financial accounting report, other financial accounting report and other financial information to be disclosed made by the accounting firm; make judgments to the authenticity, completeness and accuracy of the audited financial report information and submit to the Board for consideration and discussion;

(VII) to facilitate communications between the internal audit department and the external auditor;

(VIII) to perform other duties as provided for by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association, and other matters as authorized by the Board.

***Risk Management Committee***

The risk Management Committee shall perform the following principal duties and permissions:

(I) to review the risk management framework system, the basic policies, procedures and management systems of risk management based on the overall strategy of the Company; to supervise the implementation and effectiveness of the risk strategy, risk management procedures and the internal control procedures, and make suggestions to the Board;

(II) to supervise the structure, ways of organization, working procedures and effect of the risk management department, and make suggestions to the Board;

(III) to consider and discuss the risk capital distribution solution and the management target of capital adequacy ratios, review the clarification standards of assets and risks provision policies, and submit to the Board for consideration and approval; to review and supervise the implementation of the capital plan, making suggestions on the information disclosure of the capital adequacy ratios;

(IV) to consider and discuss the annual risk management target and the annual risk management plan submitted by the senior management, and implement after reporting to the Board and obtaining its approval, and also supervise its implementation; to review the duties, permissions and reporting systems of the senior management regarding to risk and implement it after reporting to the Board and obtaining its approval; to procure the senior management to take necessary steps to identify, assess, inspect and control risk; to monitor and assess the controlling situation of risk in relation to the credit, market and operation of senior management and the performance of the them, and make suggestions to the Board;

(V) to make suggestions regarding to the perfection of the risk management and internal control of the Company from the perspective of the Company and an overall view;

(VI) to make assessment to the risk condition of the Company on a regular basis, and make suggestions to the Board;

(VII) to consider the material risk management matters or transaction projects that out of the permission of the president and that proposed by the president to this committee for consideration, and make suggestions to the Board;

(VIII) to supervise the working condition of legal and compliance management; to consider the legal and compliance policies and relevant basic management system and make suggestions, submitting to the Board for consideration and approval; to listen to and consider the implementation condition of the legal and compliance policies;

(IX) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association, and other matters as authorized by the Board.

***Nomination and Remuneration Committee***

The majority of the members and the chairman of the Nomination and Remuneration Committee shall be independent Directors.

The Nomination and Remuneration Committee shall perform the following principal duties and permissions:

(I) to consider and discuss the strategic development plan of human resources and make suggestions to the Board;

(II) to make recommendations to the Board in respect of the candidates for Directors, presidents and secretary to the Board;

(III) to formulate the selection procedures and standards for Directors, chairman and members of special committee of the Board and senior management members, and make suggestions to the Board;

(IV) to make preliminary audit to the qualification of candidate of Director and senior management, and make suggestions to the Board;

(V) to nominate the candidates for chairman (other than the chairman of the Strategy and Development Committee) and members of the special committee of the Board;

(VI) to formulate the examination measurement and package of remuneration for Directors, and make assessment to the performance and behaviors of Directors, submitting to the Shareholders' general meeting for determination after reporting to the Board and obtaining its agreement;

(VII) to formulate and review the examination measurement and package of remuneration for senior management of the Company and director of the internal audit department, and make assessment to the performance and behaviors of senior management, reporting to the Board for approval;

(VIII) to consider the major human resources and package of remuneration and management systems submitted by the senior management which shall be approved by the Board or the Shareholders' general meeting and propose to the Board for determination, and to monitor the implementation of relevant policies and management systems;

(IX) to perform other duties as required by laws, regulations, regulatory documents, the rules requirements of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association, and other matters as authorized by the Board.

***Related Party Transaction Committee***

The Related Party Transaction Committee shall perform the following principal duties and permissions:

(I) to review basic management systems for related party transactions, oversee its implementation and make suggestions to the Board;

(II) 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;

(III) to make an preliminary review to the related party transactions as approved by the Board or the shareholders' general meeting;

(IV) to consider and discuss related party transactions and other matters thereof under the scope of authorization by the Board;

(V) to accept records of related party transactions, and review the information disclosure matters in relation to the material related party transactions of the Company;

(VI) to consider and approve the annual management report on related party transactions and report to the Board;

(VII) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association, and as other matters authorized by the Board.

**Settlement of Disputes**

Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed Shares and the Company, or between holders of overseas listed Shares and Directors, Supervisors, or senior management of the Company, or between holders of overseas listed Shares and holders of Domestic Shares, and arising as a result of the rights and obligations provided for in the Articles of Association, the PRC Company Law and other applicable laws, administrative requirements, shall be referred to arbitration by parties involved.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or Shareholders, Directors, Supervisors, managers or other senior management members of the Company, shall comply with the arbitration.

Disputes in respect of the definition of Shareholders and disputes in relation to the register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

The resolution of any dispute or claim of rights referred to in the first paragraph above by arbitration is subject to the PRC laws, unless otherwise required by laws and administrative regulations.

An arbitral award made by the arbitral body shall be final and binding on the parties.

## I. FURTHER INFORMATION ABOUT OUR GROUP

### a. Incorporation

The Company's predecessor, Huarong Corporation, was incorporated on November 1, 1999 and was converted into a joint stock limited company on September 28, 2012 under the PRC Company Law. Our registered address is No. 8, Financial Street, Xicheng District, Beijing, the PRC. The registered place of business of the Company in Hong Kong is 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XVI of the Companies Ordinance. Mr. Ngai Wai Fung has been appointed as the agent of the Company for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as the registered place of business of the Company in Hong Kong set out above. Since the Company was established in the PRC, the corporate structure and Articles of Association of the Company are subject to the relevant laws of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V to this prospectus. A summary of the relevant provisions of the Articles of Association of the Company is set out in Appendix VI to this prospectus.

### b. Changes in the share capital of the Company

As at the date of the conversion of Huarong Corporation into a joint stock limited company, the registered capital of the Company was RMB25,835,870,462, which was divided into 25,835,870,462 issued Shares of RMB1.00 each. A total of RMB25,335,870,462, representing 25,335,870,462 Shares, or a 98.06% shareholding, in the joint stock limited company, was contributed by the MOF; and a total of RMB500,000,000, representing 500,000,000 Shares, or a 1.94% shareholding, in the joint stock limited company, was contributed by China Life Group.

Changes in the issued share capital of the Company subsequent to the date of the conversion into a joint stock limited company are set out below:

(1) Introduction of the Strategic Investors:

(i) On June 30, 2014, the Company entered into a share subscription agreement with China Life Group to issue 1,150,000,000 new Shares to China Life Group at a consideration of RMB2,438,000,000;

(ii) On June 27, 2014, the Company entered into a share subscription agreement with Warburg Pincus Financial International and Warburg Pincus International to issue 2,060,000,000 new Shares to Warburg Pincus Financial International at a consideration of RMB4,367,200,000;

(iii) On June 27, 2014, the Company entered into a share subscription agreement with CSI AMC and CSI to issue 790,000,000 new Shares to CSI AMC at a consideration of RMB1,674,800,000;

(iv) On June 27, 2014, the Company entered into a share subscription agreement with Pantai Juara Investments to issue 755,000,000 new Shares to Pantai Juara Investments at a consideration of RMB1,600,600,000;

(v) On June 27, 2014, the Company entered into a share subscription agreement with CICC Strategic Investment and CICC Special Situation Investment to issue 750,000,000 new Shares to CICC Strategic Investment at a consideration of RMB1,590,000,000;

(vi) On June 27, 2014, the Company entered into a share subscription agreement with COFCO (HK) and COFCO to issue 708,000,000 new Shares to COFCO (HK) at a consideration of RMB1,500,960,000;

(vii) On June 27, 2014, the Company entered into a share subscription agreement with Fidelidade to issue 500,000,000 new Shares to Fidelidade at a consideration of RMB1,060,000,000; and

(viii) On June 27, 2014, the Company entered into a share subscription agreement with Goldman Sachs SSG and Goldman Sachs to issue 147,000,000 new Shares to Goldman Sachs SSG at a consideration of RMB311,640,000.

(2) Assuming that the Global Offering has become unconditional and the Offer Shares have been issued, the share capital of the Company upon the completion of the Global Offering will be RMB38,465,750,462, being 24,411,745,353 H Shares of RMB1.0 each and 14,054,005,109 Domestic Shares of RMB1.0 each (assuming the Over-allotment Option is not exercised).

(3) Save as disclosed in this Appendix, there has been no change in the Company's share capital since the date of our conversion into a joint stock limited company.

**c. Changes in the share capital of our major operating subsidiaries**

The information of the major operating subsidiaries of the Company is set out below. The following changes in the share capital or registered capital (as the case might be) of the major operating subsidiaries of the Company have taken place within two years immediately preceding the date of this prospectus:

(1) **Huarong Securities**

Huarong Securities was established in September 2007 with a registered capital of RMB1.51 billion. As at the date of its establishment, it was held as to 99.34% by the Company. In December 2010, September 2011, October 2013, December 2014 and July 2015, the registered capital of Huarong Securities was increased to RMB2.403 billion, RMB3.003 billion, RMB3.178 billion, RMB3.755 billion and RMB4.674 billion, respectively. As at the Latest Practicable Date, Huarong Securities' registered capital was RMB4.674 billion. As at the same date, Huarong Securities had 13 shareholders and was held as to 81.56% and 18.44% by the Company and other Independent Third Party shareholders, respectively.

(2) **Huarong Financial Leasing**

Huarong Financial Leasing's predecessor, Zhejiang Leasing Co., Ltd., was established in 1986 and was approved to be reorganized as Zhejiang Financial Leasing Co., Ltd. with a registered capital of RMB516 million in December 2001. It was renamed China Huarong Financial Leasing Co., Ltd. in August 2007. The registered capital of Huarong Financial Leasing was increased to RMB1.474 billion, RMB2 billion, RMB2.5 billion and RMB5 billion in June 2008, February 2010, December 2010 and January 2015, respectively. As at the Latest Practicable Date, Huarong Financial Leasing had a registered capital of RMB5 billion and was held as to 79.92% and 20.08% by the Company and other Independent Third Party shareholders, respectively.

(3) **Huarong Xiangjiang Bank**

Huarong Xiangjiang Bank was established in October 2010 with a registered capital of RMB4.08 billion as at the date of its establishment. In February 2012, the registered capital of Huarong Xiangjiang Bank was increased to RMB4.93 billion. In September 2013, the registered capital of Huarong Xiangjiang Bank was increased to RMB6.16 billion. As at the Latest Practicable Date, Huarong Xiangjiang Bank had a registered capital of RMB6.16 billion and was held as to 50.98% and 49.02% by the Company and other Independent Third Party shareholders, respectively.

(4) **Huarong Trust**

Huarong Trust's predecessor, Xinjiang International Trust Investment Company, was established in January 1987 with a registered capital of RMB236 million. In July 2002, PBOC approved the re-registration of Xinjiang International Trust Investment Company under the new name of Xinjiang International Trust & Investment Co., Ltd. with a registered capital of RMB330 million. In May 2008, with the approval of CBRC, we reorganized Xinjiang International Trust & Investment Co., Ltd. and renamed it as Huarong Trust with a registered capital of RMB350 million. In October 2008, RMB1.15 billion and RMB17.45 million were injected by us and Xinjiang Kaidi Investment Co., Ltd., respectively, to Huarong Trust and the registered capital of Huarong Trust was increased to RMB1.518 billion. In February 2010, the State-owned Assets Supervision and Administration Commission of Xinjiang transferred its 0.69% shareholding in Huarong Trust to Xinjiang Henghe Investment Co., Ltd. In January 2015, the registered capital of Huarong Trust was increased to RMB1.98 billion with the injection of RMB465 million by the Company. As at the Latest Practicable Date, Huarong Trust's registered capital was RMB1.98 billion and was held as to 98.09% and 1.91% by the Company and other Independent Third Party shareholders, respectively.

(5) **Huarong Futures**

Huarong Futures' predecessor, Hainan Changjie Futures Co., Ltd., was established in 1993 with a registered capital of RMB10 million. It was renamed as Huarong Futures Co., Ltd. in January 2011 after the reorganization carried out by Huarong Securities in August 2010 with its registered capital increased to RMB120 million. In October 2013, Huarong Futures' registered capital was increased to RMB320 million. As at the Latest Practicable Date, Huarong Futures had a registered capital of RMB320 million and was held as to 75.44% by the Company through Huarong Securities.

(6) **Huarong Rongde**

Huarong Rongde was established as a sino-foreign joint venture in June 2006. Its registered capital was RMB1.788 billion as at the date of its establishment. As at the Latest Practicable Date, the shareholders of Huarong Rongde included us and Cathay Capital Company (No. 2) Limited, a special purpose vehicle established by Deutsche Bank AG and Kaihua Investment. As at the Latest Practicable Date, Huarong Rongde's registered capital was RMB1.788 billion and was held as to 59.30% and 40.70% by the Company and Cathay Capital Company (No. 2) Limited, respectively.

(7) **Huarong Real Estate**

Huarong Real Estate's predecessor, Zhuhai Hengqin Xindong Real Estate Development Company, was established in May 1994 with a registered capital of RMB50 million contributed by Changchun Trust & Investment Co., Ltd. In July 2009, the Company conducted a debt restructuring of Zhuhai Hengqin Xindong Real Estate Development Company, converted it into a private limited company wholly owned by the Company, and renamed it Huarong Real Estate Co., Ltd., with a registered capital of RMB300 million upon the completion of the conversion. From September 2009 to August 2010, the registered capital of Huarong Real Estate was increased to RMB850 million. In July 2015, the registered capital of Huarong Real Estate was increased to RMB1,850 million. As at the Latest Practicable Date, Huarong Real Estate had a registered capital of RMB1,850 million and was held as to 100% by the Company.

(8) **Huarong International**

Huarong International was established in January 2013 as the Company's first subsidiary outside the PRC with an issued capital of HKD5 million. In April 2013 and August 2014, the issued capital of Huarong International increased to HKD50 million and HKD420 million, respectively. As at the Latest Practicable Date, the issued capital of Huarong International was HKD420 million and was held by Huarong Real Estate and Huarong Zhiyuan (both being our wholly-owned subsidiaries) as to 88.10% and 11.90%, respectively.

Save as described above, there has been no other alteration in the share capital of the major operating subsidiaries of the Company within two years preceding the date of this prospectus.

**d. Restrictions on share repurchase**

For the details of restrictions on repurchase of Shares of the Company, please refer to "Appendix VI – Summary of Articles of Association" to this prospectus.

**e. Resolutions at our general meeting**

At the extraordinary general meeting held on June 14, 2015, the following resolutions were passed by the Shareholders:

(1) the issue by the Company of H Shares to be listed on the Hong Kong Stock Exchange. The number of H Shares to be issued shall be 15%–17% of the total issued share capital of the Company (assuming the Over-allotment Option is not exercised) upon the completion of the Global Offering;

(2) the adoption of the Articles of Association which shall become effective on the Listing Date; and

(3) the authorization of the Board and further authorization from the Board to the Chairman of the Board and the authorized person by the Chairman of the Board to handle all matters that are necessary for the issuing and listing of our Shares.

## II. FURTHER INFORMATION ABOUT OUR BUSINESS

### a. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) a share subscription agreement dated June 27, 2014 entered into between the Company and Warburg Pincus Financial International Ltd and Warburg Pincus International L.P. in relation to the Company's issuance of 2,060,000,000 new Shares to Warburg Pincus Financial International Ltd at a consideration of RMB4,367,200,000;

(2) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and Warburg Pincus Financial International Ltd in relation to the strategic cooperation arrangement between the Company and Warburg Pincus Financial International Ltd;

(3) a share subscription agreement dated June 27, 2014 entered into between the Company and CSI AMC Company Limited and CITIC Securities International Company Limited in relation to the Company's issuance of 790,000,000 new Shares to CSI AMC Company Limited at a consideration of RMB1,674,800,000;

(4) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and CITIC Securities International Company Limited in relation to the strategic cooperation arrangement between the Company and CITIC Securities International Company Limited;

(5) a share subscription agreement dated June 27, 2014 entered into between the Company and Pantai Juara Investments Limited in relation to the Company's issuance of 755,000,000 new Shares to Pantai Juara Investments Limited at a consideration of RMB1,600,600,000;

(6) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and Pantai Juara Investments Limited in relation to the strategic cooperation arrangement between the Company and Pantai Juara Investments Limited;

(7) a share subscription agreement dated June 27, 2014 entered into between the Company and CICC Strategic Investment Company Limited and CICC Special Situation Investment Limited in relation to the Company's issuance of 750,000,000 new Shares to CICC Strategic Investment Company Limited at a consideration of RMB1,590,000,000;

(8) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and China International Capital Corporation Limited in relation to the strategic cooperation arrangement between the Company and China International Capital Corporation Limited;

(9) a share subscription agreement dated June 27, 2014 entered into between the Company and COFCO (Hong Kong) Limited and COFCO Corporation in relation to the Company's issuance of 708,000,000 new Shares to COFCO (Hong Kong) Limited at a consideration of RMB1,500,960,000;

(10) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and COFCO Corporation in relation to the strategic cooperation arrangement between the Company and COFCO Corporation;

(11) a share subscription agreement dated June 27, 2014 entered into between the Company and FIDELIDADE - COMPANHIA DE SEGUROS, S.A. in relation to the Company's issuance of 500,000,000 new Shares to FIDELIDADE - COMPANHIA DE SEGUROS, S.A. at a consideration of RMB1,060,000,000;

(12) a master strategic cooperation agreement dated June 27, 2014 entered into between the Company and Fosun International Limited in relation to the strategic cooperation arrangement between the Company and Fosun International Limited;

(13) a share subscription agreement dated June 27, 2014 entered into between the Company and Special Situations Investing Group II, LLC and The Goldman Sachs Group, Inc. in relation to the Company's issuance of 147,000,000 new Shares to Special Situations Investing Group II, LLC at a consideration of RMB311,640,000;

(14) a memorandum of understanding regarding strategic cooperation dated June 27, 2014 entered into between the Company, Special Situations Investing Group II, LLC and The Goldman Sachs Group, Inc. in relation to the strategic cooperation arrangement among the Company, Special Situations Investing Group II, LLC and The Goldman Sachs Group, Inc.;

(15) a share subscription agreement dated June 30, 2014 entered into between the Company and China Life Insurance (Group) Company in relation to the Company's issuance of 1,150,000,000 new Shares to China Life Insurance (Group) Company at a consideration of RMB2,438,000,000;

(16) a master strategic cooperation agreement dated June 30, 2014 entered into between the Company and China Life Insurance (Group) Company in relation to the strategic cooperation arrangement between the Company and China Life Insurance (Group) Company;

(17) a subscription agreement dated July 11, 2014 entered into between Huarong Finance Co., Ltd. (as the issuer), Huarong (HK) International Holdings Limited (華融(香港)國際控股有限公司) (as the guarantor), the Company and Credit Suisse Securities (Europe) Limited, Standard Chartered Bank, Wing Lung Bank Limited (永隆銀行有限公司), Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行(亞洲)有限公司) (as the joint global coordinators), ABCI Capital Limited (農銀國際融資有限公司), CCB International Capital Limited (建銀國際金融有限公司), China Merchants Securities (HK) Co., Limited (招商證券(香港)有限公司), Citigroup Global Markets Limited, DBS Bank Ltd., Jefferies Hong Kong Limited (富瑞金融集團香港有限公司), Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (together with the joint global coordinators as the joint bookrunners and joint lead managers) in relation to U.S.$300,000,000 3.00 per cent. guaranteed notes due 2017 and U.S.$1,200,000,000 4.00 per cent. guaranteed notes due 2019;

(18) a financial bonds underwriting agreement dated October 24, 2014 entered into between the Company (as the issuer) and Huarong Securities Co., Ltd. (as the lead underwriter, and representative of the underwriting syndicate), Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Bank of Communications Co., Ltd. (as the joint underwriters and representative of the underwriting syndicate) in relation to the proposed application of public issuance of financial bonds of 2014 of no more than RMB20,000,000,000 in the PRC inter-bank bond market;

(19) a dealer agreement dated January 5, 2015 entered into between Huarong Finance II Co., Ltd. (as the issuer), Huarong (HK) International Holdings Limited (as the guarantor), the Company and Credit Suisse Securities (Europe) Limited, Standard Chartered Bank (Hong Kong) Limited, Wing Lung Bank Limited (as the arrangers), Standard Chartered Bank, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited (together with the arrangers, the dealers) in relation to the medium term note programme of U.S.$5,000,000,000;

(20) a subscription agreement dated January 8, 2015 entered into between Huarong Finance II Co., Ltd. (as the issuer), Huarong (HK) International Holdings Limited (as the guarantor), the Company and Credit Suisse Securities (Europe) Limited, Standard Chartered Bank and Wing Lung Bank Limited (as the joint global coordinators), Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, ABCI Capital Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, CITIC Securities Corporate Finance (HK) Limited, Citigroup Global Markets Limited, DBS Bank Ltd., Industrial and Commercial Bank of China (Asia) Limited, Jefferies Hong Kong Limited and Morgan Stanley & Co. International PLC (together with the joint global coordinators, as the joint bookrunners and joint lead managers) in relation to the issuance of U.S.$600,000,000 3.50 per cent. guaranteed notes due 2018, U.S.$1,200,000,000 4.50 per cent. guaranteed notes due 2020 and U.S.$1,400,000,000 5.50 per cent. guaranteed notes due 2025;

(21) a share subscription agreement dated January 30, 2015 entered into between Huarong (HK) International Holdings Limited and Simsen International Corporation Limited (the "**Simsen International Share Subscription Agreement**") in relation to the subscription of 2,138,956,843 new Shares to be issued by Simsen International Corporation Limited by Huarong (HK) International Holdings Limited at the consideration of HKD588,213,131.85;

(22) a supplemental share subscription agreement dated March 20, 2015 entered into between Huarong (HK) International Holdings Limited and Simsen International Corporation Limited in relation to the Simsen International Share Subscription Agreement, pursuant to which, the number of shares to be subscribed by Huarong (HK) International Holdings Limited under the Simsen International Share Subscription Agreement has been changed to 1,702,435,038 shares at an adjusted consideration of HKD468,169,635.45;

(23) the second supplemental agreement dated May 20, 2015 entered into between China Huarong International Holdings Limited (formerly known as "Huarong (HK) International Holdings Limited") and Simsen International Corporation Limited in relation to the Simsen International Share Subscription Agreement, pursuant to which, the long stop date in the Simsen International Share Subscription Agreement is extended from May 31, 2015 to August 31, 2015;

(24) a financial bonds underwriting agreement dated June 25, 2015 entered into between the Company (as the issuer), Huarong Securities Co., Ltd. (as the lead underwriter and representative of the underwriting syndicate) and Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., CITIC Securities Company Limited (together as the joint underwriters and representative of the

underwriting syndicate) in relation to the proposed application of public issuance of financial bonds of 2015 of no more than RMB35,000,000,000 in the PRC inter-bank bond market;

(25) a cornerstone investment agreement dated October 8, 2015 entered into between the Company, Rich Precious Limited and Huarong International Securities Limited, pursuant to which Rich Precious Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 780.00 million;

(26) a cornerstone investment agreement dated October 14, 2015 entered into between the Company, 巨寶投資有限公司 (Fabulous Treasure Investments Limited), The Hongkong and Shanghai Banking Corporation Limited, ABCI Capital Limited, 招銀國際融資有限公司 (CMB International Capital Limited), China International Capital Corporation Hong Kong Securities Limited, pursuant to which 巨寶投資有限公司 (Fabulous Treasure Investments Limited) agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 5,304.00 million;

(27) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, Zhongrong International Trust Co., Ltd., China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and Nomura International (Hong Kong) Limited, pursuant to which Zhongrong International Trust Co., Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 780.00 million;

(28) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, Harvest Capital Management Co., Ltd. and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Harvest Capital Management Co., Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 390.00 million ;

(29) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, CGN Investment (HK) Co., Limited and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which CGN Investment (HK) Co., Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 390.00 million;

(30) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, Foresea Life Insurance Co., Ltd and CCB International Capital Limited, pursuant to which Foresea Life Insurance Co., Ltd agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 780.00 million;

(31) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, State Grid Yingda International Holdings Corporation Ltd and Credit Suisse (Hong Kong) Limited, pursuant to which State Grid Yingda International Holdings Corporation Ltd agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$300.00 million;

(32) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, Chongqing Yufu (HongKong) Limited, China Securities (International) Corporate Finance Company Limited and Goldman Sachs (Asia) L.L.C., pursuant to which Chongqing Yufu (HongKong) Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 624.00 million;

(33) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, COSCO Capital Management Limited (中遠資本管理有限公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which COSCO Capital Management Limited (中遠資本管理有限公司) agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 387.50 million;

(34) a cornerstone investment agreement dated October 13, 2015 entered into between the Company, China Oceanwide International Investment Company Limited and Citigroup Global Markets Asia Limited, pursuant to which China Oceanwide International Investment Company Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar 775.00 million;

(35) the Hong Kong Underwriting Agreement, details of which are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement".

## b. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

### (1) Trade marks

(i) As at the Latest Practicable Date, our Group has registered the following trade marks which are material in relation to our Group's business:

| No. | Proprietor | Trade mark | Registration no. | Class | Date of registration | Expiry date | Place of registration |
|---|---|---|---|---|---|---|---|
| 1. | China Huarong | CHAMC | 11314703 | 36 | January 7, 2014 | January 6, 2024 | PRC |
| | | | 11314704 | 35 | January 7, 2014 | January 6, 2024 | PRC |
| | | | 11314924 | 43 | January 7, 2014 | January 6, 2024 | PRC |
| | | | 11314925 | 42 | January 7, 2014 | January 6, 2024 | PRC |
| 2. | China Huarong | 中国华融资产管理股份有限公司 | 11314708 | 35 | April 7, 2014 | April 6, 2024 | PRC |
| | | | 11314706 | 42 | April 7, 2014 | April 6, 2024 | PRC |
| | | | 11314707 | 36 | July 14, 2014 | July 13, 2024 | PRC |
| 3. | China Huarong | CHINA HUARONG ASSET MANAGEMENT CO., LTD. | 11314916 | 43 | April 7, 2014 | April 6, 2024 | PRC |
| | | | 11314918 | 36 | April 7, 2014 | April 6, 2024 | PRC |
| | | | 11314919 | 35 | April 7, 2014 | April 6, 2024 | PRC |
| | | | 11314917 | 42 | June 21, 2014 | June 20, 2024 | PRC |
| 4. | China Huarong | 中国华融 | 11314921 | 42 | July 7, 2014 | July 6, 2024 | PRC |
| | | | 11314922 | 36 | July 7, 2014 | July 6, 2024 | PRC |
| | | | 11314923 | 35 | July 7, 2014 | July 6, 2024 | PRC |
| 5. | China Huarong | | 13379126 | 35 | January 21, 2015 | January 20, 2025 | PRC |
| | | | 13379123 | 43 | March 7, 2015 | March 6, 2025 | PRC |
| | | | 13379124 | 42 | March 7, 2015 | March 6, 2025 | PRC |

(ii) As at the Latest Practicable Date, China Huarong has applied for registration of the following trade marks which are material in relation to the Group's business:

| No | Proprietor | Trade mark | Place of application | Application no. | Class | Date of application |
|---|---|---|---|---|---|---|
| 1. | China Huarong | 中国华融资产管理股份有限公司<br>中国华融资产管理股份有限公司<br>中國華融資產管理股份有限公司<br>中國華融資產管理股份有限公司 | Hong Kong | 303254238 | 35, 36, 37, 42, 43 | December 30, 2014 |
| 2. | China Huarong | 中国华融资产管理股份有限公司 CHINA HUARONG ASSET MANAGEMENT CO., LTD.<br>中国华融资产管理股份有限公司 CHINA HUARONG ASSET MANAGEMENT CO., LTD.<br>中國華融資產管理股份有限公司 CHINA HUARONG ASSET MANAGEMENT CO., LTD.<br>中國華融資產管理股份有限公司 CHINA HUARONG ASSET MANAGEMENT CO., LTD. | Hong Kong | 303254247 | 35, 36, 37, 42, 43 | December 30, 2014 |
| 3. | China Huarong | CHAMC<br>CHAMC | Hong Kong | 303254256 | 35, 36, 37, 42, 43 | December 30, 2014 |
| 4. | China Huarong | CHINA HUARONG ASSET MANAGEMENT CO., LTD.<br>CHINA HUARONG ASSET MANAGEMENT CO., LTD. | Hong Kong | 303254265 | 35, 36, 37, 42, 43 | December 30, 2014 |
| 5. | China Huarong | CHINA HUARONG<br>CHINA HUARONG | Hong Kong | 303254274 | 35, 36, 37, 42, 43 | December 30, 2014 |
| 6. | China Huarong | 中国华融 CHINA HUARONG<br>中国华融 CHINA HUARONG<br>中國華融 CHINA HUARONG<br>中國華融 CHINA HUARONG | Hong Kong | 303254292 | 37, 42, 43 | December 30, 2014 |
| 7. | China Huarong | 中国华融<br>中国华融<br>中國華融<br>中國華融 | Hong Kong | 303254300 | 37, 42, 43 | December 30, 2014 |
| 8. | China Huarong | 中国华融<br>中国华融<br>中國華融<br>中國華融 | Hong Kong | 303330873 | 35, 36 | March 16, 2015 |
| 9. | China Huarong | 中国华融 CHINA HUARONG<br>中国华融 CHINA HUARONG<br>中國華融 CHINA HUARONG<br>中國華融 CHINA HUARONG | Hong Kong | 303330882 | 35, 36 | March 16, 2015 |

**(2) Domain names**

As at the Latest Practicable Date, the Group has registered the following key domain names:

| No | Proprietor | Registered domain name | Date of registration |
|---|---|---|---|
| 1. | China Huarong | chamc.com | December 2, 1999 |
| 2. | China Huarong | chamc.com.cn | December 23, 1999 |
| 3. | Huarong Financial Leasing | hrflc.cn | July 17, 2007 |
| 4. | Huarong Financial Leasing | hrflc.com.cn | July 17, 2007 |
| 5. | Huarong Financial Leasing | 华融金融租赁.cn | July 17, 2007 |
| 6. | Huarong Financial Leasing | 华融金融租赁.com | July 17, 2007 |
| 7. | Huarong Financial Leasing | 华融金融租赁.中国 | July 17, 2007 |
| 8. | Huarong Financial Leasing | 华融租赁.中国 | July 17, 2007 |
| 9. | Huarong Financial Leasing | 华融租赁.cn | July 17, 2007 |
| 10. | Huarong Financial Leasing | 华融金融租赁 | July 17, 2007 |
| 11. | Huarong Financial Leasing | 华融租赁 | July 17, 2007 |
| 12. | Huarong Financial Leasing | hrflc.com | July 18, 2007 |
| 13. | Huarong Financial Leasing | 华融租赁.com | July 18, 2007 |
| 14. | Huarong Trust | huarongtrust.com.cn | May 8, 2008 |
| 15. | Huarong Securities | hrsec.com.cn | October 17, 2006 |
| 16. | Huarong Futures | hrfutu.com.cn | March 18, 2008 |
| 17. | Huarong Real Estate | hrzy.cc | December 4, 2009 |

**(3) Our suppliers and customers**

For each of the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the entity from which we acquired the largest amount of distressed assets accounted for approximately 14.6% , 10.5%, 1.6% and 2.8% of our total cost of acquisitions, respectively. For the same period, the five entities from which we acquired the five largest amounts of distressed assets combined accounted for approximately 34.5% , 22.0%, 6.6% and 10.3% of our total costs of acquisitions, respectively.

As many of the entities from which we acquired distressed assets are large SOEs, the MOF, our controlling shareholder, holds equity interests in such entities. The Directors and their associates have no equity interests in such entities.

None of five entities to which we disposed of the five largest amounts of distressed assets combined accounted for 30% or more of our total revenue for each of the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

## III. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT AND STAFF

### a. Disclosure of interests

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), none of the Directors and the chief executives of the Company will have any interests and short positions in the equity or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to Section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed.

**b. Substantial Shareholders**

For detailed information on the persons who, to the best knowledge of the Directors, will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to the Hong Kong Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at the general meetings of the Company, immediately following the completion of the Global Offering, see "Substantial Shareholders" in this prospectus.

**c. Service contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of the Directors and Supervisors in respect of, among other things, their compliance with the relevant laws and regulations, the Articles of Association and the provisions on arbitration.

Save as disclosed above, we have not and do not propose to enter into any service contract with any of the Directors or Supervisors for each of their respective positions as a Director/Supervisor.

**d. Directors' and Supervisors' remuneration**

Save as disclosed in this prospectus, none of the Directors and Supervisors has received any other remuneration or benefits in kind from the Company for the three financial years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015.

**e. Fees or commissions**

Save as disclosed in this prospectus, none of the Directors and any of the persons whose names are listed in the paragraph headed "Consents" in the section headed "Other information" in this Appendix had received any commissions, discounts, agency fees, brokerages, or other special terms from the Group in connection with the issue or sale of any share capital of any member of the Group within the two years preceding the date of this prospectus.

**f. Other information**

Save as disclosed in this prospectus:

(1) None of the Directors and the chief executives of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which have to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, once the Shares are listed;

(2) None of the Directors or any of the persons listed in the section headed "Consents" below is, directly or indirectly, interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(3) None of the Directors or any of the persons listed in the section headed "Consents" below has any material interests in any contract or arrangement which is effective as at the date of this prospectus and is material in relation to our Group's business due to its nature or in the relevant circumstances;

(4) None of the Directors has any interests in any business (other than the businesses of our Group) which competes or may compete, directly or indirectly, with the businesses of our Group;

(5) Save as disclosed in this prospectus and under the Underwriting Agreements, none of the persons listed in the section headed "Consents" below has:

    (a) any legal or beneficial rights in any of the Shares or any shares of any of the subsidiaries of the Company; or

    (b) any rights or options (whether legally enforceable or not) to subscribe for or to nominate any persons to subscribe for the securities of any member of our Group.

## IV. OTHER INFORMATION

### a. Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries.

### b. Litigations

Save as disclosed in the section headed "Business" in this prospectus, to the best knowledge of the Directors, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any member of our Group as at the Latest Practicable Date.

### c. Promoters

The MOF and China Life Group are promoters of the Company. For details, please refer to "History and Corporate Structure".

Save as the Global Offering and those disclosed in this prospectus, no cash, securities, amounts or interests had been distributed, allotted or granted or proposed to be distributed, allotted or granted to any of the aforementioned promoters in connection with the Global Offering or relevant transactions disclosed in this prospectus within two years preceding the date of this prospectus.

### d. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued as set out in this prospectus and any H Shares which, may be issued subject to the exercise of Over-allotment Option on the Main Board of the Hong Kong Stock Exchange. All necessary arrangements have been made for the securities to be admitted into CCASS for clearance and settlement.

One of the Joint Sponsors, ICBC International Capital Limited, is not independent from the Company due to the historical and on-going business relationship between the Company and ICBC. Please refer to the sections headed "History and Corporate Structure" and "Business" for further details regarding the business relationship between the Company and ICBC.

All of the other Joint Sponsors are independent from the Company pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors are entitled to receive a fee of RMB18,000,000 to act as the sponsors of the Company in connection with the proposed listing of the H Shares on the Stock Exchange pursuant to the engagement letter entered into between the Company and the Joint Sponsors.

**e. Preliminary expenses**

The estimated preliminary expenses of the Company are approximately RMB10.2 million and shall be paid by the Company.

**f. Qualifications of experts**

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

| Name | Qualifications |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited . . . . . . . . | a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| Citigroup Global Markets Asia Limited . . . . . . . . . . . . . . . . | a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO |
| Goldman Sachs (Asia) L.L.C. . . . . . . . . . . . . . . . . . | a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO |
| HSBC corporate Finance (Hong Kong) Limited . . . . . | a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| ICBC International Capital Limited . . . . . . . . . . . . . . . . | a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| King & Wood Mallesons . . . . | PRC legal advisor |
| Deloitte Touche Tohmatsu . . . | Certified public accountant |
| Jones Lang LaSalle . . . . . . . . . | Valuation specialist |

**g. Consents**

Each of the Joint Sponsors, Deloitte Touche Tohmatsu, King & Wood Mallesons and Jones Lang LaSalle has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or any rights (whether legally enforceable or not) to subscribe for or to nominate any persons to subscribe for the securities of any member of our Group, saved as disclosed in this prospectus.

**h. Binding effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

**i. No material adverse change**

The Directors believe that there has been no material adverse change in the financial or trading position of our Group since June 30, 2015 up to the as of the date of this prospectus.

**j. Bilingual prospectus**

The English and Chinese versions of this prospectus are published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**k. Joint Compliance Advisors**

We have appointed Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as the joint compliance advisors of the Company pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the joint compliance advisors of the Company will advise the Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction (as defined under the Listing Rules), is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner apart from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

**l. Miscellaneous**

(a) Save as disclosed in this prospectus, in the two years immediately preceding the date of this prospectus:

a) neither the Company nor any of its subsidiaries has issued or has agreed to issue or partly or fully pay up any capital in consideration of money or money's worth;

b) the Company has not issued nor agreed to issue any share or debenture fully or partly paid for a consideration other than cash;

c) no amount or securities or benefit has been paid or allotted or given to any of the promoters of the Company nor is any such securities or amount or benefit intended to be paid or allotted or given;

d) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

e) no share or loan capital of the Company or any of its subsidiaries is subject to or conditionally or unconditionally agreed to be subject to any option;

f) neither the Company nor any of its subsidiaries has issued or has agreed to issue any founder shares, management shares or deferred shares; and

g) no commission, discount, brokerage, or other special term has been granted or has been agreed to be granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group has not issued any bonds and does not have any outstanding bonds or convertible debt securities.

(c) The Directors confirm that:

a) there is not any arrangement in respect of giving up or agreeing to give up any future dividends; and

b) within the twelve months preceding to the date of this prospectus, there has not been any disruption to any businesses of our Group that may have or has had any material impact on the financial condition of our Group.

(d) None of the subsidiaries of the Company is currently listed on any stock exchange or traded on any trading system.

(e) The Company has no intention to apply for the status of a sino-foreign joint stock company, and consequently it is expected that the Company will not be subject to any restriction of the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》).

## I. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

Documents delivered to the registrar of Companies in Hong Kong together with a copy of this prospectus for registration included:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** application forms;

(b) copies of each of the material contracts referred to in the section headed "Further Information about our Business" in "Appendix VII – Statutory and General Information" to this prospectus; and

(c) the written consents referred to in "IV. Other Information – g. Consents" in Appendix VII to this prospectus.

## II. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer at 11/F, Two Exchange Square, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Articles of Association;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015;

(d) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Company, the text of which is set forth in Appendix II;

(e) the calculated value report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set forth in Appendix III;

(f) the material contracts referred to in the paragraph entitled "Further Information about our Business – Summary of Material Contracts" in Appendix VII "Statutory and General Information";

(g) the written consents referred to in the paragraph entitled "Other Information – Consents" in Appendix VII "Statutory and General Information";

(h) the legal opinions prepared by King & Wood Mallesons, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interests; and

(i) copies of the following PRC laws, together with unofficial English translations thereof:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law;

    (iii) the Mandatory Provisions; and

    (iv) the Special Regulations.

中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.*

*for identification purposes only