

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountant of the Bank, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
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Causeway Bay, Hong Kong

December 30, 2016

The Directors

Jilin Jiutai Rural Commercial Bank Corporation Limited

Guotai Junan Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (together as the “Group”) which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at December 31, 2013, 2014 and 2015 and June 30, 2016 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016 (the “Track Record Period”), and a summary of significant accounting policies and other explanatory information (the “Financial Information”), for inclusion in the prospectus of the Bank dated December 30, 2016 (the “Prospectus”) in connection with the initial listing of H Shares of the Bank on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Bank was formerly known as Jiutai Rural Credit Cooperative Union, a joint stock commercial bank established in Jilin province, the People’s Republic of China (the “PRC”) on December 16, 2008 with the approval of the China Banking Regulatory Commission (the “CBRC”) and was renamed as Jilin Jiutai Rural Commercial Bank Corporation Limited in 2008 with the approval of the CBRC.

The Group has prepared statutory financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the “PRC GAAP”) (the “PRC GAAP Financial Statements”). SHINEWING Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥)) (“Shinewing PRC”) acted as the statutory auditor of the Group and audited the PRC GAAP Financial Statements for each of the years ended December 31, 2013, 2014 and 2015.

All subsidiaries of the Bank have adopted December 31 as their financial year end date. Details of the Bank’s subsidiaries and the names of the respective auditors are set out in Note 28 of Section C. The statutory financial statements of the Bank’s subsidiaries have been prepared in accordance with the PRC GAAP.

BASIS OF PREPARATION

The directors of the Bank have prepared the Group's consolidated financial statements for the Track Record Period in accordance with the International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016 were audited by Shinewing PRC in accordance with the China Standards on Auditing issued by Chinese Institute of Certified Public Accountants (the "CICPA"), pursuant to separate terms of engagement with the Bank.

The Financial Information has been prepared by the directors of the Bank for inclusion in the Prospectus in connection with the listing of shares of the Bank on the Main Board of the Stock Exchange based on the Underlying Financial Statements, with no adjustments made thereto and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Bank are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. We have not audited any financial statements of the Bank, its subsidiaries or the Group in respect of any period subsequent to June 30, 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group and the Bank as at December 31, 2013, 2014 and 2015 and June 30, 2016 and the Group's financial performance and cash flows for the Track Record Period.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows in the six months ended June 30, 2015 together with notes thereto (the "June 2015 Financial Information"), in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The directors of the Bank are responsible for the preparation of the June 2015 Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the June 2015 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2015 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the June 2015 Financial information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

I CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income		2,580,485	4,679,680	6,080,644	2,629,320	3,904,232
Interest expenses		(1,121,859)	(2,113,341)	(2,708,365)	(1,217,854)	(1,841,764)
Net interest income	6	1,458,626	2,566,339	3,372,279	1,411,466	2,062,468
Fee and commission income		180,885	318,806	241,726	85,695	274,196
Fee and commission expenses		(10,518)	(17,645)	(19,029)	(5,299)	(13,537)
Net fee and commission income	7	170,367	301,161	222,697	80,396	260,659
Net trading gains	8	57,937	32,305	131,926	64,578	45,314
Dividend income		30,434	42,585	69,261	69,261	106,521
Net gains arising from investment securities	9	79,142	161,340	344,500	30,128	166,964
Gain on disposal of a subsidiary	58	—	—	12,840	—	—
Net exchange (losses)/gains		(402)	6,327	6,463	3,365	3,076
Other operating income	10	21,854	135,561	107,987	7,152	5,821
Operating income		1,817,958	3,245,618	4,267,953	1,666,346	2,650,823
Operating expenses	11	(878,126)	(1,482,103)	(2,044,073)	(756,924)	(1,094,649)
Impairment losses on assets	14	(216,571)	(185,732)	(350,105)	(207,225)	(245,284)
Operating profit		723,261	1,577,783	1,873,775	702,197	1,310,890
Share of profits of associates	27	—	—	2,167	641	3,936
Profit before tax		723,261	1,577,783	1,875,942	702,838	1,314,826
Income tax expense	15	(180,689)	(347,034)	(473,713)	(148,563)	(281,967)
Profit for the year/period		542,572	1,230,749	1,402,229	554,275	1,032,859
Other comprehensive (expense)/income for the year/period:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
—Available-for-sale financial assets						
—Change in fair value recognized in investment revaluation reserve		(56,925)	1,159	100,784	25,704	23,781
—Reclassified to the profit or loss upon disposal		—	56,925	698	—	(25,974)
—Income tax relating to item that may be reclassified subsequently		14,231	(14,521)	(25,371)	(6,426)	547
		(42,694)	43,563	76,111	19,278	(1,646)
Total comprehensive income for the year/period		499,878	1,274,312	1,478,340	573,553	1,031,213
Profit for the year/period attributable to:						
—Owners of the Bank		534,614	1,103,020	1,215,821	508,785	866,639
—Non-controlling interests		7,958	127,729	186,408	45,490	166,220
		542,572	1,230,749	1,402,229	554,275	1,032,859
Total comprehensive income for the year/period attributable to:						
—Owners of the Bank		491,920	1,146,583	1,291,932	528,063	868,086
—Non-controlling interests		7,958	127,729	186,408	45,490	163,127
		499,878	1,274,312	1,478,340	573,553	1,031,213

II CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31,			At June 30,
		2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and deposits with the central bank	17	11,269,672	15,605,855	19,333,596	19,943,249
Deposits with banks and other financial institutions	18	3,309,327	11,972,805	18,640,153	26,394,824
Placements with banks and other financial institutions	19	147,000	140,000	390,000	—
Financial assets held under resale agreements	20	7,228,103	7,131,001	17,297,442	8,027,043
Financial assets at fair value through profit or loss	21	137,930	1,282,934	12,101,530	13,397,705
Interest receivable	22	134,688	164,012	316,611	409,358
Loans and advances to customers	23	21,253,293	33,417,037	46,477,430	51,581,263
Available-for-sale financial assets	24	1,960,505	1,369,475	9,047,852	25,518,516
Held-to-maturity investments	25	588,088	774,574	1,376,071	1,844,466
Debt securities classified as receivables	26	6,741,477	6,441,280	12,487,546	7,953,792
Interests in associates	27	—	25,000	121,979	125,915
Property and equipment	29	1,144,844	1,722,256	2,348,776	2,719,606
Goodwill	30	833,137	863,907	1,170,404	1,173,756
Deferred tax assets	31	109,499	151,065	197,817	255,899
Other assets	32	312,888	794,141	646,127	620,716
Total assets		<u>55,170,451</u>	<u>81,855,342</u>	<u>141,953,334</u>	<u>159,966,108</u>
Liabilities and equity					
Liabilities					
Borrowing from the central bank		35,880	203,023	293,567	364,000
Deposits from banks and other financial institutions	34	4,581,500	4,820,055	1,868,321	5,817,619
Placements from banks and other financial institutions	35	8,570	594,634	52,496	162,496
Financial assets sold under repurchase agreements	36	7,365,709	4,677,600	23,063,498	20,580,115
Deposits from customers	37	36,739,267	59,771,652	93,302,782	106,998,758
Accrued staff costs	38	60,175	111,416	139,968	103,341
Taxes payable		164,153	135,673	267,599	199,265
Interests payable	39	657,161	1,020,222	1,429,903	1,553,244
Debts securities issued	40	697,300	2,389,375	9,074,179	11,247,980
Other liabilities	41	180,980	297,366	603,822	472,367
Total liabilities		<u>50,490,695</u>	<u>74,021,016</u>	<u>130,096,135</u>	<u>147,499,185</u>
Equity					
Share capital	42	1,950,062	2,406,069	3,294,797	3,294,797
Capital reserve	43	1,301,027	1,663,291	3,309,135	3,347,045
Investment revaluation reserve		(42,694)	869	76,980	78,427
Surplus reserve	44	146,592	234,007	354,741	354,741
General reserve	44	369,473	622,926	1,025,282	1,025,282
Retained earnings		368,042	809,184	1,087,363	1,070,562
Total equity attributable to owners of the Bank		4,092,502	5,736,346	9,148,298	9,170,854
Non-controlling interests	28	587,254	2,097,980	2,708,901	3,296,069
Total equity		<u>4,679,756</u>	<u>7,834,326</u>	<u>11,857,199</u>	<u>12,466,923</u>
Total liabilities and equity		<u>55,170,451</u>	<u>81,855,342</u>	<u>141,953,334</u>	<u>159,966,108</u>

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At January 1, 2013	1,383,984	627,406	—	99,342	229,033	251,800	2,591,565	100,548	2,692,113
Profit for the year	—	—	—	—	—	534,614	534,614	7,958	542,572
Other comprehensive expense for the year	—	—	(42,694)	—	—	—	(42,694)	—	(42,694)
Total comprehensive (expense)/income for the year	—	—	(42,694)	—	—	534,614	491,920	7,958	499,878
Changes in share capital									
—Capital contributed by equity shareholders	400,000	800,000	—	—	—	—	1,200,000	—	1,200,000
—Capital contributed by non-controlling interests	—	—	—	—	—	—	—	107,400	107,400
Acquisition of a subsidiary	—	—	—	—	—	—	—	333,387	333,387
Transfer from capital reserve to share capital	166,078	(166,078)	—	—	—	—	—	—	—
Changes in ownership in subsidiaries without changes in control (Note 57)	—	39,699	—	—	—	—	39,699	37,961	77,660
Appropriation of profits:									
—Appropriation to surplus reserve	—	—	—	47,250	—	(47,250)	—	—	—
—Appropriation to general reserve	—	—	—	—	140,440	(140,440)	—	—	—
—Dividends recognized as distribution	—	—	—	—	—	(230,682)	(230,682)	—	(230,682)
At December 31, 2013	1,950,062	1,301,027	(42,694)	146,592	369,473	368,042	4,092,502	587,254	4,679,756

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	1,950,062	1,301,027	(42,694)	146,592	369,473	368,042	4,092,502	587,254	4,679,756
Profit for the year	—	—	—	—	—	1,103,020	1,103,020	127,729	1,230,749
Other comprehensive income for the year	—	—	43,563	—	—	—	43,563	—	43,563
Total comprehensive income for the year	—	—	43,563	—	—	1,103,020	1,146,583	127,729	1,274,312
Changes in share capital									
—Capital contributed by equity shareholders	222,000	555,000	—	—	—	—	777,000	—	777,000
—Capital contributed by non-controlling interests	—	—	—	—	—	—	—	499,396	499,396
Acquisitions of subsidiaries	—	—	—	—	—	—	—	798,233	798,233
Transfer from capital reserve to share capital	234,007	(234,007)	—	—	—	—	—	—	—
Changes in ownership in subsidiaries without changes in control (Note 57)	—	41,271	—	—	—	—	41,271	96,729	138,000
Appropriation of profits									
—Appropriation to surplus reserve	—	—	—	87,415	—	(87,415)	—	—	—
—Appropriation to general reserve	—	—	—	—	253,453	(253,453)	—	—	—
—Dividends recognized as distribution	—	—	—	—	—	(321,010)	(321,010)	—	(321,010)
—Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(11,361)	(11,361)
At December 31, 2014	2,406,069	1,663,291	869	234,007	622,926	809,184	5,736,346	2,097,980	7,834,326

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	2,406,069	1,663,291	869	234,007	622,926	809,184	2,097,980	7,834,326	
Profit for the year	—	—	—	—	—	1,215,821	186,408	1,402,229	
Other comprehensive income for the year	—	—	76,111	—	—	—	—	76,111	
Total comprehensive income for the year	—	—	76,111	—	—	1,215,821	186,408	1,478,340	
Changes in share capital									
—Capital contributed by equity shareholders	600,000	1,800,000	—	—	—	—	—	2,400,000	
—Capital contributed by non-controlling interests	—	—	—	—	—	—	176,368	176,368	
Acquisitions of subsidiaries	—	—	—	—	—	—	969,359	969,359	
Disposals of subsidiaries	—	—	—	—	—	—	(795,690)	(795,690)	
Transfer from capital reserve to share capital	288,728	(288,728)	—	—	—	—	—	—	
Changes in ownership in subsidiaries without changes in control (Note 57)	—	134,572	—	—	—	—	196,270	330,842	
Appropriation of profits									
—Appropriation to surplus reserve	—	—	—	120,734	—	(120,734)	—	—	
—Appropriation to general reserve	—	—	—	—	404,156	(404,156)	—	—	
—Dividends recognized as distribution	—	—	—	—	—	(414,552)	—	(414,552)	
—Dividends paid to non-controlling interests	—	—	—	—	—	—	(121,794)	(121,794)	
Release of general reserve upon disposal of a subsidiary	—	—	—	—	(1,800)	1,800	—	—	
At December 31, 2015	3,294,797	3,309,135	76,980	354,741	1,025,282	1,087,363	2,708,901	11,857,199	

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015 (audited)	2,406,069	1,663,291	869	234,007	622,926	809,184	2,097,980	7,834,326	
Profit for the period (unaudited)	—	—	—	—	—	508,785	45,490	554,275	
Other comprehensive income for the period (unaudited)	—	—	19,278	—	—	—	—	19,278	
Total comprehensive income for the period (unaudited)	—	—	19,278	—	—	508,785	45,490	573,553	
Changes in share capital									
—Capital contributed by equity shareholders	400,000	1,200,000	—	—	—	—	—	1,600,000	
—Capital contributed by non-controlling interests	—	—	—	—	—	—	99,865	99,865	
Disposal of a subsidiary	—	—	—	—	—	—	(316,170)	(316,170)	
Transfer from capital reserve to share capital	288,728	(288,728)	—	—	—	—	—	—	
Change in ownership in a subsidiary without change in control (Note 57)	—	1,956	—	—	—	—	15,386	17,342	
Appropriation of profits									
—Dividends recognized as distribution	—	—	—	—	—	(414,552)	—	(414,552)	
—Dividends paid to non-controlling interests	—	—	—	—	—	—	(105,437)	(105,437)	
Release of general reserve upon disposal of a subsidiary	—	—	—	—	(1,800)	1,800	—	—	
At June 30, 2015 (unaudited)	3,094,797	2,576,519	20,147	234,007	621,126	905,217	1,837,114	9,288,927	

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	3,294,797	3,309,135	76,980	354,741	1,025,282	1,087,363	2,708,901	11,857,199	
Profit for the period	—	—	—	—	—	866,639	166,220	1,032,859	
Other comprehensive income/(expense) for the period	—	—	1,447	—	—	—	(3,093)	(1,646)	
Total comprehensive income for the period	—	—	1,447	—	—	866,639	163,127	1,031,213	
Changes in share capital									
—Capital contributed by non-controlling interests	—	—	—	—	—	—	80,640	80,640	
Acquisition of a subsidiary	—	—	—	—	—	—	2,595	2,595	
Changes in ownership in subsidiaries without changes in control (Note 57)	—	37,910	—	—	—	—	432,090	470,000	
Appropriation of profits									
—Dividends recognized as distribution	—	—	—	—	—	(883,440)	—	(883,440)	
—Dividends paid to non-controlling interests	—	—	—	—	—	—	(91,284)	(91,284)	
At June 30, 2016	3,294,797	3,347,045	78,427	354,741	1,025,282	1,070,562	3,296,069	12,466,923	

IV CONSOLIDATED CASH FLOW STATEMENTS

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax for the year/period	723,261	1,577,783	1,875,942	702,838	1,314,826
Adjustments for:					
Depreciation of property and equipment	74,375	126,623	176,605	85,442	116,370
Amortization of long-term deferred expenses	30,392	37,097	51,741	9,114	10,863
Impairment losses on assets	216,571	185,732	350,105	207,225	245,284
Interest expense on debts securities issued	49,300	56,374	226,900	53,354	200,049
Dividend income	(30,434)	(42,585)	(69,261)	(69,261)	(106,521)
Impairment loss reversed in respect of property and equipment	—	(84)	(678)	—	—
Gain on disposal of property and equipment	(327)	(1,525)	(2,987)	(140)	(1,127)
Net trading gains	(2,055)	(16,970)	(124,581)	(61,059)	(43,501)
Net gains arising from investment securities	(79,142)	(161,340)	(344,500)	(30,128)	(166,964)
Government grants	(40,602)	(115,031)	(116,091)	(7,298)	(6,837)
Interest income on financial investments	(385,735)	(911,836)	(965,991)	(400,276)	(924,109)
Share of profits of associates	—	—	(2,167)	(641)	(3,936)
Gain on disposal of a subsidiary	—	—	(12,840)	—	—
Gain on deemed disposal of an available-for-sale financial asset	—	(24,368)	—	—	—
	<u>555,604</u>	<u>709,870</u>	<u>1,042,197</u>	<u>489,170</u>	<u>634,397</u>
Changes in operating assets					
Net increase in deposits with the central bank	(1,127,335)	(2,190,367)	(1,038,276)	(598,758)	(1,936,457)
Net increase in deposits and placements with the banks and other financial institutions	(61,417)	(2,869,487)	(3,399,060)	(1,279,050)	(12,902,281)
Net (increase)/decrease in financial assets held under resale agreements	(100,000)	100,000	1,249,260	50,688	(458,569)
Net decrease/(increase) in financial assets at fair value through profit or loss	161,264	(1,128,034)	(9,418,144)	(5,156,493)	(1,252,674)
Net increase in loans and advances to customers	(6,620,266)	(9,920,561)	(11,352,619)	(4,884,044)	(5,344,968)
Net decrease/(increase) in other operating assets	466,475	(54,367)	104,420	261,671	(71,515)
	<u>(7,281,279)</u>	<u>(16,062,816)</u>	<u>(23,854,419)</u>	<u>(11,605,986)</u>	<u>(21,966,464)</u>
Changes in operating liabilities					
Net (decrease)/increase in borrowing from the central bank	(8,430)	167,143	61,204	90,956	70,433
Net increase/(decrease) in deposits and placements from banks and other financial institutions	3,688,797	(515,363)	(3,395,617)	(58,474)	4,044,274
Net increase/(decrease) in financial assets sold under repurchase agreements	6,421,709	(2,688,109)	17,616,298	3,667,381	(2,483,383)
Net increase in deposits from customers	8,496,394	18,651,556	30,830,122	10,210,994	13,688,997
Net increase/(decrease) in other operating liabilities	81,894	(72,522)	606,422	194,320	(45,517)
	<u>18,680,364</u>	<u>15,542,705</u>	<u>45,718,429</u>	<u>14,105,177</u>	<u>15,274,804</u>
Cash generated from/(used in) operations	11,954,689	189,759	22,906,207	2,988,361	(6,057,263)
Income tax paid	(208,692)	(416,367)	(434,147)	(161,991)	(406,791)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>11,745,997</u>	<u>(226,608)</u>	<u>22,472,060</u>	<u>2,826,370</u>	<u>(6,464,054)</u>

IV CONSOLIDATED CASH FLOW STATEMENTS (Continued)

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
INVESTING ACTIVITIES					
Proceeds from disposal of investments	72,763,358	231,264,211	313,573,104	178,099,961	202,005,704
Proceeds from disposal of property and equipment and other assets	34,221	15,440	13,179	1,500	6,459
Dividend income received	30,434	42,585	69,261	69,261	106,521
Payments on acquisition of investments	(79,805,826)	(229,315,460)	(327,657,532)	(187,225,005)	(213,313,820)
Payments on acquisition of property and equipment and other assets	(361,777)	(551,633)	(899,788)	(146,309)	(495,561)
Acquisition of investment in an associate . .	—	(10,000)	—	—	—
Net cash inflow arising on acquisitions of subsidiaries	2,189,358	598,433	258,103	—	4,215
Net cash outflow arising on disposals of subsidiaries	—	—	(1,846,235)	—	—
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(5,150,232)	2,043,576	(16,489,908)	(9,200,592)	(11,686,482)
FINANCING ACTIVITIES					
Proceeds from capital contribution by equity shareholders	1,200,000	777,000	2,400,000	1,600,000	—
Capital contribution by non-controlling interests	107,400	499,396	176,368	99,865	80,640
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	77,660	138,000	330,842	17,342	470,000
Government grants received	40,602	115,031	116,091	7,298	6,837
Proceeds from issue of new debts securities	—	1,688,784	13,198,890	4,835,071	13,259,487
Repayment of debts securities issued	—	—	(6,600,000)	(3,200,000)	(11,200,000)
Interest paid on debts securities issued	(49,000)	(53,083)	(140,986)	(40,218)	(85,735)
Dividends paid	(230,682)	(321,013)	(414,552)	(414,552)	(883,440)
Dividends paid to non-controlling interests	—	(10,826)	(106,975)	(105,437)	(91,284)
NET CASH FROM FINANCING ACTIVITIES	1,145,980	2,833,289	8,959,678	2,799,369	1,556,505
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,741,745	4,650,257	14,941,830	(3,574,853)	(16,594,031)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/ PERIOD	7,539,580	15,281,325	19,931,582	19,931,582	34,873,412
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD (Note 48)	15,281,325	19,931,582	34,873,412	16,356,729	18,279,381
Interest received	2,500,473	4,675,487	5,943,661	2,547,610	3,811,530
Interest paid (excluding interest expense on debts securities issued)	(1,005,337)	(1,811,240)	(2,239,022)	(988,304)	(1,632,845)

B STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Notes	At December 31,			At June 30,
		2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and deposits with the central bank	17	5,221,353	6,772,991	9,293,581	13,319,885
Deposits with banks and other financial institutions	18	530,351	3,302,436	8,513,665	12,280,576
Placements with banks and other financial institutions	19	140,000	140,000	140,000	—
Financial assets held under resale agreements	20	7,139,115	5,533,827	17,293,846	7,112,921
Financial assets at fair value through profit or loss	21	118,660	1,178,097	9,967,127	12,370,103
Interest receivable	22	79,442	61,859	181,880	263,357
Loans and advances to customers	23	11,718,639	16,253,050	20,701,992	23,852,833
Available-for-sale financial assets	24	547,247	1,135,175	6,752,565	13,791,471
Held-to-maturity investments	25	478,088	664,574	1,266,071	1,487,482
Debt securities classified as receivables	26	6,741,477	6,441,280	11,978,546	7,053,792
Interests in associates	27	—	10,000	118,000	118,000
Investments in subsidiaries	28	1,925,993	2,507,597	3,302,440	3,370,800
Property and equipment	29	675,246	812,065	974,276	1,180,544
Deferred tax assets	31	52,919	54,074	32,115	41,137
Other assets	32	207,016	725,631	332,902	242,280
Total assets		<u>35,575,546</u>	<u>45,592,656</u>	<u>90,849,006</u>	<u>96,485,181</u>
Liabilities and equity					
Liabilities					
Deposits from banks and other financial institutions	34	5,533,918	5,195,173	4,580,245	4,380,181
Placements from banks and other financial institutions	35	2,496	522,496	2,496	2,496
Financial assets sold under repurchase agreements	36	6,243,259	4,577,600	21,634,598	15,731,600
Deposits from customers	37	18,617,956	26,909,790	45,970,978	55,514,296
Accrued staff costs	38	32,617	44,874	34,641	42,575
Taxes payable		45,563	44,101	96,702	87,579
Interests payable	39	312,665	431,609	708,311	805,342
Debts securities issued	40	697,300	2,389,375	9,074,179	11,297,357
Other liabilities	41	104,046	161,596	190,239	209,884
Total liabilities		<u>31,589,820</u>	<u>40,276,614</u>	<u>82,292,389</u>	<u>88,071,310</u>
Equity					
Share capital	42	1,950,062	2,406,069	3,294,797	3,294,797
Capital reserve	43	1,261,328	1,582,321	3,093,593	3,093,593
Investment revaluation reserve		491	869	56,112	52,328
Surplus reserve	44	146,592	234,007	354,741	354,741
General reserve	44	279,126	477,041	802,423	802,423
Retained earnings		348,127	615,735	954,951	815,989
Total equity		<u>3,985,726</u>	<u>5,316,042</u>	<u>8,556,617</u>	<u>8,413,871</u>
Total liabilities and equity		<u>35,575,546</u>	<u>45,592,656</u>	<u>90,849,006</u>	<u>96,485,181</u>

C NOTES TO THE FINANCIAL INFORMATION**1 BACKGROUND INFORMATION**

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on December 16, 2008 with approval of the China Banking Regulatory Commission (the “CBRC”) (YinFu 2008 No.320) on December 15, 2008.

The Bank obtained its finance permit No. B1001H222010001 from the China Banking Regulatory Commission (the “CBRC”) Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from the Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “PRC”).

As at June 30, 2016, the Bank has 51 sub-branches. The Bank has 37 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Financial Information, the Group has consistently adopted all of the new and revised International Accounting Standards (“IASs”), IFRSs, amendments and the related interpretations (“IFRICs”) (herein collectively referred to as the “IFRSs”) which are effective for the Group’s financial year beginning on January 1, 2016 throughout the Track Record Period.

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

IFRS 9 (2014)	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 7	Disclosure Initiative ²
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to IFRS 15	Clarification of Revenue from Contracts with Customers ¹

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

² Effective for annual periods beginning on or after January 1, 2017.

³ Effective for annual periods beginning on or after January 1, 2019.

⁴ Effective date not yet been determined.

Except as described below, the application of the new and revised IFRSs will have no material impact on the Group’s and Bank’s Financial information.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 9 (2014) Financial instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalized version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalized version of IFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of IFRS 9 (2014) that are relevant to the Group are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. 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(2014), 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. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 (2014) that will change the way the Group classifies and measures its financial assets in ‘financial assets at fair value through profit or loss’, ‘held-to-maturity investments’, ‘loans and receivables’ and ‘available-for-sale financial assets’ under the existing IAS 39.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments (Continued)

no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after January 1, 2018 with early application permitted.

The Bank is analyzing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adopting of IFRS 9. Given the nature of the Bank's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as IT systems.

The directors of the Bank are starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training. The Bank has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Bank's operating results and financial position has not yet been quantified.

IFRS 15 Revenue from contracts with customers

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. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 15 Revenue from contracts with customers (Continued)

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.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

IFRS 15 will become effective for annual periods beginning on or after January 1, 2018 with early application permitted. The directors of the Bank assess that adopting IFRS 15 would not have a material impact to the Group's financial information.

IFRS 16 Leases

IFRS 16 Leases was issued by International Accounting Standards Board (the “IASB”) in January 2016. It will be effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 Leases. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognize a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measure of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

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

As at June 30, 2016, the Group has non-cancellable operating lease commitments of RMB812.13 million, set out in Note 54 (b). However, the Group is in the process of assessing to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases. The directors of the Bank do not expect the adopting of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities under IFRS 16.

The Group expects that, as a lessor, there will be no significant impact on the financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Businesses combinations are accounted for by applying 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 incurred to effect a business combination are 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 arising from the assets acquired and liabilities assumed in the business combination are recognized and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognized and measured in accordance with IAS 19 *Employee Benefits*;

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); 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 aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate 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 gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for 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 are measured either at fair value or at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of IAS 39 is measured at fair value at each reporting date, and changes in fair value are recognized in profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date and changes in fair value are recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Business combinations (Continued)**

interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period (see above), the provisional amounts recognized at the acquisition date are adjusted retrospectively or additional assets or liabilities are recognized as of that date, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the Track Record Period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Goodwill**

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognized at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognized in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with 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 provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investments in associates (Continued)**

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognized as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognizing the associate's losses (if any), the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized. The entire carrying amount of the investment (including goodwill) is tested for impairment 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 in the associate. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. Any amount previously recognized in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognized in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when the Group 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**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 ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has 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 in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Financial assets (Continued)*Financial assets at FVTPL (Continued)*

- 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 measured at fair value, with changes in fair value arising from 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 dividend or interest earned on the financial assets and is included in the net gains/ (losses) arising from investment securities line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 52.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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 changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve 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.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Financial assets (Continued)*Available-for-sale financial assets (Continued)*

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment loss on financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for financial assets because of financial difficulties.

Loans and receivables

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Impairment loss on financial assets (Continued)*Individual assessment (Continued)*

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a loan mitigation rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgment based on management's historical experience.

Individually assessed loans with no objective evidence of impairment on an individual basis

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the Track Record Period but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Impairment loss on financial assets (Continued)*Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)*

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. 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 for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale financial asset is considered to be impaired, 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.

For financial assets measured at amortized cost, 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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Impairment loss on financial assets (Continued)*Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)*

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

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 Bank are recognized at the proceeds received, net of direct issue costs.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Financial liabilities and equity instruments (Continued)*Equity instruments (Continued)*

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognized 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. 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 investments revaluation reserve is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**Derecognition (Continued)

recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

A financial liability is derecognized when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Specifically, the Group categorized the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property and equipment**

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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 is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3-10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment on tangible and intangible assets other than goodwill and financial 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 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 the 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 the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Reposessed assets**

Reposessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The reposessed assets are initially recognized at fair value, and are subsequently measured at lower of the carrying value and recoverable amount. If the recoverable amount is lower than the carrying value of the reposessed assets, the assets are written down to the recoverable amount.

Employee benefits*Salaries and allowances*

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund ("CPF") Scheme for its employees in the PRC organized by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognized in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Taxation (Continued)**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income 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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 difference 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 is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business.

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue recognition (Continued)**

future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows (“unwinding of discount”) for the purpose of measuring the related impairment loss.

- Fee and commission income is recognized in profit or loss when the corresponding service is provided.
- Dividend income from investments is recognized when the shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- Other income is recognized on an accrual basis.

Expenses recognition*Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

Other expenses

Other expenses are recognized on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Bank include, but are not limited to:

- (a) the Bank’s subsidiaries;
- (b) investors that exercise significant influence over the Group;
- (c) key management personnel of the Group and close family members of such individuals;
- (d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Segment reporting**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgments, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's 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.

The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgment. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgment in applying accounting policies (Continued)

Determination of control over investees

Management applies its judgment to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed investment products. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed investment products in which the Group has an interest or for which it is a sponsor, see Note 46.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses of loans and advances and debt securities classified as receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgment on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgment of management, which would affect the amount of impairment losses.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of financial instruments (Continued)

of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

Depreciation and amortization

Property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the Track Record Period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amount of goodwill is RMB833.14 million, RMB863.91 million and RMB1,170.40 million, and RMB1,173.80 million respectively. Details of the recoverable amount calculation are disclosed in Note 30.

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of interests in associates (Continued)

associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As at December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amount of interests in associates was approximately nil, RMB25 million and RMB121.98 million, and RMB125.92 million, respectively, net of accumulated impairment loss of nil.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Business tax

Business tax is charged at 3%-5% on taxable income.

(b) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%-7% of business tax and value added tax.

(c) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(d) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(e) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 15%-25%.

(f) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from May 1, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

6 NET INTEREST INCOME

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income arising from					
—Deposits with the central bank	68,631	108,991	144,844	71,322	88,772
—Deposits with banks and other financial institutions	246,728	488,899	533,654	233,114	508,249
—Placements with banks and other financial institutions	16,672	24,999	41,887	28,383	17,765
—Financial assets at fair value through profit or loss	42,667	16,292	251,099	47,953	337,994
—Loans and advances to customers:					
Corporate loans and advances	905,504	1,633,386	2,205,396	997,966	1,262,353
Personal loans and advances	419,092	648,487	991,987	373,857	504,682
Discounted bills	122,935	245,117	403,297	191,759	28,265
—Financial assets held under resale agreements	372,521	601,673	542,489	284,690	232,043
—Investments	385,735	911,836	965,991	400,276	924,109
	<u>2,580,485</u>	<u>4,679,680</u>	<u>6,080,644</u>	<u>2,629,320</u>	<u>3,904,232</u>
Less: Interest expenses arising from					
—Borrowing from the central bank	(1,394)	(6,638)	(7,934)	(3,530)	(4,674)
—Deposits from banks and other financial institutions	(189,261)	(463,212)	(290,270)	(167,591)	(156,459)
—Placements from banks and other financial institutions	(4,934)	(24,483)	(13,676)	(3,997)	(11,046)
—Deposits from customers:					
Corporate customers	(82,410)	(202,320)	(637,128)	(247,387)	(617,178)
Individual customers	(375,991)	(678,631)	(945,653)	(489,106)	(511,369)
—Financial assets sold under repurchase agreements	(418,869)	(681,683)	(586,804)	(252,889)	(340,989)
—Debts securities issued	(49,000)	(56,374)	(226,900)	(53,354)	(200,049)
	<u>(1,121,859)</u>	<u>(2,113,341)</u>	<u>(2,708,365)</u>	<u>(1,217,854)</u>	<u>(1,841,764)</u>
	<u>1,458,626</u>	<u>2,566,339</u>	<u>3,372,279</u>	<u>1,411,466</u>	<u>2,062,468</u>

7 NET FEE AND COMMISSION INCOME

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fee and commission income					
—Advisory fees	95,770	173,347	137,056	47,803	132,192
—Settlement and clearing fees	12,576	14,635	26,412	10,110	17,006
—Wealth management service fees	20,233	5,145	7,590	1,140	58,577
—Agency service fees	4,565	11,993	17,889	12,348	26,198
—Syndicated loan service fees	42,225	97,496	30,432	5,008	30,960
—Bank card service fees	1,275	4,510	5,104	2,240	3,092
—Others	4,241	11,680	17,243	7,046	6,171
	<u>180,885</u>	<u>318,806</u>	<u>241,726</u>	<u>85,695</u>	<u>274,196</u>
Fee and commission expense					
—Settlement and clearing fees	(5,562)	(7,703)	(12,165)	(4,088)	(11,251)
—Others	(4,956)	(9,942)	(6,864)	(1,211)	(2,286)
	<u>(10,518)</u>	<u>(17,645)</u>	<u>(19,029)</u>	<u>(5,299)</u>	<u>(13,537)</u>
	<u>170,367</u>	<u>301,161</u>	<u>222,697</u>	<u>80,396</u>	<u>260,659</u>

8 NET TRADING GAINS

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Trading financial instruments					
—Debt securities	49,402	21,928	38,038	4,821	(25,672)
—Financial instruments designated at fair value through profit or loss	8,535	10,377	93,888	59,757	70,986
	<u>57,937</u>	<u>32,305</u>	<u>131,926</u>	<u>64,578</u>	<u>45,314</u>

9 NET GAINS ARISING FROM INVESTMENT SECURITIES

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net gains on disposal of available-for-sale financial assets	79,142	218,265	192,923	12,080	21,960
Net gains on disposal of debt securities classified as receivables	—	—	152,275	18,048	119,030
Net revaluation (losses)/gains reclassified from other comprehensive income on disposal	—	(56,925)	(698)	—	25,974
	<u>79,142</u>	<u>161,340</u>	<u>344,500</u>	<u>30,128</u>	<u>166,964</u>

10 OTHER OPERATING INCOME

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants	40,602	115,031	116,091	7,298	6,837
Gain on deemed disposal of an available-for-sale financial asset (Note 56 (iii))	—	24,368	—	—	—
Others operating expenses	(18,748)	(3,838)	(8,104)	(146)	(1,016)
	<u>21,854</u>	<u>135,561</u>	<u>107,987</u>	<u>7,152</u>	<u>5,821</u>

11 OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs					
—Salaries and bonuses	344,254	571,344	808,998	288,391	423,091
—Staff welfares	28,373	45,649	63,794	21,816	34,995
—Social insurance	70,111	112,134	175,379	79,333	97,816
—Housing allowances	18,934	32,205	49,230	22,551	28,330
—Labor union and staff education expenses	9,302	15,519	21,987	6,300	9,125
	<u>470,974</u>	<u>776,851</u>	<u>1,119,388</u>	<u>418,391</u>	<u>593,357</u>
Premises and equipment expenses					
—Depreciation of property and equipment	74,375	126,623	176,605	85,442	116,370
—Amortization of long term deferred expenses	30,392	36,541	51,136	8,836	10,379
—Amortization of land use rights	—	556	605	278	484
—Rental and property management expenses	33,128	64,327	107,689	56,620	82,046
	<u>137,895</u>	<u>228,047</u>	<u>336,035</u>	<u>151,176</u>	<u>209,279</u>
Business tax and surcharges	72,057	147,746	185,964	73,251	113,407
Other general and administrative expenses (Note)	197,200	329,459	402,686	114,106	178,606
	<u>878,126</u>	<u>1,482,103</u>	<u>2,044,073</u>	<u>756,924</u>	<u>1,094,649</u>

Note: Auditor's remuneration for the years ended December 31, 2013, 2014, and 2015 and six months ended June 30, 2015 (unaudited) and 2016 were RMB0.91 million, RMB2.91 million, RMB3.05 million, RMB2.28 million and RMB2.05 million, respectively.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax of directors and supervisors of the Bank paid and/or payable by the Group during the Track Record Period are set out below:

For the year ended December 31, 2013

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Gao Bing	—	556	296	765	1,617
Fan Guobao	—	326	77	50	453
Yuan Chunyu	—	160	56	414	630
Non-executive directors					
Wu Shujun	—	—	—	—	—
Qiu Rongsheng	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Wang Zhishan	—	—	—	—	—
Zhao Zhenyi	—	—	—	—	—
Zhao Xiaoguang	—	—	—	—	—
Independent non-executive directors					
Jia Dongming	100	—	—	—	100
Li Junjiang	100	—	—	—	100
Supervisors					
Luo Hui	—	441	197	450	1,088
Wang Enjiu	—	282	75	48	405
Zhou Jianquan	—	84	24	24	132
Duan Baojun	—	105	31	34	170
External supervisors					
Chen Guangli	—	—	—	—	—
Guo Yan	—	—	—	—	—
Zhao Xing	—	—	—	—	—
	<u>200</u>	<u>1,954</u>	<u>756</u>	<u>1,785</u>	<u>4,695</u>

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended December 31, 2014

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Gao Bing	—	462	358	1,460	2,280
Fan Guobao	—	194	84	54	332
Yuan Chunyu	—	163	160	620	943
Non-executive directors					
Wu Shujun	—	—	—	—	—
Qiu Rongsheng	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Wang Zhishan	—	—	—	—	—
Zhao Zhenyi	—	—	—	—	—
Zhao Xiaoguang	—	—	—	—	—
Independent non-executive directors					
Jia Dongming	100	—	—	—	100
Li Junjiang	100	—	—	—	100
Supervisors					
Luo Hui	—	390	240	730	1,360
Wang Enjiu	—	397	90	—	487
Zhou Jianquan	—	136	26	26	188
Duan Baojun	—	120	34	36	190
External supervisors					
Chen Guangli	—	—	—	—	—
Guo Yan ⁽¹⁾	—	—	—	—	—
Zhao Xing ⁽²⁾	—	—	—	—	—
Wang Baocheng ⁽³⁾	—	—	—	—	—
Jiang Hong ⁽⁴⁾	—	—	—	—	—
	<u>200</u>	<u>1,862</u>	<u>992</u>	<u>2,926</u>	<u>5,980</u>

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended December 31, 2015

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Gao Bing	—	481	561	1,950	2,992
Fan Guobao	—	350	73	58	481
Yuan Chunyu	—	167	219	1,170	1,556
Non-executive directors					
Wu Shujun	—	—	—	—	—
Qiu Rongsheng ⁽⁵⁾	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Wang Zhishan ⁽⁶⁾	—	—	—	—	—
Zhao Zhenyi ⁽⁷⁾	—	—	—	—	—
Zhao Xiaoguang	—	—	—	—	—
Guo Yan ⁽⁸⁾	—	—	—	—	—
Zhang Yusheng ⁽⁹⁾	—	—	—	—	—
Gao Xijun ⁽¹⁰⁾	—	—	—	—	—
Independent non-executive directors					
Jia Dongming ⁽¹¹⁾	100	—	—	—	100
Li Junjiang ⁽¹²⁾	100	—	—	—	100
Xie Di ⁽¹³⁾	—	—	—	—	—
Fu Qiong ⁽¹⁴⁾	—	—	—	—	—
Supervisors					
Luo Hui	—	405	331	1,235	1,971
Wang Enjiu	—	444	90	—	534
Zhou Jianquan	—	181	37	27	245
Duan Baojun	—	196	37	13	246
Liu Xiangjun ⁽¹⁵⁾	—	—	—	—	—
External supervisors					
Chen Guangli	—	—	—	—	—
Wang Baocheng	—	—	—	—	—
Jiang Hong	—	—	—	—	—
	<u>200</u>	<u>2,224</u>	<u>1,348</u>	<u>4,453</u>	<u>8,225</u>

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the six months ended June 30, 2015 (Unaudited)

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Gao Bing	—	239	281	—	520
Fan Guobao	—	189	37	—	226
Yuan Chunyu	—	82	110	—	192
Non-executive directors					
Wu Shujun	—	—	—	—	—
Qiu Rongsheng ⁽⁵⁾	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Wang Zhishan ⁽⁶⁾	—	—	—	—	—
Zhao Zhenyi ⁽⁷⁾	—	—	—	—	—
Zhao Xiaoguang	—	—	—	—	—
Guo Yan ⁽⁸⁾	—	—	—	—	—
Zhang Yusheng ⁽⁹⁾	—	—	—	—	—
Gao Xijun ⁽¹⁰⁾	—	—	—	—	—
Independent non-executive directors					
Jia Dongming ⁽¹¹⁾	100	—	—	—	100
Li Junjiang ⁽¹²⁾	100	—	—	—	100
Xie Di ⁽¹³⁾	—	—	—	—	—
Fu Qiong ⁽¹⁴⁾	—	—	—	—	—
Supervisors					
Luo Hui	—	201	166	—	367
Wang Enjiu	—	145	45	—	190
Zhou Jianquan	—	88	19	—	107
Duan Baojun	—	80	19	—	99
External supervisors					
Chen Guangli	—	—	—	—	—
Wang Baocheng	—	—	—	—	—
Jiang Hong	—	—	—	—	—
	<u>200</u>	<u>1,024</u>	<u>677</u>	<u>—</u>	<u>1,901</u>

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the six months ended June 30, 2016

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Gao Bing	—	241	355	—	596
Fan Guobao ⁽¹⁶⁾	—	186	26	—	212
Yuan Chunyu	—	163	197	—	360
Liang Xiangmin ⁽¹⁷⁾	—	164	221	—	385
Non-executive directors					
Wu Shujun	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Zhao Xiaoguang ⁽¹⁸⁾	—	—	—	—	—
Guo Yan	—	—	—	—	—
Zhang Yusheng	—	—	—	—	—
Gao Xijun ⁽¹⁹⁾	—	—	—	—	—
Wang Baocheng ⁽²⁰⁾	—	—	—	—	—
Independent non-executive directors					
Xie Di ⁽²¹⁾	100	—	—	—	100
Fu Qiong	100	—	—	—	100
Jin Shuo ⁽²²⁾	—	—	—	—	—
Li Beiwei ⁽²³⁾	—	—	—	—	—
Yin Zhiwei ⁽²⁴⁾	—	—	—	—	—
Yang Jinguan ⁽²⁵⁾	—	—	—	—	—
Supervisors					
Luo Hui	—	203	242	—	445
Wang Enjiu	—	150	45	—	195
Zhou Jianquan ⁽²⁶⁾	—	99	24	—	123
Duan Baojun ⁽²⁷⁾	—	92	26	—	118
Liu Xiangjun	—	47	13	—	60
External supervisors					
Chen Guangli ⁽²⁸⁾	—	—	—	—	—
Wang Baocheng ⁽²⁰⁾	—	—	—	—	—
Wang Liying ⁽²⁹⁾	—	—	—	—	—
Jiang Hong ⁽³⁰⁾	—	—	—	—	—
Gao Pengcheng ⁽³¹⁾	—	—	—	—	—
Wang Zhi ⁽³²⁾	—	—	—	—	—
Zhang Ruibin ⁽³³⁾	—	—	—	—	—
Fan Shuguang ⁽³⁴⁾	—	—	—	—	—
	<u>200</u>	<u>1,345</u>	<u>1,149</u>	<u>—</u>	<u>2,694</u>

- (1) Guo Yan resigned as external supervisor on December 28, 2014.
(2) Zhao Xing resigned as external supervisor on December 28, 2014.
(3) Wang Baocheng was appointed as external supervisor on December 28, 2014.
(4) Jiang Hong was appointed as external supervisor on December 28, 2014.
(5) Qiu Rongsheng resigned as non-executive director on April 2, 2015.
(6) Wang Zhishan resigned as non-executive director on April 2, 2015.
(7) Zhao Zhenyi resigned as non-executive director on April 2, 2015.
(8) Guo Yan was appointed as non-executive director on April 2, 2015.
(9) Zhang Yusheng was appointed as non-executive director on April 2, 2015.
(10) Gao Xijun was appointed as non-executive director on April 2, 2015.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (11) Jia Dongming resigned as independent non-executive director on April 2, 2015.
 (12) Li Junjiang resigned as independent non-executive director on April 2, 2015.
 (13) Xie Di was appointed as independent non-executive director on April 2, 2015.
 (14) Fu Qiong was appointed as independent non-executive director on April 2, 2015.
 (15) Liu Xiangjun was appointed as supervisor on December 12, 2015.
 (16) Fan Guobao resigned as executive director on April 13, 2016.
 (17) Liang Xiangmin was appointed as executive director on April 21, 2016.
 (18) Zhao Xiaoguang resigned as non-executive director on April 13, 2016.
 (19) Gao Xijun resigned as non-executive director on April 13, 2016.
 (20) Wang Baocheng resigned as external supervisor on January 17, 2016 and was appointed as non-executive director on April 21, 2016.
 (21) Xie Di resigned as independent non-executive director on April 15, 2016.
 (22) Jin Shuo was appointed as independent non-executive director on April 21, 2016.
 (23) Li Beiwei was appointed as independent non-executive director on April 21, 2016.
 (24) Yin Zhiwei was appointed as independent non-executive director on April 21, 2016 and resigned on July 21, 2016.
 (25) Yang Jinguan was appointed as independent non-executive director on April 26, 2016.
 (26) Zhou Jianquan resigned as supervisor on January 17, 2016.
 (27) Duan Baojun resigned as supervisor on January 17, 2016.
 (28) Chen Guangli resigned as external supervisor on January 17, 2016.
 (29) Wang Liying was appointed as external supervisor on January 17, 2016 and resigned on June 19, 2016.
 (30) Jiang Hong resigned as external supervisor on January 17, 2016.
 (31) Gao Pengcheng was appointed as external supervisor on January 17, 2016.
 (32) Wang Zhi was appointed as external supervisor on January 17, 2016.
 (33) Zhang Ruibin was appointed as external supervisor on January 17, 2016.
 (34) Fan Shuguang was appointed as external supervisor on June 19, 2016.

Mr. Gao Bing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the Track Record Period. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period.

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, one, nil and nil were directors or supervisors of the Group for the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2015 (unaudited) and 2016, whose emoluments are disclosed in Note 12 above.

The emoluments of remaining four, four, four, five and five individuals for the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2015 (unaudited) and 2016 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
Salaries, allowances and benefits in kind . . .	5,516	7,069	14,948	11,080	11,312
Retirement benefits scheme contributions . . .	864	1,044	935	743	790
Discretionary bonuses	109	170	149	—	—
	<u>6,489</u>	<u>8,283</u>	<u>16,032</u>	<u>11,823</u>	<u>12,102</u>

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				(Unaudited)	
RMB500,001-1,000,000	—	—	—	—	—
RMB1,000,001-1,500,000	2	—	—	3	1
RMB1,500,001-2,000,000	1	2	—	—	1
RMB2,000,001-2,500,000	1	2	—	—	1
RMB2,500,001-3,000,000	—	—	—	1	1
RMB3,000,001-3,500,000	—	—	2	—	—
RMB3,500,001-4,000,000	—	—	—	—	—
RMB4,000,001-4,500,000	—	—	1	—	1
RMB4,500,001-5,000,000	—	—	—	—	—
RMB5,000,001-5,500,000	—	—	1	1	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Track Record Period.

14 IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and advances to customers				(unaudited)	
Charge for the year	251,317	227,699	418,344	231,859	270,150
Reverse for the year	(34,946)	(42,097)	(91,397)	(36,236)	(16,756)
	216,371	185,602	326,947	195,623	253,394
Debt securities classified as receivables					
Charge for the year	—	—	19,339	11,602	—
Reverse for the year	—	—	—	—	(8,309)
	—	—	19,339	11,602	(8,309)
Property and equipment	200	10	—	—	—
Other receivables and prepayments	—	120	3,819	—	199
	216,571	185,732	350,105	207,225	245,284

15 INCOME TAX EXPENSE

(a) Income tax:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax:					
—Mainland China Enterprise Income Tax	225,611	375,990	577,427	195,443	335,430
Under/(over) provision in prior years:					
—Mainland China Enterprise Income Tax	—	2,376	(6,185)	(5,424)	3,027
Deferred tax (Note 31)					
—Current year	(44,922)	(31,332)	(101,780)	(45,707)	(56,490)
—Attributable to change in tax rate	—	—	4,251	4,251	—
	<u>(44,922)</u>	<u>(31,332)</u>	<u>(97,529)</u>	<u>(41,456)</u>	<u>(56,490)</u>
	<u>180,689</u>	<u>347,034</u>	<u>473,713</u>	<u>148,563</u>	<u>281,967</u>

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the year ended December 31, 2015 and six months ended June 30, 2015 and 2016, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

(b) The tax charge for the year/period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax	723,261	1,577,783	1,875,942	702,838	1,314,826
Tax at domestic income tax rate of 25%	180,815	394,445	468,985	175,709	328,706
Tax effect of share of profit of associates	—	—	(542)	(160)	(984)
Tax effect of expenses not deductible for tax purpose (Notes a)	21,700	4,258	53,971	1,390	1,272
Tax effect of income that are not taxable for tax purpose (Notes b)	(21,826)	(54,045)	(37,916)	(22,498)	(42,692)
Under/(over) provision in respect of prior years	—	2,376	(6,185)	(5,424)	3,027
Decrease in opening deferred tax assets resulting from an decrease in applicable tax rate	—	—	4,251	4,251	—
Income tax on concessionary rate	—	—	(8,851)	(4,705)	(7,362)
Income tax expense	<u>180,689</u>	<u>347,034</u>	<u>473,713</u>	<u>148,563</u>	<u>281,967</u>

Notes:

- Expenses not deductible for tax purpose consists of a portion of expenditures such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.
- Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 31.

16 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

17 CASH AND DEPOSITS WITH THE CENTRAL BANK**The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	372,637	647,220	741,588	689,932
Deposits with the central bank				
—Statutory deposit reserves (Notes a)	5,615,161	8,409,802	9,320,854	11,279,706
—Surplus deposit reserves (Notes b)	5,225,541	6,446,781	9,202,248	7,926,451
—Fiscal deposits	56,333	102,052	68,906	47,160
	10,897,035	14,958,635	18,592,008	19,253,317
	11,269,672	15,605,855	19,333,596	19,943,249

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	187,420	304,897	334,805	319,906
Deposits with the central bank				
—Statutory deposit reserves (Notes a)	3,145,186	3,833,817	4,595,026	6,458,796
—Surplus deposit reserves (Notes b)	1,832,438	2,532,306	4,294,844	6,494,023
—Fiscal deposits	56,309	101,971	68,906	47,160
	5,033,933	6,468,094	8,958,776	12,999,979
	5,221,353	6,772,991	9,293,581	13,319,885

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the Track Record Period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At December 31,			At June 30,
	2013	2014	2015	2016
Reserve ratio for RMB deposits	17%	15%	11.5%	14.5%
Reserve ratio for foreign currency deposits	5%	5%	5%	5%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

18 DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS*Analyzed by type and location of counterparty***The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	3,308,387	11,971,460	18,637,168	26,383,685
—Other financial institutions	200	500	1,904	1,404
	<u>3,308,587</u>	<u>11,971,960</u>	<u>18,639,072</u>	<u>26,385,089</u>
Deposits outside Mainland China				
—Banks	740	845	1,081	9,735
	<u>3,309,327</u>	<u>11,972,805</u>	<u>18,640,153</u>	<u>26,394,824</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	529,611	3,301,591	8,511,180	12,269,437
—Other financial institutions	—	—	1,404	1,404
	<u>529,611</u>	<u>3,301,591</u>	<u>8,512,584</u>	<u>12,270,841</u>
Deposits outside Mainland China				
—Banks	740	845	1,081	9,735
	<u>530,351</u>	<u>3,302,436</u>	<u>8,513,665</u>	<u>12,280,576</u>

19 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Placements in Mainland China				
—Banks	7,000	—	250,000	—
—Other financial institutions	140,000	140,000	140,000	—
	<u>147,000</u>	<u>140,000</u>	<u>390,000</u>	<u>—</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Placements in Mainland China				
—Other financial institutions	140,000	140,000	140,000	—

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**(a) Analyzed by type and location of counterparty****The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	2,243,922	5,363,861	9,539,674	1,886,468
—Other financial institutions	4,984,181	1,767,140	7,757,768	6,140,575
	<u>7,228,103</u>	<u>7,131,001</u>	<u>17,297,442</u>	<u>8,027,043</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	2,243,922	4,162,757	9,630,750	972,346
—Other financial institutions	4,895,193	1,371,070	7,663,096	6,140,575
	<u>7,139,115</u>	<u>5,533,827</u>	<u>17,293,846</u>	<u>7,112,921</u>

(b) Analyzed by type of security held**The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities				
—Government	1,833,427	1,137,870	3,484,941	1,511,646
—Banks and other financial institutions	4,446,809	3,847,293	12,248,112	5,084,781
—Corporations	787,867	536,810	1,564,389	972,047
	<u>7,068,103</u>	<u>5,521,973</u>	<u>17,297,442</u>	<u>7,568,474</u>
Bank acceptances	160,000	1,609,028	—	458,569
	<u>7,228,103</u>	<u>7,131,001</u>	<u>17,297,442</u>	<u>8,027,043</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities				
—Government	1,784,515	914,178	3,484,941	1,511,646
—Banks and other financial institutions	4,406,733	3,376,864	12,153,441	4,886,049
—Corporations	787,867	488,862	1,655,464	715,226
	<u>6,979,115</u>	<u>4,779,904</u>	<u>17,293,846</u>	<u>7,112,921</u>
Bank acceptances	160,000	753,923	—	—
	<u>7,139,115</u>	<u>5,533,827</u>	<u>17,293,846</u>	<u>7,112,921</u>

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities held for trading (Notes a)	19,270	104,837	3,857,844	1,122,824
Financial assets designated at FVTPL (Notes b)	118,660	1,178,097	8,243,686	12,274,881
	<u>137,930</u>	<u>1,282,934</u>	<u>12,101,530</u>	<u>13,397,705</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities held for trading (Notes a)	—	—	1,723,441	95,222
Financial assets designated at FVTPL (Notes b)	118,660	1,178,097	8,243,686	12,274,881
	<u>118,660</u>	<u>1,178,097</u>	<u>9,967,127</u>	<u>12,370,103</u>

Notes:

(a) Debt securities held for trading

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Issued by institutions in Mainland China				
—Government	—	—	279,519	—
—Banks and other financial institutions	—	104,837	2,324,023	811,875
—Corporations	19,270	—	1,254,302	310,949
	<u>19,270</u>	<u>104,837</u>	<u>3,857,844</u>	<u>1,122,824</u>
Analyzed as:				
Listed outside Hong Kong	19,270	104,837	3,857,844	1,122,824

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Issued by institutions in Mainland China				
—Banks and other financial institutions	—	—	1,723,441	95,222
Analyzed as:				
Listed outside Hong Kong	—	—	1,723,441	95,222

As at the end of each of the Track Record Period, no debt securities held for trading were subject to material restrictions on the realization.

All debt securities held for trading are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

(b) Financial assets designated at FVTPL

Financial assets designated at FVTPL represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

22 INTERESTS RECEIVABLES

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Interests receivable arising from:				
—Investments	49,554	31,306	201,588	325,580
—Loans and advances to customers	35,392	51,071	58,313	11,648
—Financial assets held under resale agreements	31,142	12,660	17,415	8,963
—Deposits and placements with banks and other financial institutions	18,600	68,975	39,295	63,167
	<u>134,688</u>	<u>164,012</u>	<u>316,611</u>	<u>409,358</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Interests receivable arising from:				
—Investments	29,635	27,541	144,602	235,062
—Loans and advances to customers	6,282	4,760	9,479	764
—Financial assets held under resale agreements	31,142	10,435	17,464	1,922
—Deposits and placements with banks and other financial institutions	12,383	19,123	10,335	25,609
	<u>79,442</u>	<u>61,859</u>	<u>181,880</u>	<u>263,357</u>

23 LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by nature

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Corporate loans and advances	14,199,230	22,501,879	32,610,795	37,830,248
Personal loans and advances				
—Personal business loans	5,880,668	8,822,310	10,793,449	11,443,932
—Personal consumption loans	1,631,238	2,362,071	2,169,153	2,439,701
—Residential and commercial mortgage loans	140,728	454,933	1,375,660	1,502,953
	<u>7,652,634</u>	<u>11,639,314</u>	<u>14,338,262</u>	<u>15,386,586</u>
Discounted bills	6,711	230,309	932,639	24,661
	<u>21,858,575</u>	<u>34,371,502</u>	<u>47,881,696</u>	<u>53,241,495</u>
Less: Provision for impairment losses				
—Individually assessed	(43,557)	(65,216)	(230,286)	(286,700)
—Collectively assessed	(561,725)	(889,249)	(1,173,980)	(1,373,532)
	<u>(605,282)</u>	<u>(954,465)</u>	<u>(1,404,266)</u>	<u>(1,660,232)</u>
	<u>21,253,293</u>	<u>33,417,037</u>	<u>46,477,430</u>	<u>51,581,263</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(a) Analyzed by nature (Continued)

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Corporate loans and advances	8,824,299	12,785,121	17,374,467	20,410,973
Personal loans and advances				
—Personal business loans	1,922,868	2,448,542	2,039,237	2,028,641
—Personal consumption loans	1,271,345	1,269,055	1,344,450	1,355,231
—Residential and commercial mortgage loans	64,088	175,228	477,955	700,034
	<u>3,258,301</u>	<u>3,892,825</u>	<u>3,861,642</u>	<u>4,083,906</u>
Discounted bills	—	983	—	—
	<u>12,082,600</u>	<u>16,678,929</u>	<u>21,236,109</u>	<u>24,494,879</u>
Less: Provision for impairment losses				
—Individually assessed	(36,591)	(29,802)	(137,199)	(150,987)
—Collectively assessed	(327,370)	(396,077)	(396,918)	(491,059)
	<u>(363,961)</u>	<u>(425,879)</u>	<u>(534,117)</u>	<u>(642,046)</u>
	<u>11,718,639</u>	<u>16,253,050</u>	<u>20,701,992</u>	<u>23,852,833</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector

The Group

	At December 31, 2013		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	3,247,785	14.86%	1,649,988
—Manufacturing	2,437,769	11.15%	1,498,657
—Construction	2,128,928	9.74%	1,151,378
—Agriculture, forestry, animal husbandry and fishery	1,352,012	6.19%	828,528
—Leasing and business services	1,217,210	5.57%	521,000
—Real estate	1,019,520	4.66%	818,920
—Resident and other services	652,097	2.98%	307,911
—Transportation, storage and postal services	456,810	2.09%	141,338
—Water, environment and public facility management	360,600	1.65%	109,600
—Electricity, gas and water production and supply	349,700	1.60%	163,400
—Accommodation and catering	323,571	1.48%	315,271
—Education	150,900	0.69%	20,000
—Information transmission, computer services and software	106,570	0.49%	12,570
—Finance	105,000	0.48%	60,000
—Health and social services	85,820	0.39%	39,000
—Cultural, sports and entertainment	80,050	0.37%	49,400
—Mining	79,438	0.36%	21,820
—Public administration, social security and social organizations	27,450	0.13%	—
—Scientific research, technical services and geological prospecting	18,000	0.08%	8,000
	14,199,230	64.96%	7,716,781
Personal loans and advances	7,652,634	35.01%	3,125,263
Discounted bills	6,711	0.03%	—
	<u>21,858,575</u>	<u>100.00%</u>	<u>10,842,044</u>
Less: Provision for impairment losses			
—Individually assessed	(43,557)		
—Collectively assessed	(561,725)		
	<u>(605,282)</u>		
	<u>21,253,293</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At December 31, 2014		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	4,496,247	13.08%	2,614,410
—Manufacturing	3,664,363	10.66%	1,908,879
—Leasing and business services	2,814,223	8.19%	917,642
—Construction	2,651,322	7.71%	1,239,572
—Real estate	2,514,815	7.31%	2,165,627
—Agriculture, forestry, animal husbandry and fishery	1,924,651	5.60%	1,004,753
—Transportation, storage and postal services	848,060	2.47%	282,610
—Electricity, gas and water production and supply	683,120	1.99%	283,750
—Accommodation and catering	568,198	1.65%	403,698
—Resident and other services	510,502	1.49%	226,053
—Water, environment and public facility management	382,800	1.11%	63,000
—Education	298,900	0.87%	26,500
—Public administration, social security and social organizations	206,450	0.60%	—
—Health and social services	194,420	0.57%	76,000
—Scientific research, technical services and geological prospecting	184,790	0.54%	149,790
—Mining	174,738	0.51%	47,620
—Information transmission, computer services and software	160,390	0.47%	36,390
—Cultural, sports and entertainment	134,890	0.39%	100,590
—Finance	89,000	0.26%	—
	22,501,879	65.47%	11,546,884
Personal loans and advances	11,639,314	33.86%	4,959,753
Discounted bills	230,309	0.67%	—
	34,371,502	100.00%	16,506,637
Less: Provision for impairment losses			
—Individually assessed	(65,216)		
—Collectively assessed	(889,249)		
	(954,465)		
	33,417,037		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At December 31, 2015		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	7,136,856	14.91%	4,653,686
—Manufacturing	6,369,072	13.30%	3,305,379
—Construction	4,022,928	8.40%	2,115,858
—Real estate	2,962,451	6.19%	2,066,091
—Leasing and business services	2,388,310	4.99%	608,858
—Agriculture, forestry, animal husbandry and fishery	2,316,808	4.84%	1,104,240
—Transportation, storage and postal services	1,977,709	4.13%	759,619
—Electricity, gas and water production and supply	1,318,260	2.75%	438,360
—Information transmission, computer services and software	935,372	1.95%	166,500
—Education	644,450	1.35%	39,500
—Resident and other services	622,408	1.30%	283,090
—Accommodation and catering	413,826	0.86%	347,916
—Health and social services	412,444	0.86%	129,003
—Water, environment and public facility management	392,800	0.82%	99,900
—Scientific research, technical services and geological prospecting	321,890	0.67%	235,770
—Mining	159,761	0.33%	9,170
—Cultural, sports and entertainment	132,000	0.28%	40,000
—Finance	77,800	0.16%	18,000
—Public administration, social security and social organizations	5,650	0.01%	—
	32,610,795	68.10%	16,420,940
Personal loans and advances	14,338,262	29.95%	6,911,726
Discounted bills	932,639	1.95%	—
	<u>47,881,696</u>	<u>100.00%</u>	<u>23,332,666</u>
Less: Provision for impairment losses			
—Individually assessed	(230,286)		
—Collectively assessed	(1,173,980)		
	<u>(1,404,266)</u>		
	<u>46,477,430</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At June 30, 2016		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	8,745,329	16.42%	5,131,169
—Manufacturing	7,644,740	14.36%	3,930,555
—Construction	4,193,399	7.88%	2,585,825
—Real estate	4,101,059	7.70%	2,189,859
—Leasing and business services	2,652,281	4.98%	630,181
—Agriculture, forestry, animal husbandry and fishery	2,553,205	4.80%	963,884
—Transportation, storage and postal services	1,627,160	3.06%	600,120
—Electricity, gas and water production and supply	1,466,777	2.75%	453,478
—Accommodation and catering	910,640	1.71%	512,440
—Education	735,650	1.38%	194,500
—Information transmission, computer services and software	626,674	1.18%	158,228
—Resident and other services	468,733	0.88%	157,540
—Water, environment and public facility management	468,040	0.88%	51,200
—Health and social services	465,510	0.87%	149,700
—Cultural, sports and entertainment	328,680	0.62%	140,280
—Scientific research, technical services and geological prospecting	252,700	0.47%	233,400
—Mining	244,521	0.46%	11,530
—Finance	197,700	0.37%	18,000
—Public administration, social security and social organizations	147,450	0.28%	60,000
	37,830,248	71.05%	18,171,889
Personal loans and advances	15,386,586	28.90%	7,701,036
Discounted bills	24,661	0.05%	—
	<u>53,241,495</u>	<u>100.00%</u>	<u>25,872,925</u>
Less: Provision for impairment losses			
—Individually assessed	(286,700)		
—Collectively assessed	(1,373,532)		
	<u>(1,660,232)</u>		
	<u>51,581,263</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank

	At December 31, 2013		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	2,145,439	17.76%	1,097,759
—Construction	1,470,488	12.17%	804,938
—Manufacturing	1,447,960	11.98%	973,317
—Agriculture, forestry, animal husbandry and fishery . . .	834,693	6.91%	554,209
—Leasing and business services	687,497	5.69%	282,000
—Resident and other services	557,429	4.61%	239,000
—Real estate	498,270	4.12%	422,670
—Water, environment and public facility management . . .	224,000	1.85%	89,000
—Accommodation and catering	221,134	1.83%	218,134
—Electricity, gas and water production and supply	196,500	1.63%	57,300
—Transportation, storage and postal services	121,630	1.01%	65,358
—Education	113,000	0.93%	20,000
—Health and social services	85,820	0.71%	39,000
—Information transmission, computer services and software	81,500	0.67%	9,500
—Finance	60,000	0.50%	60,000
—Cultural, sports and entertainment	55,100	0.46%	49,000
—Scientific research, technical services and geological prospecting	18,000	0.15%	8,000
	5,839	0.05%	5,620
	8,824,299	73.03%	4,994,805
Personal loans and advances	3,258,301	26.97%	1,122,591
	<u>12,082,600</u>	<u>100.00%</u>	<u>6,117,396</u>
Less: Provision for impairment losses			
—Individually assessed	(36,591)		
—Collectively assessed	(327,370)		
	<u>(363,961)</u>		
	<u>11,718,639</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At December 31, 2014		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	2,534,623	15.20%	1,420,633
—Leasing and business services	1,804,093	10.82%	578,541
—Manufacturing	1,676,486	10.05%	1,051,694
—Construction	1,669,211	10.01%	823,261
—Real estate	1,518,015	9.10%	1,296,215
—Agriculture, forestry, animal husbandry and fishery . . .	1,026,321	6.15%	611,858
—Transportation, storage and postal services	419,050	2.51%	169,100
—Electricity, gas and water production and supply	398,020	2.39%	148,950
—Accommodation and catering	342,944	2.05%	233,744
—Resident and other services	335,100	2.01%	170,100
—Water, environment and public facility management . . .	259,000	1.55%	59,000
—Education	248,000	1.49%	22,000
—Health and social services	164,420	0.99%	49,000
—Information transmission, computer services and software	119,000	0.71%	4,000
—Cultural, sports and entertainment	80,000	0.48%	80,000
—Public administration, social security and social organizations	80,000	0.48%	—
—Scientific research, technical services and geological prospecting	75,000	0.45%	45,000
—Finance	25,000	0.15%	—
—Mining	10,838	0.06%	5,620
	<u>12,785,121</u>	<u>76.65%</u>	<u>6,768,716</u>
Personal loans and advances	3,892,825	23.34%	1,489,367
Discounted bills	983	0.01%	—
	<u>16,678,929</u>	<u>100.00%</u>	<u>8,258,083</u>
Less: Provision for impairment losses			
—Individually assessed	(29,802)		
—Collectively assessed	(396,077)		
	<u>(425,879)</u>		
	<u>16,253,050</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	3,273,372	15.42%	2,235,421
—Manufacturing	2,850,797	13.43%	1,579,869
—Construction	2,307,155	10.86%	1,380,725
—Real estate	1,810,599	8.53%	1,254,439
—Leasing and business services	1,784,961	8.41%	353,340
—Transportation, storage and postal services	1,187,800	5.59%	279,600
—Agriculture, forestry, animal husbandry and fishery	946,233	4.46%	561,635
—Electricity, gas and water production and supply	790,310	3.72%	235,810
—Information transmission, computer services and software	614,772	2.89%	32,300
—Education	465,500	2.19%	27,500
—Resident and other services	350,150	1.65%	191,900
—Health and social services	319,440	1.50%	39,000
—Water, environment and public facility management	264,000	1.24%	62,000
—Accommodation and catering	172,758	0.81%	122,248
—Scientific research, technical services and geological prospecting	137,000	0.65%	62,000
—Cultural, sports and entertainment	64,000	0.30%	30,000
—Mining	35,620	0.17%	5,620
	17,374,467	81.82%	8,453,407
Personal loans and advances	3,861,642	18.18%	1,682,446
Discounted bills	—	—	—
	<u>21,236,109</u>	<u>100.00%</u>	<u>10,135,853</u>
Less: Provision for impairment losses			
—Individually assessed	(137,199)		
—Collectively assessed	(396,918)		
	<u>(534,117)</u>		
	<u>20,701,992</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At June 30, 2016		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	4,052,644	16.55%	2,370,943
—Manufacturing	3,604,842	14.72%	2,136,688
—Real estate	2,645,500	10.80%	1,453,500
—Construction	2,618,480	10.69%	1,820,520
—Leasing and business services	2,071,685	8.46%	430,805
—Transportation, storage and postal services	965,250	3.94%	241,950
—Agriculture, forestry, animal husbandry and fishery	943,783	3.85%	298,750
—Electricity, gas and water production and supply	722,650	2.95%	144,650
—Education	557,500	2.28%	182,500
—Accommodation and catering	519,285	2.12%	234,285
—Water, environment and public facility management	382,140	1.56%	12,800
—Health and social services	343,860	1.40%	39,000
—Cultural, sports and entertainment	238,730	0.97%	101,230
—Information transmission, computer services and software	232,259	0.95%	5,500
—Residential and other services	212,345	0.87%	55,300
—Public administration, social security and social organizations	140,000	0.57%	60,000
—Finance	90,000	0.37%	—
—Scientific research, technical services and geological prospecting	64,400	0.26%	62,000
—Mining	5,620	0.02%	5,620
	20,410,973	83.33%	9,656,041
Personal loans and advances	4,083,906	16.67%	1,960,428
Discounted bills	—	—	—
	<u>24,494,879</u>	<u>100%</u>	<u>11,616,469</u>
Less: Provision for impairment losses			
—Individually assessed	(150,987)		
—Collectively assessed	(491,059)		
	<u>(642,046)</u>		
	<u>23,852,833</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

As at the end of each of the Track Record Period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

The Group

At December 31, 2013					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	—	71,620	28,303	—	
—Manufacturing	142	52,741	10,571	—	
At December 31, 2014					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	30,000	88,535	34,916	—	
—Manufacturing	21,663	75,159	28,957	—	
At December 31, 2015					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	69,144	144,491	75,038	—	
—Manufacturing	165,787	142,699	159,420	142	
At June 30, 2016					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	76,642	189,829	37,471	—	
—Manufacturing	214,136	185,623	71,351	—	

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank

At December 31, 2013					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	—	50,459	21,750	—	
—Construction	3,500	2,100	34,026	17,610	—
—Manufacturing	142	85	33,667	4,547	—

At December 31, 2014					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	20,000	12,000	52,690	14,231	—
—Leasing and commercial service	—	—	35,897	20,036	—
—Manufacturing	142	85	33,987	320	—
—Construction	3,500	2,100	36,618	2,592	—

At December 31, 2015					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	37,000	20,100	55,085	10,495	—
—Manufacturing	77,168	46,301	47,962	60,190	142
—Construction	3,500	2,100	39,440	2,822	2,647

At June 30, 2016					
Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	19,500	11,250	77,542	13,607	—
—Manufacturing	114,017	57,010	75,758	38,506	—
—Construction	10,000	3,000	60,674	22,135	—
—Real estate	95,000	57,000	44,749	14,745	—

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analyzed by type of collateral

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Unsecured loans	170,628	888,862	917,886	1,085,199
Guaranteed loans	8,826,394	12,965,133	15,504,818	16,482,151
Collateralized loans	10,842,044	16,506,637	23,332,666	25,872,925
Pledged loans	2,019,509	4,010,870	8,126,326	9,801,220
	<u>21,858,575</u>	<u>34,371,502</u>	<u>47,881,696</u>	<u>53,241,495</u>
Less: Provision for impairment losses				
—Individually assessed	(43,557)	(65,216)	(230,286)	(286,700)
—Collectively assessed	<u>(561,725)</u>	<u>(889,249)</u>	<u>(1,173,980)</u>	<u>(1,373,532)</u>
	<u>(605,282)</u>	<u>(954,465)</u>	<u>(1,404,266)</u>	<u>(1,660,232)</u>
	<u>21,253,293</u>	<u>33,417,037</u>	<u>46,477,430</u>	<u>51,581,263</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Unsecured loans	10,398	36,921	454,408	501,931
Guaranteed loans	4,843,283	6,311,443	6,772,240	7,170,488
Collateralized loans	6,117,396	8,258,083	10,135,853	11,616,470
Pledged loans	1,111,523	2,072,482	3,873,608	5,205,990
	<u>12,082,600</u>	<u>16,678,929</u>	<u>21,236,109</u>	<u>24,494,879</u>
Less: Provision for impairment losses				
—Individually assessed	(36,591)	(29,802)	(137,199)	(150,987)
—Collectively assessed	<u>(327,370)</u>	<u>(396,077)</u>	<u>(396,918)</u>	<u>(491,059)</u>
	<u>(363,961)</u>	<u>(425,879)</u>	<u>(534,117)</u>	<u>(642,046)</u>
	<u>11,718,639</u>	<u>16,253,050</u>	<u>20,701,992</u>	<u>23,852,833</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period

The Group

At December 31, 2013					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	9,854	19,485	5,635	10,687	45,661
Guaranteed loans	167,439	66,264	40,669	37,593	311,965
Collateralized loan	163,444	81,356	53,585	37,958	336,343
Pledged loans	92,072	40,807	42,261	72	175,212
	<u>432,809</u>	<u>207,912</u>	<u>142,150</u>	<u>86,310</u>	<u>869,181</u>
As a percentage of gross loans and advance to customers . .	<u>1.98%</u>	<u>0.95%</u>	<u>0.65%</u>	<u>0.40%</u>	<u>3.98%</u>
At December 31, 2014					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	75,187	4,585	87,292	58,255	225,319
Guaranteed loans	108,290	60,739	71,790	78,770	319,589
Collateralized loan	240,059	171,746	87,889	44,869	544,563
Pledged loans	68,837	27,478	114,226	3,172	213,713
	<u>492,373</u>	<u>264,548</u>	<u>361,197</u>	<u>185,066</u>	<u>1,303,184</u>
As a percentage of gross loans and advances to customers	<u>1.43%</u>	<u>0.77%</u>	<u>1.05%</u>	<u>0.54%</u>	<u>3.79%</u>
At December 31, 2015					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	18,536	2,566	31,082	25,125	77,309
Guaranteed loans	579,427	65,792	122,505	45,230	812,954
Collateralized loan	225,545	259,930	184,535	105,265	775,275
Pledged loans	259,737	100,511	113,302	25,838	499,388
	<u>1,083,245</u>	<u>428,799</u>	<u>451,424</u>	<u>201,458</u>	<u>2,164,926</u>
As a percentage of gross loans and advances to customers	<u>2.26%</u>	<u>0.90%</u>	<u>0.94%</u>	<u>0.42%</u>	<u>4.52%</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period (Continued)

The Group (Continued)

At June 30, 2016					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	2,377	7,866	16,380	44,904	71,527
Guaranteed loans	113,642	74,155	101,356	91,570	380,723
Collateralized loans	228,169	615,737	339,080	119,628	1,302,614
Pledged loans	10,336	88,055	130,520	41,606	270,517
	<u>354,524</u>	<u>785,813</u>	<u>587,336</u>	<u>297,708</u>	<u>2,025,381</u>
As a percentage of gross loans and advances to customers	<u>0.66%</u>	<u>1.48%</u>	<u>1.10%</u>	<u>0.56%</u>	<u>3.80%</u>

The Bank

At December 31, 2013					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	—	—	—	10,397	10,397
Guaranteed loans	136,605	33,473	20,021	34,945	225,044
Collateralized loans	139,181	56,325	41,704	32,094	269,304
Pledged loans	—	—	16	72	88
	<u>275,786</u>	<u>89,798</u>	<u>61,741</u>	<u>77,508</u>	<u>504,833</u>
As a percentage of gross loans and advances to customers	<u>2.29%</u>	<u>0.74%</u>	<u>0.51%</u>	<u>0.64%</u>	<u>4.18%</u>

At December 31, 2014					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	—	—	—	10,379	10,379
Guaranteed loans	46,082	1,923	2,052	52,392	102,449
Collateralized loans	149,456	19,549	41,195	32,884	243,084
Pledged loans	—	14	13	72	99
	<u>195,538</u>	<u>21,486</u>	<u>43,260</u>	<u>95,727</u>	<u>356,011</u>
As a percentage of gross loans and advances to customers	<u>1.17%</u>	<u>0.13%</u>	<u>0.26%</u>	<u>0.57%</u>	<u>2.13%</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period (Continued)

The Bank (Continued)

	At December 31, 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	—	—	—	918	918
Guaranteed loans	372,641	548	30,722	19,173	423,084
Collateralized loans	63,164	116,103	100,826	38,890	318,983
Pledged loans	35,299	28,229	14	11	63,553
	<u>471,104</u>	<u>144,880</u>	<u>131,562</u>	<u>58,992</u>	<u>806,538</u>
As a percentage of gross loans and advances to customers	<u>2.22%</u>	<u>0.68%</u>	<u>0.62%</u>	<u>0.28%</u>	<u>3.80%</u>

	At June 30, 2016				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	3,812	—	—	918	4,730
Guaranteed loans	54,282	6,542	21,229	29,173	111,226
Collateralized loans	—	296,008	206,372	41,406	543,786
Pledged loans	—	2,450	28,119	—	30,569
	<u>58,094</u>	<u>305,000</u>	<u>255,720</u>	<u>71,497</u>	<u>690,311</u>
As a percentage of gross loans and advances to customers	<u>0.24%</u>	<u>1.25%</u>	<u>1.04%</u>	<u>0.29%</u>	<u>2.82%</u>

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

The Group

	At December 31, 2013					Gross impaired loans and advances as a percentage of gross loans and advances
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))			Total	
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Gross loans and advances to customers	21,583,560	205,290	69,725	275,015	21,858,575	1.26%
Less: Provision for impairment losses	(450,853)	(110,872)	(43,557)	(154,429)	(605,282)	
	<u>21,132,707</u>	<u>94,418</u>	<u>26,168</u>	<u>120,586</u>	<u>21,253,293</u>	

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

The Group (Continued)

At December 31, 2014						
	Loans and advances for which provision are collectively assessed (Notes (i)) RMB'000	Impaired loans and advances (Notes (ii))			Total RMB'000	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed RMB'000	For which provision are individually assessed RMB'000	Subtotal RMB'000		
Gross loans and advances to customers	33,962,561	269,547	139,394	408,941	34,371,502	1.19%
Less: Provision for impairment losses	(739,363)	(149,886)	(65,216)	(215,102)	(954,465)	
	<u>33,223,198</u>	<u>119,661</u>	<u>74,178</u>	<u>193,839</u>	<u>33,417,037</u>	
At December 31, 2015						
	Loans and advances for which provision are collectively assessed (Notes (i)) RMB'000	Impaired loans and advances (Notes (ii))			Total RMB'000	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed RMB'000	For which provision are individually assessed RMB'000	Subtotal RMB'000		
Gross loans and advances to customers	47,202,863	276,369	402,464	678,833	47,881,696	1.42%
Less: Provision for impairment losses	(1,016,640)	(157,340)	(230,286)	(387,626)	(1,404,266)	
	<u>46,186,223</u>	<u>119,029</u>	<u>172,178</u>	<u>291,207</u>	<u>46,477,430</u>	
At June 30, 2016						
	Loans and advances for which provision are collectively assessed (Notes (i)) RMB'000	Impaired loans and advances (Notes (ii))			Total RMB'000	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed RMB'000	For which provision are individually assessed RMB'000	Subtotal RMB'000		
Gross loans and advances to customers	52,403,756	329,145	508,594	837,739	53,241,495	1.57%
Less: Provision for impairment losses	(1,196,738)	(176,794)	(286,700)	(463,494)	(1,660,232)	
	<u>51,207,018</u>	<u>152,351</u>	<u>221,894</u>	<u>374,245</u>	<u>51,581,263</u>	

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

The Bank

	At December 31, 2013					Gross impaired loans and advances as a percentage of gross loans and advances	
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))			Subtotal		Total
		For which provision are collectively assessed	For which provision are individually assessed				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Gross loans and advances to customers	11,943,714	77,901	60,985	138,886	12,082,600	1.15%	
Less: Provision for impairment losses	(281,036)	(46,334)	(36,591)	(82,925)	(363,961)		
	<u>11,662,678</u>	<u>31,567</u>	<u>24,394</u>	<u>55,961</u>	<u>11,718,639</u>		
	At December 31, 2014						
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))			Subtotal	Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Gross loans and advances to customers	16,537,317	84,558	57,054	141,612	16,678,929	0.85%	
Less: Provision for impairment losses	(345,704)	(50,373)	(29,802)	(80,175)	(425,879)		
	<u>16,191,613</u>	<u>34,185</u>	<u>27,252</u>	<u>61,437</u>	<u>16,253,050</u>		
	At December 31, 2015						
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))			Subtotal	Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Gross loans and advances to customers	20,963,609	33,834	238,666	272,500	21,236,109	1.28%	
Less: Provision for impairment losses	(377,527)	(19,391)	(137,199)	(156,590)	(534,117)		
	<u>20,586,082</u>	<u>14,443</u>	<u>101,467</u>	<u>115,910</u>	<u>20,701,992</u>		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)**(e) Loans and advances and provision for impairment losses (Continued)****The Bank (Continued)**

	At June 30, 2016					Gross impaired loans and advances as a percentage of gross loans and advances
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))			Total	
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Gross loans and advances to customers	24,163,770	43,064	288,045	331,109	24,494,879	1.35%
Less: Provision for impairment losses	(467,004)	(24,055)	(150,987)	(175,042)	(642,046)	
	<u>23,696,766</u>	<u>19,009</u>	<u>137,058</u>	<u>156,067</u>	<u>23,852,833</u>	

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 51.

(f) Movements of provision for impairment losses**The Group**

	Year ended December 31, 2013		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	266,903	18,620	285,523
Impairment losses recognized:			
Charge for the year	217,396	33,921	251,317
Reverse for the year	(25,615)	(9,331)	(34,946)
	191,781	24,590	216,371
Recoveries of loans and advances previously written off . .	25,965	347	26,312
Amount written off as uncollectible	(2,939)	—	(2,939)
Acquisition of subsidiaries	80,015	—	80,015
At December 31	<u>561,725</u>	<u>43,557</u>	<u>605,282</u>

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)**(f) Movements of provision for impairment losses (Continued)****The Group (Continued)**

	Year ended December 31, 2014		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	561,725	43,557	605,282
Impairment losses recognized			
Charge for the year	180,981	46,718	227,699
Reverse for the year	(16,157)	(25,940)	(42,097)
	164,824	20,778	185,602
Recoveries of loans and advances previously written off	17,039	881	17,920
Acquisition of subsidiaries	145,661	—	145,661
At December 31	889,249	65,216	954,465
	Year ended December 31, 2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	889,249	65,216	954,465
Impairment losses recognized			
Charge for the year	247,246	171,098	418,344
Reverse for the year	(67,989)	(23,408)	(91,397)
	179,257	147,690	326,947
Recoveries of loans and advances previously written off	73,082	1,285	74,367
Amounts written off as uncollectible	(35,894)	(3,270)	(39,164)
Acquisition of subsidiaries	68,286	19,365	87,651
At December 31	1,173,980	230,286	1,404,266
	Six months ended June 30, 2016		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	1,173,980	230,286	1,404,266
Impairment losses recognized			
Charge for the period	203,931	66,219	270,150
Reverse for the period	(7,677)	(9,079)	(16,756)
	196,254	57,140	253,394
Recoveries of loans and advances previously written off	5,719	1,271	6,990
Amount written off as uncollectible	(5,129)	(2,667)	(7,796)
Acquisition of subsidiaries	2,708	670	3,378
At June 30	1,373,532	286,700	1,660,232

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses (Continued)

The Bank

	Year ended December 31, 2013		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	176,498	4,393	180,891
Impairment losses recognized			
Charge for the year	153,692	32,808	186,500
Reverse for the year	—	(1,500)	(1,500)
	153,692	31,308	185,000
Recoveries of loans and advances previously written off	119	890	1,009
Amounts written off as uncollectible	(2,939)	—	(2,939)
At December 31	327,370	36,591	363,961
	Year ended December 31, 2014		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
As at January 1	327,370	36,591	363,961
Impairment losses recognized			
Charge for the year	68,589	16,911	85,500
Reverse for the year	—	(23,700)	(23,700)
	68,589	(6,789)	61,800
Recoveries of loans and advances previously written off	118	—	118
At December 31	396,077	29,802	425,879
	Year ended December 31, 2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	396,077	29,802	425,879
Impairment losses recognized			
Charge for the year	34,567	115,828	150,395
Reverse for the year	—	(5,159)	(5,159)
	34,567	110,669	145,236
Recoveries of loans and advances previously written off	82	—	82
Amount written off as uncollectible	(33,808)	(3,272)	(37,080)
At December 31	396,918	137,199	534,117

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses (Continued)

The Bank (Continued)

	Six months ended June 30, 2016		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1	396,918	137,199	534,117
Impairment losses recognized			
Charge for the period	97,572	19,578	117,150
Reverse for the period	—	(4,874)	(4,874)
	97,572	14,704	112,276
Recoveries of loans and advances previously written off	90	—	90
Amount written off as uncollectible	(3,521)	(916)	(4,437)
At December 31	491,059	150,987	642,046

(g) Analyzed by geographical sector

The Group

	At December 31, 2013		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	19,619,750	89.76%	9,889,326
Mainland China excluding Jilin Region	2,238,825	10.24%	952,718
	21,858,575	100.00%	10,842,044

	At December 31, 2014		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	30,213,014	87.90%	14,782,783
Mainland China excluding Jilin Region	4,158,488	12.10%	1,723,854
	34,371,502	100.00%	16,506,637

	At December 31, 2015		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	42,152,416	88.03%	20,560,495
Mainland China excluding Jilin Region	5,729,280	11.97%	2,772,171
	47,881,696	100.00%	23,332,666

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analyzed by geographical sector (Continued)

The Group (Continued)

	At June 30, 2016		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	46,581,424	87.49%	22,607,253
Mainland China excluding Jilin Region	6,660,071	12.51%	3,265,672
	<u>53,241,495</u>	<u>100.00%</u>	<u>25,872,925</u>

The Bank

	At December 31, 2013		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	12,082,600	100.00%	6,117,396
Mainland China excluding Jilin Region	—	—	—
	<u>12,082,600</u>	<u>100.00%</u>	<u>6,117,396</u>

	At December 31, 2014		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	16,678,929	100.00%	8,258,083
Mainland China excluding Jilin Region	—	—	—
	<u>16,678,929</u>	<u>100.00%</u>	<u>8,258,083</u>

	At December 31, 2015		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	21,236,109	100.00%	10,135,853
Mainland China excluding Jilin Region	—	—	—
	<u>21,236,109</u>	<u>100.00%</u>	<u>10,135,853</u>

	At June 30, 2016		
	Loan balance	Percentage	Loan and advances secured by collaterals
	RMB'000		RMB'000
Jilin Region	24,494,879	100.00%	11,616,469
Mainland China excluding Jilin Region	—	—	—
	<u>24,494,879</u>	<u>100.00%</u>	<u>11,616,469</u>

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale debt investments (Notes a)	1,580,545	547,695	8,006,942	24,428,106
Available-for-sale equity investments (Notes b) . . .	379,960	821,780	1,040,910	1,090,410
	<u>1,960,505</u>	<u>1,369,475</u>	<u>9,047,852</u>	<u>25,518,516</u>
Analyzed as:				
Listed outside Hong Kong	1,580,545	327,695	3,887,479	12,422,071
Unlisted outside Hong Kong	379,960	1,041,780	5,160,373	13,096,445
	<u>1,960,505</u>	<u>1,369,475</u>	<u>9,047,852</u>	<u>25,518,516</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale debt investments (Notes a)	193,947	547,695	5,822,435	12,811,841
Available-for-sale equity investments (Notes b) . . .	353,300	587,480	930,130	979,630
	<u>547,247</u>	<u>1,135,175</u>	<u>6,752,565</u>	<u>13,791,471</u>
Analyzed as:				
Listed outside Hong Kong	193,947	327,695	3,357,972	8,307,666
Unlisted outside Hong Kong	353,300	807,480	3,394,593	5,483,805
	<u>547,247</u>	<u>1,135,175</u>	<u>6,752,565</u>	<u>13,791,471</u>

Notes:

(a) Available-for-sale debt investments

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China				
—Government	382,103	253,159	1,436,275	4,678,696
—Banks and other financial institutions	1,198,442	15,840	2,451,204	6,851,325
—Corporations	—	58,696	—	892,050
	<u>1,580,545</u>	<u>327,695</u>	<u>3,887,479</u>	<u>12,422,071</u>
Trust Plans	—	—	602,404	781,228
Asset management plans	—	—	1,755,467	6,334,959
Wealth management products issued by other financial institutions	—	220,000	1,761,592	4,889,848
	<u>1,580,545</u>	<u>547,695</u>	<u>8,006,942</u>	<u>24,428,106</u>

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

(a) Available-for-sale debt investments (Continued)**The Bank**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China:				
—Government	193,797	253,159	1,436,275	4,507,963
—Banks and other financial institutions	150	15,840	1,921,697	3,799,703
—Corporations	—	58,696	—	—
	<u>193,947</u>	<u>327,695</u>	<u>3,357,972</u>	<u>8,307,666</u>
Trust Plans	—	—	502,404	—
Asset management plans	—	—	230,467	828,327
Wealth management products issued by other financial institutions	—	220,000	1,731,592	3,675,848
	<u>193,947</u>	<u>547,695</u>	<u>5,822,435</u>	<u>12,811,841</u>

All available-for-sale debt investments were stated at fair value.

All available-for-sale debt securities are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

As at the end of each of the Track Record Period, part of the available-for-sale financial assets was pledged for repurchase agreements. Details are disclosed in Note 33 (a).

(b) Available-for-sale equity investments

Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

25 HELD-TO-MATURITY INVESTMENTS

Analyzed by type and location of issuers:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying value				
Debt securities issued by the following institutions in Mainland China				
—Government	428,064	425,584	1,376,071	1,677,482
—Banks and other financial institutions	—	348,990	—	166,984
—Corporations	160,024	—	—	—
	<u>588,088</u>	<u>774,574</u>	<u>1,376,071</u>	<u>1,844,466</u>
Analyzed as:				
Listed outside Hong Kong	<u>588,088</u>	<u>774,574</u>	<u>1,376,071</u>	<u>1,844,466</u>
Fair value	<u>549,666</u>	<u>765,142</u>	<u>1,400,280</u>	<u>1,868,759</u>

25 HELD-TO-MATURITY INVESTMENTS (Continued)

Analyzed by type and location of issuers: (Continued)

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying value				
Debt securities issued by the following institutions in Mainland China				
—Government	318,064	315,584	1,266,071	1,487,482
—Banks and other financial institutions	—	348,990	—	—
—Corporations	160,024	—	—	—
	<u>478,088</u>	<u>664,574</u>	<u>1,266,071</u>	<u>1,487,482</u>
Analyzed as:				
Listed outside Hong Kong	<u>478,088</u>	<u>664,574</u>	<u>1,266,071</u>	<u>1,487,482</u>
Fair value	<u>446,942</u>	<u>656,850</u>	<u>1,288,653</u>	<u>1,508,823</u>

All held-to-maturity investments are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

As at the end of each of the Track Record Period, part of the held-to-maturity investments were pledged as security for repurchase agreement (Note 33(a)).

26 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China:				
—Bank and other financial institutions	—	—	—	200,000
Trust plans	200,000	500,000	1,410,000	600,000
Asset management plans	6,541,477	5,941,280	9,465,885	6,064,822
Wealth management products issued by other financial institutions	—	—	61,000	—
Beneficiary certificates issued by securities companies	—	—	1,570,000	1,100,000
	<u>6,741,477</u>	<u>6,441,280</u>	<u>12,506,885</u>	<u>7,964,822</u>
Less: Provision for impairment losses	<u>—</u>	<u>—</u>	<u>(19,339)</u>	<u>(11,030)</u>
	<u>6,741,477</u>	<u>6,441,280</u>	<u>12,487,546</u>	<u>7,953,792</u>
Analyzed as:				
Unlisted outside Hong Kong	<u>6,741,477</u>	<u>6,441,280</u>	<u>12,487,546</u>	<u>7,953,792</u>

26 DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China:				
—Banks and other financial institutions	—	—	—	200,000
Trust plans	200,000	—	1,410,000	500,000
Asset management plans	6,541,477	6,441,280	9,167,885	5,264,822
Beneficiary certificates issued by securities companies	—	—	1,420,000	1,100,000
	<u>6,741,477</u>	<u>6,441,280</u>	<u>11,997,885</u>	<u>7,064,822</u>
Less: Provision for impairment losses	<u>—</u>	<u>—</u>	<u>(19,339)</u>	<u>(11,030)</u>
	<u>6,741,477</u>	<u>6,441,280</u>	<u>11,978,546</u>	<u>7,053,792</u>
Analyzed as:				
Unlisted outside Hong Kong	<u>6,741,477</u>	<u>6,441,280</u>	<u>11,978,546</u>	<u>7,053,792</u>

The carrying value of debt securities classified as receivables was as approximate to their fair value.

Movements of allowance for impairment losses

The Group and the Bank

	Year ended December 31, 2015	
	Collective assessed allowance	Total
	RMB'000	RMB'000
At January 1	—	—
Impairment losses recognized	19,339	19,339
At December 31	<u>19,339</u>	<u>19,339</u>
	Six months ended June 30, 2016	
	Collective assessed allowance	Total
	RMB'000	RMB'000
At January 1	19,339	19,339
Impairment losses reversed	(8,309)	(8,309)
At June 30	<u>11,030</u>	<u>11,030</u>

27 INTERESTS IN ASSOCIATES

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Costs of investments in associates, unlisted	—	25,000	119,812	119,812
Share of post-acquisition profits and other comprehensive income	—	—	2,167	6,103
	—	25,000	121,979	125,915

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Costs of investments in associates, unlisted	—	10,000	118,000	118,000

As at December 31, 2013, 2014 and 2015 and June 30, 2016, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group				Proportion of voting power held				Principal activity
				At December 31,		At June 30,		At December 31,		At June 30,		
				2013	2014	2015	2016	2013	2014	2015	2016	
Gong Zhu Ling Hua Xing Country Bank (“公主嶺華興村鎮銀行股份有限公司”, “Hua Xing Country Bank”)	Incorporated	PRC	Ordinary	N/A	30%	N/A	N/A	N/A	30%	N/A	N/A	Corporate and retail bank
Dongfang Huifeng Village Bank Co., Ltd* (“東方惠豐村鎮銀行股份有限公司”) ⁽¹⁾	Incorporated	PRC	Ordinary	N/A	20%	20%	20%	N/A	20%	20%	20%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd (“海口聯合農村商業銀行股份有限公司”, “Haikou United Rural Commercial Bank”) ⁽¹⁾	Incorporated	PRC	Ordinary	N/A	N/A	20%	20%	N/A	N/A	24%	24%	Corporate and retail bank

⁽¹⁾ These associates are directly held by the Bank.

* The English translation is for identification only.

On January 8, 2015, four of the shareholders who hold 27.91% of ownership and voting power of Haikou United Rural Commercial Bank terminated the act in concert contract. Hence, the Group loss control over this bank and this bank was deemed to be an associate of the Group.

On December 10, 2015, the Group disposed of 30% interest in Hua Xing Country Bank when the Group disposed of Jilin Shulan Rural Commercial Bank Company Limited (“吉林舒蘭農村商業銀行股份有限公司”, “Shulan Rural Commercial Bank”). Please refer to Note 58(ii) for details.

27 INTERESTS IN ASSOCIATES (Continued)

The Bank (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group's share of profit and comprehensive income for the year for all immaterial associates	—	—	2,167	641	3,936
	At December 31,			At June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of the Group's interests in these associates	—	25,000	121,979	125,915	125,915

28 INVESTMENTS IN SUBSIDIARIES

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,925,993	2,507,597	3,302,440	3,370,800

28 INVESTMENTS IN SUBSIDIARIES (Continued)

The Bank (Continued)

Details of the Bank's subsidiaries as at December 31, 2013, 2014 and 2015 and June 30, 2016 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/operation	Registered and fully paid capital RMB'000				Proportion of ownership interest held by the Bank				Principal activity	Auditors/ GAAP		
			At December 31, 2013	2014	2015	At June 30, 2016	At December 31, 2013	2014	2015	At June 30, 2016				
Shuangcheng Huimin Village and Township Bank Co., Ltd. (“豐城惠民村鎮銀行有限責任公司”)	25/1/2010	PRC	30,000	30,000	30,000	40,000	100.00%	100.00%	100.00%	75.00%	100.00%	100.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Hanshan Huimin Village and Township Bank Co., Ltd. (“含山惠民村鎮銀行有限責任公司”)	30/10/2010	PRC	20,000	20,000	20,000	20,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Wuchang Huimin Village and Township Bank Co., Ltd. (“五常惠民村鎮銀行有限責任公司”, “Wuchang Huimin Village and Township Bank”)	11/11/2010	PRC	20,000	20,000	30,000	30,000	100.00%	100.00%	66.67%	66.67%	100.00%	66.67%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Qingdao Pingdu Huimin Village and Township Bank Co., Ltd. (“青島平度惠民村鎮銀行股份有限公司”, “Qingdao Pingdu Huimin Village and Township Bank”)	23/12/2010	PRC	50,000	85,000	85,000	85,000	100.00%	58.82%	58.82%	58.82%	100.00%	58.82%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Qianan Huimin Village and Township Bank Co., Ltd. (“乾安惠民村鎮銀行有限責任公司”, “Qianan Huimin Village and Township Bank”)	28/12/2010	PRC	20,000	30,000	34,500	37,950	76.00%	50.67%	50.67%	50.67%	50.67%	50.67%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Lujiang Huimin Village and Township Bank Co., Ltd. (“蘆江惠民村鎮銀行有限責任公司”, “Lujiang Huimin Village and Township Bank”)	28/12/2010	PRC	30,000	30,000	50,000	50,000	100.00%	100.00%	60.00%	60.00%	100.00%	60.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP

28 INVESTMENTS IN SUBSIDIARIES (Continued)

The Bank (Continued)

Name of subsidiary	Place of incorporated incorporation/ operation	Incorporated date	Registered and fully paid capital RMB'000						Proportion of ownership interest held by the Bank						Principal activity	Auditors/ GAAP
			At December 31,		At June 30,		At December 31,		At June 30,		At December 31,		At June 30,			
			2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016		
Changchun Nanguan Huimin Village and Township Bank Co., Ltd. ("長春南關惠民村鎮銀行有限公司", "Changchun Nanguan Huimin Village and Township Bank")	PRC	11/1/2011	50,000	60,000	83,000	91,300	76.00%	63.33%	51.20%	51.20%	76.00%	63.33%	51.20%	51.20%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Songyan Ningjiang Huimin Village and Township Bank Co., Ltd. ("松原寧江惠民村鎮銀行股份有限公司", "Songyan Ningjiang Huimin Village and Township Bank")	PRC	19/1/2011	25,000	35,000	60,000	81,000	40.80%	40.80%	40.80%	40.80%	68.80%	57.80%	54.94%	52.32%	Corporate and retail bank	Notes (1)/ PRC GAAP
Da'an Huimin Village and Township Bank Co., Ltd. ("大安惠民村鎮銀行有限公司", "Da'an Huimin Village and Township Bank")	PRC	26/1/2011	20,000	25,000	38,750	42,625	76.00%	60.80%	51.46%	51.46%	76.00%	60.80%	51.46%	51.46%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Lingshui Dasheng Village and Township Bank Co., Ltd. ("陵水大生村鎮銀行股份有限公司", "Lingshui Dasheng Village and Township Bank")	PRC	16/5/2011	N/A	N/A	10,000	10,000	N/A	N/A	20.00%	N/A	N/A	N/A	58.00%	58.00%	Corporate and retail bank	Jilin Zhengtai Certified Public Accountants Co., Ltd. ("吉林正泰會計師事務所有限公司")/PRC GAAP
Sanya Phoenix Country Bank Co., Ltd. ("三亞鳳凰村鎮銀行股份有限公司", "Sanya Phoenix Village and Township Bank")	PRC	16/5/2011	N/A	N/A	N/A	20,000	N/A	N/A	N/A	N/A	N/A	N/A	53.00%	53.00%	Corporate and retail bank	Notes (3)/PRC GAAP
Gaomi Huimin Village and Township Bank Co., Ltd. ("高密民村鎮銀行有限公司", "Gaomi Huimin Village and Township Bank")	PRC	25/5/2011	50,000	50,000	70,000	70,000	100.00%	100.00%	71.43%	71.43%	100.00%	100.00%	71.43%	71.43%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Shulan Rural Commercial Bank (Notes (4))	PRC	15/8/2011	N/A	34,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.00%	N/A	N/A	Corporate and retail bank	Huadian Zhongtai Limited Liability Accounting Firm* ("華甸市中泰會計師事務所有限公司")/PRC GAAP
Langfang City Anci District Huimin Village and Township Bank Co., Ltd. ("廊坊市安次區惠民村鎮銀行股份有限公司", "Changbai Mountain Rural Commercial Bank (Notes (5))	PRC	6/12/2011	100,000	100,000	100,000	100,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
	PRC	14/12/2011	100,000	100,000	100,000	250,000	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	66.70%	Corporate and retail bank	Shimewing PRC/ PRC GAAP

28 INVESTMENTS IN SUBSIDIARIES (Continued)

The Bank (Continued)

Name of subsidiary	Place of incorporated/operation	Incorporated date	Registered and fully paid capital RMB'000						Proportion of ownership interest held by the Bank						Principal activity	Auditors/ GAAP
			At December 31,		At June 30,		At December 31,		At December 31,		At June 30,					
			2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016		
Jingmen Dongbao Huimin Village and Township Bank Co., Ltd. ("荆门市寶惠民村鎮銀行股份有限公司")	PRC	21/12/2011	50,000	50,000	50,000	50,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Notes (6)/ PRC GAAP
Wenan County Huimin Village and Township Bank Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司")	PRC	23/12/2011	30,000	30,000	30,000	30,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Tongcheng Huimin Village and Township Bank Co., Ltd. ("通城惠民村鎮銀行有限公司")	PRC	19/9/2012	30,000	30,000	30,000	30,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Liaoyuan Rural Commercial Bank Co., Ltd. ("遼源農商銀行有限公司")	PRC	15/11/2012	150,000	150,000	150,000	150,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Haikou United Rural Commercial Bank (Notes (7))	PRC	27/12/2012	N/A	300,000	N/A	N/A	N/A	N/A	20.00%	N/A	N/A	N/A	51.91%	N/A	Corporate and retail bank	Shinewing PRC/ PRC GAAP Grant Thornton LLP* ("致同會計師事務所 特殊普通合伙") PRC GAAP
Changchun Gaoxin Huimin Village and Township Bank Co., Ltd. ("長春高新惠民村鎮銀行有限公司")	PRC	24/9/2013	50,000	50,000	100,000	100,000	100.00%	100.00%	100.00%	50.00%	100.00%	100.00%	51.85%	51.85%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Huadian Huimin Village and Township Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	PRC	29/10/2013	50,000	100,000	100,000	100,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Jilin Fengman Huimin Village and Township Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司")	PRC	16/12/2013	100,000	100,000	200,000	200,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Heyang Huimin Village and Township Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司")	PRC	16/12/2013	30,000	30,000	30,000	30,000	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP

28 INVESTMENTS IN SUBSIDIARIES (Continued)

The Bank (Continued)

Name of subsidiary	Place of incorporated/operation	Incorporated date	Registered and fully paid capital RMB'000						Proportion of ownership interest held by the Bank						Principal activity	Auditors/GAAP
			At December 31,		At June 30,		At December 31,		At June 30,		At December 31,		At June 30,			
			2013	2014	2015	2016	2013	2014	2013	2014	2013	2014	2013	2014		
Anping Huimin Village and Township Bank Co., Ltd. ("安平惠民村镇银行股份有限公司")	PRC	24/12/2013	30,000	30,000	30,000	30,000	36.00%	36.00%	36.00%	36.00%	81.00%	81.00%	81.00%	81.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Jilin Dehui Rural Commercial Bank Co., Ltd. ("吉林德惠农村商业银行股份有限公司", 農村商業銀行股份有限公司)	PRC	30/12/2013	500,000	500,000	500,000	500,000	45.00%	45.00%	45.00%	45.00%	65.00%	65.00%	65.00%	65.00%	Corporate and retail bank	Notes (10)/ PRC GAAP
Wuhua Huimin Village and Township Bank Co., Ltd. ("五華惠民村镇银行股份有限公司", "Wuhua Huimin Village and Township Bank")	PRC	13/1/2014	N/A	50,000	50,000	50,000	N/A	51.00%	51.00%	N/A	51.00%	N/A	51.00%	51.00%	Corporate and retail bank	Notes (11)/ PRC GAAP
Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. ("清遠清新惠民村镇银行股份有限公司")	PRC	23/1/2014	N/A	50,000	50,000	50,000	N/A	51.00%	51.00%	N/A	51.00%	N/A	51.00%	51.00%	Corporate and retail bank	Notes (12)/ PRC GAAP
Yun'an Huimin Village and Township Bank Co., Ltd. ("雲安惠民村镇银行股份有限公司")	PRC	27/1/2014	N/A	80,000	80,000	80,000	N/A	61.00%	61.00%	N/A	61.00%	N/A	61.00%	61.00%	Corporate and retail bank	Notes (13)/ PRC GAAP
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. ("廣州黃埔惠民村镇银行股份有限公司")	PRC	7/2/2014	N/A	200,000	200,000	200,000	N/A	51.00%	51.00%	N/A	51.00%	N/A	51.00%	51.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Tianjin Binhai Huimin Village and Township Bank Co., Ltd. ("天津濱海惠民村镇银行股份有限公司", "Tianjin Binhai Huimin Village and Township Bank")	PRC	11/6/2014	N/A	300,000	300,000	300,000	N/A	47.00%	47.00%	N/A	52.00%	N/A	52.00%	52.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP
Huidong Huimin Village and Township Bank Co., Ltd. ("惠東惠民村镇银行股份有限公司")	PRC	21/11/2014	N/A	200,000	200,000	200,000	N/A	35.00%	35.00%	N/A	65.00%	N/A	65.00%	65.00%	Corporate and retail bank	Notes (15)/ PRC GAAP
Leizhou Huimin Village and Township Bank Co., Ltd. ("雷州惠民村镇银行股份有限公司")	PRC	25/3/2015	N/A	30,000	30,000	30,000	N/A	45.00%	45.00%	N/A	N/A	N/A	65.00%	65.00%	Corporate and retail bank	Shinewing PRC/ PRC GAAP

28 INVESTMENTS IN SUBSIDIARIES (Continued)

The Bank (Continued)

Name of subsidiary	Place of incorporated incorporation/ operation	Incorporated date	Registered and fully paid capital RMB'000						Proportion of ownership interest held by the Bank				Principal activity	Auditors/ GAAP	
			At December 31,		At June 30,		At December 31,		At June 30,						
			2013	2014	2015	2016	2013	2014	2015	2016	2013	2014			2015
Jilin Gongzhuling Rural Commercial Bank Co., Ltd. ("吉林公主嶺農村商業銀行股份有限公司"), "Jilin Gongzhuling Rural Commercial Bank" (Notes 17)	PRC	12/10/2015	N/A	N/A	500,000	500,000	N/A	N/A	30.00%	N/A	N/A	60.00%	60.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Jilin Chuncheng Rural Commercial Bank Co., Ltd. ("吉林春城農村商業銀行股份有限公司"), "Jilin Chuncheng Rural Commercial Bank" (Notes 18)	PRC	12/10/2015	N/A	N/A	500,000	512,900	N/A	N/A	30.00%	N/A	N/A	70.00%	70.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Baicheng Taobei Huimin Village and Township Bank Co., Ltd ("白城洮北惠民村鎮銀行股份有限公司") (Notes 19)	PRC	23/11/2015	N/A	N/A	50,000	50,000	N/A	N/A	49.00%	N/A	N/A	67.00%	67.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Taonan Huimin Village and Township Bank Co., Ltd ("洮南惠民村鎮銀行股份有限公司") (Notes 20)	PRC	11/12/2015	N/A	N/A	50,000	50,000	N/A	N/A	49.00%	N/A	N/A	79.00%	79.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Fuyu Huimin Village and Township Bank Co., Ltd ("扶餘惠民村鎮銀行股份有限公司") (Notes 21)	PRC	14/12/2015	N/A	N/A	50,000	50,000	N/A	N/A	49.00%	N/A	N/A	52.00%	52.00%	Corporate and retail bank	Shimewing PRC/ PRC GAAP
Jilin Chuanying Huimin Village and Township Bank Co., Ltd ("吉林船營惠民村鎮銀行股份有限公司") (Notes 22)	PRC	21/1/2016	N/A	N/A	N/A	100,000	N/A	N/A	46.00%	N/A	N/A	N/A	51.00%	Corporate and retail bank	Notes (22)/ PRC GAAP

All subsidiaries are directly held by the Bank.

No subsidiary has non-controlling interests material to the Group.

28 INVESTMENTS IN SUBSIDIARIES (Continued)**The Bank (Continued)**

Notes:

- (1) During the year ended December 31, 2013, the Bank signed contracts with three shareholders who hold in total 28% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank. During the year ended December 31, 2014, the Bank signed contracts with two shareholders who hold in total 16.57% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank. During the year ended December 31, 2015, the Bank signed contracts with two shareholders who hold in total 14.14% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank. During the period ended June 30, 2016, the Bank signed contracts with two shareholders who hold in total 11.52% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank. The financial statements of this bank for the years ended December 31, 2013, 2014 and 2015 were audited by Shineewing PRC, Da Hua Certified Public Accountants (Special General Partnership) (“大華會計師事務所(特殊普通合夥)”) and Da Hua Certified Public Accountants (Special General Partnership), respectively.
- (2) The Bank signed contracts with four shareholders who hold in total 38% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (3) The Bank signed contracts with four shareholders who hold in total 33% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (4) The financial statements of this bank for the years ended December 31, 2013, 2014 and 2015 were audited by Haikou Chino Certified Public Accountants (“海口誠諾會計師事務所(普通合夥)”), Haikou Chino Certified Public Accountants and Jilin Zhengtai Certified Public Accountants Co., Ltd., respectively.
- (5) The Bank signed contracts with three shareholders who hold in total 20% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Although the Bank has only 30% voting power in this bank, the directors of the Bank has a sufficiently dominant voting interest to direct the relevant activities of this bank on the basis of the Bank's absolute size of shareholding and the relative size and dispersion of the shareholdings owned by other shareholders. Except for two other shareholders who hold in total 7.67% of ownership and voting power of this bank, none individually holding more than 2% of ownership and voting power of this bank. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (6) During the period ended June 30, 2016, the Bank signed contracts with three shareholders who hold in total 27.9% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (7) The financial statements of this bank for the years ended December 31, 2013, 2014 and 2015 were audited by Shineewing PRC, Shineewing PRC and Hubei Jinheng Certified Public Accountants Co., Ltd (“湖北金恒會計師事務所”), respectively.
- (8) The Bank signed contracts with six shareholders who hold in total 31.91% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (9) During the year ended December 31, 2015, the Bank signed a contract with a shareholder who holds in total 1.85% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (10) The Bank signed contracts with five shareholders who hold in total 45% of ownership and voting power of this bank. These five shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (11) The Bank signed contracts with two shareholders who hold in total 20% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (12) The financial statements of this bank for the years ended December 31, 2013, 2014 and 2015 were audited by Jilin Xinsheng Certified Public Accountants Company Limited (General Partnership) (“吉林鑫晟會計師事務所(普通合夥)”), Shineewing PRC and Shineewing PRC, respectively.
- (13) The financial statements of this bank for the years ended December 31, 2014 and 2015 were audited by Shineewing PRC and Shenzhen AnHui Certified Public Accountants (“深圳安匯會計師事務所”), respectively.
- (14) The financial statements of this bank for the years ended December 31, 2014 and 2015 were audited by Shineewing PRC and Qingyuan City Dexin Certified Public Accountants Company Limited* (“清遠市德信會計師事務所有限公司”), respectively.
- (15) The financial statements of this bank for the years ended December 31, 2014 and 2015 were audited by Shineewing PRC and Yunfu City Donglisheng Certified Public Accountants (“雲浮市東立勝會計師事務所”), respectively.

28 INVESTMENTS IN SUBSIDIARIES (Continued)**The Bank (Continued)**

- (14) The Bank signed a contract with a shareholder holding 5% of ownership and voting power in this bank, pursuant to which this shareholder agrees to act in concert with the Bank. Prior to entering into this contract and in connection with the incorporation of this bank, this shareholder also gave an undertaking to the China Banking Regulatory Commission Tianjin Bureau to act consistently with the Bank (as a sole promoter bank) in making all major decisions in respect of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (15) The Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank. The financial statements of this bank for the years ended December 31, 2014 and 2015 were audited by Shinewing PRC and Huizhoushi Anxin Certified Public Accountants Co., Ltd. (惠州市安信會計師事務所有限公司), respectively.
- (16) The Bank signed contracts with three shareholders aggregate holding 20% of ownership and voting power in this bank, pursuant to which these shareholders agree to act in concert with the Bank. Prior to entering into these contracts and in connection with the incorporation of this bank, these three shareholders also gave an undertaking to the China Banking Regulatory Commission Guangdong Bureau to act consistently with the Bank (as a sole promoter bank) in making all major decisions in respect of this bank. These shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (17) The Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (18) The Bank signed contracts with four shareholders who hold in total 40% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (19) The Bank signed contracts with six shareholders who hold in total 18% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (20) The Bank signed contracts with four shareholders who hold in total 30% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (21) The Bank signed contracts with two shareholders who hold in total 3% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (22) The Bank signed a contract with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- The statutory financial statements of this bank have not been issued as they are not due.
- * The English translation is for identification only.

29 PROPERTY AND EQUIPMENT

The Group

	Premises	Leasehold improvement	Office equipment	Construction in progress	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2013	430,301	122,240	99,587	222,429	28,775	903,332
Additions	129,935	54,897	31,226	142,029	3,690	361,777
Transfers in/(out) of construction in progress	24,054	—	15,716	(39,770)	—	—
Transfer in from repossessed assets	1,591	—	—	—	—	1,591
Acquired on acquisition of a subsidiary	54,103	90	14,387	37,348	1,158	107,086
Disposals	(37,165)	—	(494)	—	(3,282)	(40,941)
At December 31, 2013	602,819	177,227	160,422	362,036	30,341	1,332,845
Additions	11,555	101,906	131,184	304,963	2,025	551,633
Transfers in/(out) of construction in progress	149,509	18	19,681	(169,208)	—	—
Transfer in from repossessed assets	1,496	—	—	—	—	1,496
Transfer out to land use rights	—	—	—	(20,950)	—	(20,950)
Acquired on acquisitions of subsidiaries	25,703	2,138	27,703	128,038	2,115	185,697
Disposals	(18,197)	—	(1,755)	—	(13,431)	(33,383)
At December 31, 2014	772,885	281,289	337,235	604,879	21,050	2,017,338
Additions	60,043	99,116	94,722	643,513	2,394	899,788
Transfers in/(out) of construction in progress	459,631	30,437	16,293	(506,361)	—	—
Transfer out to land use rights	—	—	—	(3,730)	—	(3,730)
Acquired on acquisitions of subsidiaries	57,466	2,087	14,965	53,953	154	128,625
Derecognized on disposals of subsidiaries	(119,168)	(5,713)	(46,357)	(48,313)	(2,764)	(222,315)
Disposals	(12,830)	(1,417)	(12,294)	—	(6,027)	(32,568)
At December 31, 2015	1,218,027	405,799	404,564	743,941	14,807	2,787,138
Additions	475	31,869	34,286	428,336	595	495,561
Transfers in/(out) of construction in progress	149,006	376	32,121	(181,503)	—	—
Transfer out to land use rights	—	—	—	(6,010)	—	(6,010)
Acquired on acquisition of a subsidiary	—	161	139	—	437	737
Disposals	(3,766)	—	(1,337)	—	(495)	(5,598)
At June 30, 2016	<u>1,363,742</u>	<u>438,205</u>	<u>469,773</u>	<u>984,764</u>	<u>15,344</u>	<u>3,271,828</u>

29 PROPERTY AND EQUIPMENT (Continued)

The Group (Continued)

	Premises	Leasehold improvement	Office equipment	Construction in progress	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment						
At January 1, 2013	61,729	16,265	32,384	—	10,095	120,473
Provided for the year	25,389	19,985	21,973	—	7,028	74,375
Impairment losses recognized in profit or loss	200	—	—	—	—	200
Eliminated on disposals	(4,724)	—	(262)	—	(2,061)	(7,047)
At December 31, 2013	82,594	36,250	54,095	—	15,062	188,001
Provided for the year	32,461	33,158	55,480	—	5,524	126,623
Impairment losses recognized in profit or loss	10	—	—	—	—	10
Impairment losses reversed in profit or loss	(84)	—	—	—	—	(84)
Eliminated on disposals	(8,777)	—	(1,623)	—	(9,068)	(19,468)
At December 31, 2014	106,204	69,408	107,952	—	11,518	295,082
Provided for the year	52,599	41,857	78,156	—	3,993	176,605
Impairment losses reversed in profit or loss	(678)	—	—	—	—	(678)
Eliminated on disposals of subsidiaries	(764)	(821)	(6,343)	—	(2,343)	(10,271)
Eliminated on disposals	(9,545)	—	(10,391)	—	(2,440)	(22,376)
At December 31, 2015	147,816	110,444	169,374	—	10,728	438,362
Provided for the period	34,753	29,608	50,865	—	1,144	116,370
Eliminated on disposals	(959)	—	(1,071)	—	(480)	(2,510)
At June 30, 2016	<u>181,610</u>	<u>140,052</u>	<u>219,168</u>	<u>—</u>	<u>11,392</u>	<u>552,222</u>
Net book value						
At December 31, 2013	<u>520,225</u>	<u>140,977</u>	<u>106,327</u>	<u>362,036</u>	<u>15,279</u>	<u>1,144,844</u>
At December 31, 2014	<u>666,681</u>	<u>211,881</u>	<u>229,283</u>	<u>604,879</u>	<u>9,532</u>	<u>1,722,256</u>
At December 31, 2015	<u>1,070,211</u>	<u>295,355</u>	<u>235,190</u>	<u>743,941</u>	<u>4,079</u>	<u>2,348,776</u>
At June 30, 2016	<u>1,182,132</u>	<u>298,153</u>	<u>250,605</u>	<u>984,764</u>	<u>3,952</u>	<u>2,719,606</u>

29 PROPERTY AND EQUIPMENT (Continued)

The Bank

	Premises	Leasehold	Office	Construction	Motor	Total
	RMB'000	improvement	equipment	in progress	vehicles	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2013	272,434	57,641	62,837	197,653	15,263	605,828
Additions	105,735	34,282	19,244	59,333	1,418	220,012
Transfers in/(out)						
of construction in						
progress	19,532	—	11,235	(30,767)	—	—
Transfers in from						
repossessed assets	1,591	—	—	—	—	1,591
Disposals	(29,020)	—	—	—	(513)	(29,533)
At December 31, 2013	370,272	91,923	93,316	226,219	16,168	797,898
Additions	—	16,425	74,368	134,278	353	225,424
Transfers in/(out) of						
construction in						
progress	48,475	—	13,985	(62,460)	—	—
Transfer out to land use						
rights	—	—	—	(20,950)	—	(20,950)
Disposals	(341)	—	(837)	—	(10,872)	(12,050)
At December 31, 2014	418,406	108,348	180,832	277,087	5,649	990,322
Additions	7,217	13,412	58,722	172,408	362	252,121
Transfers in/(out) of						
construction in						
progress	214,718	27,630	5,980	(248,328)	—	—
Disposals	(1,641)	—	(5,334)	—	(2,961)	(9,936)
At December 31, 2015	638,700	149,390	240,200	201,167	3,050	1,232,507
Additions	—	17,037	20,407	235,453	—	272,897
Transfers in/(out) of						
construction in						
progress	121,742	—	15,174	(136,916)	—	—
Transfer out to land use						
right	—	—	—	(5,750)	—	(5,750)
Disposals	—	—	(3,520)	—	—	(3,520)
At June 30, 2016	<u>760,442</u>	<u>166,427</u>	<u>272,261</u>	<u>293,954</u>	<u>3,050</u>	<u>1,496,134</u>

29 PROPERTY AND EQUIPMENT (Continued)

The Bank (Continued)

	Premises	Leasehold	Office	Construction	Motor	Total
	RMB'000	improvement	equipment	in progress	vehicles	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment						
At January 1, 2013	44,820	10,593	18,735	—	6,072	80,220
Provided for the year	17,390	9,023	13,582	—	3,766	43,761
Impairment losses recognized in profit or loss	200	—	—	—	—	200
Eliminated on disposals	(1,351)	—	—	—	(178)	(1,529)
At December 31, 2013	61,059	19,616	32,317	—	9,660	122,652
Provided for the year	19,274	15,488	27,317	—	1,867	63,946
Impairment losses recognized in profit or loss	10	—	—	—	—	10
Impairment losses reversed in profit or loss	(84)	—	—	—	—	(84)
Eliminated on disposals	(25)	—	(754)	—	(7,488)	(8,267)
At December 31, 2014	80,234	35,104	58,880	—	4,039	178,257
Provided for the year	28,475	14,420	43,817	—	765	87,477
Impairment loss reversed in profit or loss	(678)	—	—	—	—	(678)
Eliminated on disposals	(942)	—	(3,631)	—	(2,252)	(6,825)
At December 31, 2015	107,089	49,524	99,066	—	2,552	258,231
Provided for the period	17,715	12,844	27,370	—	192	58,121
Eliminated on disposals	—	—	(762)	—	—	(762)
At June 30, 2016	124,804	62,368	125,674	—	2,744	315,590
Net book value						
At December 31, 2013	309,213	72,307	60,999	226,219	6,508	675,246
At December 31, 2014	338,172	73,244	121,952	277,087	1,610	812,065
At December 31, 2015	531,611	99,866	141,134	201,167	498	974,276
At June 30, 2016	635,638	104,059	146,587	293,954	306	1,180,544

At December 31, 2013, 2014 and 2015 and June 30, 2016, the net book values of premises of which title deeds were not yet finalized by the Group were RMB357.52 million, RMB447.10 million, RMB821.45 million and RMB753.10 million, respectively. Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were RMB113.43 million, RMB196.49 million, RMB356.90 million and RMB217.78 million, respectively.

At December 31, 2013, 2014 and 2015 and June 30, 2016, the net book values of premises of which title deeds were not yet finalized by the Bank were RMB234.87 million, RMB239.95 million, RMB419.98 million and RMB381.66 million, respectively. Among them, the net book values of premises that the Bank has obtained housing property title certificates issued by the authorities but no land use right certificates were RMB64.70 million, RMB73.83 million, RMB139.06 million and RMB45.80 million, respectively.

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

29 PROPERTY AND EQUIPMENT (Continued)

The net book values of premises at the end of each of the Track Record Period are analyzed by the remaining terms of the leases as follows:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Held in Mainland China				
—Long term leases (over 50 years)	572	537	503	24,433
—Medium term leases (10—50 years)	511,218	656,296	1,060,068	1,141,363
—Short term leases (less than 10 years)	8,435	9,848	9,640	16,336
	<u>520,225</u>	<u>666,681</u>	<u>1,070,211</u>	<u>1,182,132</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Held in Mainland China				
—Long term leases (over 50 years)	—	—	—	17,120
—Medium term leases (10—50 years)	309,213	338,172	531,611	611,443
—Short term leases (less than 10 years)	—	—	—	7,075
	<u>309,213</u>	<u>338,172</u>	<u>531,611</u>	<u>635,638</u>

30 GOODWILL**The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At the beginning of the financial year/period	543,408	833,137	863,907	1,170,404
Arising on acquisition subsidiaries	289,729	30,770	337,267	3,352
Eliminated on disposal of a subsidiary	—	—	(30,770)	—
At the end of the financial year/period	<u>833,137</u>	<u>863,907</u>	<u>1,170,404</u>	<u>1,173,756</u>
Impairment				
At the beginning and end of the financial year/period	—	—	—	—
Carrying amounts				
At the end of the financial year/period	<u>833,137</u>	<u>863,907</u>	<u>1,170,404</u>	<u>1,173,756</u>

30 GOODWILL (Continued)**The Group (Continued)****Impairment testing on Goodwill**

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to three, four, six individual cash-generating units ("CGUs"), comprising four, seven, six subsidiaries in corporate and retail banking acquired by the Bank as at December 31, 2013, 2014 and 2015 and June 30, 2016 respectively.

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Changbai Mountain Rural Commercial Bank	157,206	157,206	157,206	157,206
Liaoyuan Rural Commercial Bank	386,202	386,202	386,202	386,202
Jilin Dehui Rural Commercial Bank	289,729	289,729	289,729	289,729
Haikou United Rural Commercial Bank	—	30,770	—	—
Jilin Gongzhuling Rural Commercial Bank	—	—	135,142	135,142
Jilin Chuncheng Rural Commercial Bank	—	—	201,115	201,115
Lingshui Dasheng Village and Township Bank	—	—	1,010	1,010
Sanya Phoenix Village and Township Bank	—	—	—	3,352
	<u>833,137</u>	<u>863,907</u>	<u>1,170,404</u>	<u>1,173,756</u>

During the year ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Changbai Mountain Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 6.94%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Liaoyuan Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 7.07%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

30 GOODWILL (Continued)**The Group (Continued)****Impairment testing on Goodwill (Continued)***Liaoyuan Rural Commercial Bank (Continued)*

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Jilin Dehui Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 7.08%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Haikou United Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 6.70%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Jilin Gongzhuling Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 7.03%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

30 GOODWILL (Continued)**The Group (Continued)****Impairment testing on Goodwill (Continued)***Jilin Chuncheng Rural Commercial Bank*

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 7.13%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Lingshui Dasheng Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 7.45%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Sanya Phoenix Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 7.48%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

31 DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	109,663	155,396	258,969	329,187
Deferred tax liabilities	(164)	(4,331)	(61,152)	(73,288)
	<u>109,499</u>	<u>151,065</u>	<u>197,817</u>	<u>255,899</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	53,083	56,958	77,450	102,632
Deferred tax liabilities	(164)	(2,884)	(45,335)	(61,495)
	<u>52,919</u>	<u>54,074</u>	<u>32,115</u>	<u>41,137</u>

The following are the major deferred tax assets (liabilities) recognized and movements thereon in the Track Record Period:

The Group

	Provision for impairment losses on assets	Net losses/(gains) from fair value changes of financial instruments			Net balance of deferred tax assets
		Tax losses	Others		
	RMB'000 Notes (1)	RMB'000 Notes (2)	RMB'000 Notes (3)	RMB'000	RMB'000
At January 1, 2013	27,533	715	760	—	29,008
Credit/(charge) to profit or loss	44,729	(514)	617	90	44,922
Credit to other comprehensive income	—	14,231	—	—	14,231
Acquisitions of subsidiaries	21,338	—	—	—	21,338
At December 31, 2013	93,600	14,432	1,377	90	109,499
Credit/(charge) to profit or loss	27,344	(4,242)	7,842	388	31,332
Charge to other comprehensive income	—	(14,521)	—	—	(14,521)
Acquisitions of subsidiaries	24,755	—	—	—	24,755
At December 31, 2014	145,699	(4,331)	9,219	478	151,065
Credit/(charge) to profit or loss	125,558	(31,725)	6,154	1,793	101,780
Charge to other comprehensive income	—	(25,371)	—	—	(25,371)
Disposals of subsidiaries	(25,406)	—	—	—	(25,406)
Effect of change in tax rate	(4,830)	579	—	—	(4,251)
At December 31, 2015	241,021	(60,848)	15,373	2,271	197,817
Credit/(charge) to profit or loss	43,714	(10,875)	9,298	14,353	56,490
Credit to other comprehensive income	—	547	—	—	547
Acquisition of a subsidiary	805	—	240	—	1,045
At June 30, 2016	<u>285,540</u>	<u>(71,176)</u>	<u>24,911</u>	<u>16,624</u>	<u>255,899</u>

31 DEFERRED TAXATION (Continued)

The Bank

	Provision for impairment losses on assets	Net losses/(gains) from fair value changes of financial instruments	Others	Net balance of deferred tax assets
	RMB'000 Notes (1)	RMB'000 Notes (2)	RMB'000	RMB'000
At January 1, 2013	17,154	715	—	17,869
Credit/(charge) to profit or loss	35,929	(715)	—	35,214
Charge to other comprehensive income	—	(164)	—	(164)
At December 31, 2013	53,083	(164)	—	52,919
Credit/(charge) to profit or loss	3,875	(2,594)	—	1,281
Charge to other comprehensive income	—	(126)	—	(126)
At December 31, 2014	56,958	(2,884)	—	54,074
Charge/(credit) to profit or loss	20,492	(24,037)	—	(3,545)
Charge to other comprehensive income	—	(18,414)	—	(18,414)
At December 31, 2015	77,450	(45,335)	—	32,115
Credit/(charge) to profit or loss	16,806	(17,421)	8,376	7,761
Credit to other comprehensive income	—	1,261	—	1,261
At June 30, 2016	94,256	(61,495)	8,376	41,137

Notes:

- (1) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the Track Record Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the Track Record Period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (2) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.
- (3) At December 31, 2013, 2014 and 2015 and June 30, 2016, the Group has unused tax losses of RMB5.51 million, RMB36.88 million, RMB61.49 million and RMB99.64 million respectively, available for offset against future profits. A deferred tax asset has been recognized in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

32 OTHER ASSETS

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments	207,708	633,889	269,549	231,623
Repossessed assets	69,516	71,218	253,712	263,745
Long-term deferred expense	35,620	45,146	80,469	90,195
Continuing involvement assets (Note (a))	—	15,690	—	—
Land use rights	—	20,394	23,766	34,194
Other	44	7,804	18,631	959
	312,888	794,141	646,127	620,716

32 OTHER ASSETS (Continued)**The Bank**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments	169,390	599,034	106,335	98,172
Repossessed assets	12,720	13,634	56,283	66,316
Long-term deferred expenses	13,906	16,045	47,900	51,652
Continuing involvement assets (Note (a))	—	15,690	—	—
Land use rights	—	20,394	20,084	26,140
Other	11,000	60,834	102,300	—
	<u>207,016</u>	<u>725,631</u>	<u>332,902</u>	<u>242,280</u>

Note (a): The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the consolidated statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at December 31, 2013, 2014 and 2015 and June 30, 2016, loans with an original carrying amount of nil, RMB313.75 million nil, and nil have been securitized by the Group respectively under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amount of assets that the Group continues to recognize was nil, RMB15.69 million, RMB8.56 million and nil respectively and the assets were classified as available-for-sale financial assets. Arising from this continuing involvement, the Group has recognized continuing involvement assets and continuing involvement liabilities of nil, RMB15.69 million, nil and nil, respectively.

33 PLEDGED ASSETS**(a) Assets pledged as collaterals**

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at December 31, 2013, 2014 and 2015 and June 30, 2016 are RMB8,360 million, RMB4,850 million and RMB23,392 million and RMB20,655 million, respectively.

Financial assets pledged by the Bank as collaterals for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at December 31, 2013, 2014 and 2015 and June 30, 2016 are RMB6,910 million, RMB4,750 million and RMB21,270 million and RMB15,732 million, respectively.

(b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

34 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	4,081,500	4,820,055	1,698,321	5,512,619
—Other financial institutions	500,000	—	170,000	305,000
	<u>4,581,500</u>	<u>4,820,055</u>	<u>1,868,321</u>	<u>5,817,619</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	5,033,918	5,195,173	4,580,245	4,380,181
—Other financial institutions	500,000	—	—	—
	<u>5,533,918</u>	<u>5,195,173</u>	<u>4,580,245</u>	<u>4,380,181</u>

35 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Placements in Mainland China				
—Banks	8,570	374,634	52,496	162,496
—Other financial institutions	—	220,000	—	—
	<u>8,570</u>	<u>594,634</u>	<u>52,496</u>	<u>162,496</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Placements in Mainland China				
—Banks	2,496	302,496	2,496	2,496
—Other financial institutions	—	220,000	—	—
	<u>2,496</u>	<u>522,496</u>	<u>2,496</u>	<u>2,496</u>

36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	7,265,709	4,677,600	22,363,598	20,034,615
—Other financial institutions	100,000	—	699,900	545,500
	<u>7,365,709</u>	<u>4,677,600</u>	<u>23,063,498</u>	<u>20,580,115</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	6,143,259	4,577,600	21,634,598	15,701,600
—Other financial institutions	100,000	—	—	30,000
	<u>6,243,259</u>	<u>4,577,600</u>	<u>21,634,598</u>	<u>15,731,600</u>

(b) Analyzed by collateral

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities	7,365,709	4,677,600	23,063,498	20,183,300
Discounted bills	—	—	—	396,815
	<u>7,365,709</u>	<u>4,677,600</u>	<u>23,063,498</u>	<u>20,580,115</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities	<u>6,243,259</u>	<u>4,577,600</u>	<u>21,634,598</u>	<u>15,731,600</u>

37 DEPOSITS FROM CUSTOMERS

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Demand deposits				
—Corporate customers	10,942,480	18,135,921	23,100,651	24,436,870
—Individual customers	7,529,101	10,819,977	14,984,073	14,475,248
	<u>18,471,581</u>	<u>28,955,898</u>	<u>38,084,724</u>	<u>38,912,118</u>
Time deposits				
—Corporate customers	1,604,883	5,214,397	17,537,648	22,028,640
—Individual customers	14,992,216	22,985,159	34,048,350	42,557,781
	<u>16,597,099</u>	<u>28,199,556</u>	<u>51,585,998</u>	<u>64,586,421</u>
Pledged deposits				
—Acceptances	53,610	445,669	1,104,507	967,072
—Guarantees and letters of guarantees ...	998,419	1,552,490	1,719,626	1,696,047
	<u>1,052,029</u>	<u>1,998,159</u>	<u>2,824,133</u>	<u>2,663,119</u>
Others	618,558	618,039	807,927	837,100
	<u>36,739,267</u>	<u>59,771,652</u>	<u>93,302,782</u>	<u>106,998,758</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Demand deposits				
—Corporate customers	6,122,991	8,115,481	10,818,490	12,413,264
—Individual customers	4,213,480	5,187,890	7,326,110	7,224,286
	<u>10,336,471</u>	<u>13,303,371</u>	<u>18,144,600</u>	<u>19,637,550</u>
Time deposits				
—Corporate customers	842,701	2,570,262	12,346,299	14,774,073
—Individual customers	6,570,489	9,551,473	13,607,119	19,033,855
	<u>7,413,190</u>	<u>12,121,735</u>	<u>25,953,418</u>	<u>33,807,928</u>
Pledged deposits				
—Acceptances	18,870	211,191	535,252	654,147
—Guarantees and letters of guarantees	718,406	1,058,836	1,079,185	1,042,170
	<u>737,276</u>	<u>1,270,027</u>	<u>1,614,437</u>	<u>1,696,317</u>
Others	131,019	214,657	258,523	372,501
	<u>18,617,956</u>	<u>26,909,790</u>	<u>45,970,978</u>	<u>55,514,296</u>

38 ACCRUED STAFF COSTS

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and bonus payable	58,168	103,107	130,343	91,267
Social pension schemes payable	35	291	568	8,511
Other social insurances payable	34	453	342	2,134
Other staff welfare payable	1,938	7,565	8,715	1,429
	<u>60,175</u>	<u>111,416</u>	<u>139,968</u>	<u>103,341</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and bonus payable	32,617	41,903	34,345	42,444
Social pension schemes payable	—	63	109	53
Other social insurances payable	—	179	186	68
Other staff welfare payable	—	2,729	1	10
	<u>32,617</u>	<u>44,874</u>	<u>34,641</u>	<u>42,575</u>

39 INTERESTS PAYABLE

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from customers	619,735	978,437	1,363,012	1,445,531
Deposits from banks and other financial institutions	29,540	25,115	15,378	22,068
Debts securities issued	—	4,383	36,450	77,976
Others	7,886	12,287	15,063	7,669
	<u>657,161</u>	<u>1,020,222</u>	<u>1,429,903</u>	<u>1,553,244</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from customers	274,010	399,721	629,640	710,763
Deposits from banks and other financial institutions	31,646	18,531	27,569	12,488
Debts securities issued	—	4,383	36,450	78,510
Others	7,009	8,974	14,652	3,581
	<u>312,665</u>	<u>431,609</u>	<u>708,311</u>	<u>805,342</u>

40 DEBT SECURITIES ISSUED

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate subordinated debts /tier-two capital bonds issued (Notes (i))	697,300	697,600	1,495,673	1,495,942
Interbank deposits (Notes (ii))	—	1,691,775	7,578,506	9,752,038
	<u>697,300</u>	<u>2,389,375</u>	<u>9,074,179</u>	<u>11,247,980</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate subordinated debts /tier-two capital bonds issued (Notes (i))	697,300	697,600	1,495,673	1,495,942
Interbank deposits (Notes (ii))	—	1,691,775	7,578,506	9,801,415
	<u>697,300</u>	<u>2,389,375</u>	<u>9,074,179</u>	<u>11,297,357</u>

Notes:

- (i) Fixed rate subordinated debts /tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700 million with a term of ten years were issued on December 31, 2012. The coupon rate is 7.00%. The Group has an option to redeem the debts on December 30, 2017 at the nominal amount. The effective interest rate per annum on the Group's and the Bank's fixed rate subordinated debts issued is 7.06%. As at December 31, 2013, 2014 and 2015 and June 30, 2016, the outstanding balance of this fixed rate subordinated debts issued is RMB697.3 million, RMB697.6 million, RMB697.9 million and RMB698.05 million, respectively.
- (b) Fixed rate tier-two capital bonds at a face value of RMB800 million with a term of ten years were issued on April 13, 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on April 12, 2020 at the nominal amount. The effective interest rate per annum on the Group's and the Bank's tier-two capital bonds issued is 6.34%. As at December 31, 2015 and June 30, 2016, the outstanding balance of this fixed rate tier-two capital bonds issued is RMB797.77 million and RMB797.89 million, respectively.
- (ii) Interbank deposits
- (a) Interbank deposit with nominal amount of RMB700 million with a term of six months was issued on November 12, 2014. The coupon rate and effective interest rate per annum is 4.6%. The interbank deposit was matured on May 13, 2015. As at December 31, 2014, the outstanding balance of this interbank deposit issued is RMB700 million. Zero coupon interbank deposit with nominal amount of RMB1,000 million with a term of three months was issued on December 5, 2014. The interbank deposit was matured on March 8, 2015. The effective interest rate per annum on the Group's and the Bank's interbank deposit issued is 4.39%. As at December 31, 2014, the outstanding balance of this interbank deposit issued is RMB991.78 million.
- (b) For the year ended December 31, 2015, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB12,530 million and duration between 1 month to 1 year. As at December 31, 2015 and June 30, 2016, the outstanding balance of interbank deposits issued by the Bank is RMB7,578.51 million and RMB1,598.63 million, respectively. The ranges of effective interest rates per annum on the Group's and the Bank's interbank deposits issued are 2.56% to 4.18%.
- (c) For the six months ended June 30, 2016, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB13,470 million and duration between 1 month to 1 year. As at June 30, 2016, the outstanding balance of interbank deposits issued is RMB8,202.79 million. The ranges of effective interest rates per annum on the Group's and the Bank's interbank deposits issued are 2.69% to 4.18%.

41 OTHER LIABILITIES

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable and accrued expenses	88,523	118,266	343,769	181,160
Clearance of inter-bank accounts	59,628	75,884	82,456	163,785
Other taxes payables	27,862	60,456	81,297	48,240
Agency business liabilities	3,881	9,636	25,637	78,613
Dividend payable	1,012	1,544	16,363	51
Continuing involvement liabilities (Note 32(a))	—	15,690	—	—
Others	74	15,890	54,300	518
	<u>180,980</u>	<u>297,366</u>	<u>603,822</u>	<u>472,367</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable and accrued expenses	28,081	29,363	53,573	47,371
Clearance of inter-bank accounts	56,311	72,614	79,888	123,690
Other taxes payables	17,838	41,185	51,805	26,881
Agency business liabilities	1,809	2,738	4,967	11,936
Dividend payable	7	6	6	6
Continuing involvement liabilities (Note 32(a))	—	15,690	—	—
	<u>104,046</u>	<u>161,596</u>	<u>190,239</u>	<u>209,884</u>

42 SHARE CAPITAL

Share capital of the Group as at December 31, 2013, 2014 and 2015 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the Track Record Period are as follows:

The Group and the Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:				
—Ordinary shares	<u>1,950,062</u>	<u>2,406,069</u>	<u>3,294,797</u>	<u>3,294,797</u>
At beginning of the year/period	1,383,984	1,950,062	2,406,069	3,294,797
Issuance of shares (Notes (1))	400,000	222,000	600,000	—
Transfer from capital reserve (Notes (2))	166,078	234,007	288,728	—
At end of the year/period	<u>1,950,062</u>	<u>2,406,069</u>	<u>3,294,797</u>	<u>3,294,797</u>

Notes:

- (1) In June 2013, the Bank issued 400 million ordinary shares with a par value of RMB1 at RMB3 per share. The premium arising from the issuance of new shares amounting to RMB800 million was recorded in capital reserve.
- In August 2014, the Bank issued 222 million ordinary shares with a par value of RMB1 at RMB3.5 per share. The premium arising from the issuance of new shares amounting to RMB555 million was recorded in capital reserve.

42 SHARE CAPITAL (Continued)**The Group and the Bank (Continued)**

In June and December 2015, the Bank issued 400 million and 200 million ordinary shares with a par value of RMB1 at RMB4 per share. The premium arising from the issuance of new shares amounting to RMB1,200 million and RMB600 million was recorded in capital reserve respectively.

- (2) In June 2013, the Bank issued 166.08 million ordinary shares with a par value of RMB1 per share by way of capitalization of capital reserve of the Bank on the basis of twelve bonus shares for every one hundred existing shares.

In August 2014, the Bank issued 234.01 million ordinary shares with a par value of RMB1 per share by way of capitalization of capital reserve of the Bank on the basis of twelve bonus shares for every one hundred existing shares.

In June 2015, the Bank issued 288.73 million ordinary shares with a par value of RMB1 per share by way of capitalization of capital reserve of the Bank on the basis of twelve bonus shares for every one hundred existing shares.

43 CAPITAL RESERVE**The Group**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	1,261,328	1,582,321	3,093,593	3,093,593
Changes in ownership in subsidiaries without changes in control	39,699	80,970	215,542	253,452
	<u>1,301,027</u>	<u>1,663,291</u>	<u>3,309,135</u>	<u>3,347,045</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	1,261,328	1,582,321	3,093,593	3,093,593

44 SURPLUS RESERVE AND GENERAL RESERVE**(a) Surplus reserve**

The surplus reserve at the end of each of the Track Record Period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at December 31, 2013, 2014 and 2015 and June 30, 2016 is RMB130 million, RMB217 million, RMB338 million and RMB338 million, respectively, while other surplus reserve is RMB17 million as at December 31, 2013, 2014 and 2015 and June 30, 2016. The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group and the Bank are required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

45 DIVIDENDS

- (a) Pursuant to the resolution of the shareholders meeting of 2012, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on weighted average number of 1,281,567,000 shares held amounting to RMB230.68 million during the year ended December 31, 2013.

45 DIVIDENDS (Continued)

- (b) Pursuant to the resolution of the shareholders meeting of 2013, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on weighted average number of 1,783,394,000 shares held amounting to RMB321.01 million during the year ended December 31, 2014.
- (c) Pursuant to the resolution of the shareholders meeting of 2014, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on weighted average number of 2,303,067,000 shares held amounting to RMB414.55 million during the year ended December 31, 2015.
- (d) Pursuant to the resolution of the shareholders meeting of 2015, the Bank distributed cash dividends of RMB0.3 per share (tax included) based on weighted average number of 2,944,800,000 shares held amounting to RMB883.44 million during the six months end June 30, 2016.

46 STRUCTURED ENTITIES**(a) Consolidated structured entities**

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at December 31, 2013, 2014 and 2015 and June 30, 2016, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to RMB118.66 million, RMB1,178.10 million, RMB8,243.69 million and RMB12,274.88 million respectively.

(b) Unconsolidated structured entities

- (i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2013, 2014 and 2015 and June 30, 2016:

	At December 31, 2013			
	Available- for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	—	200,000	200,000	200,000
Asset management plans	—	6,541,477	6,541,477	6,541,477
	—	6,741,477	6,741,477	6,741,477
	At December 31, 2014			
	Available- for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	—	500,000	500,000	500,000
Asset management plans	—	5,941,280	5,941,280	5,941,280
Wealth management products issued by other financial institutions	220,000	—	220,000	220,000
	220,000	6,441,280	6,661,280	6,661,280

46 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

- (i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	At December 31, 2015			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	602,404	1,407,180	2,009,584	2,009,584
Asset management plans	1,755,467	9,449,366	11,204,833	11,204,833
Wealth management products issued by other financial institutions	1,761,592	61,000	1,822,592	1,822,592
	<u>4,119,463</u>	<u>10,917,546</u>	<u>15,037,009</u>	<u>15,037,009</u>

	At June 30, 2016			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	781,228	599,000	1,380,228	1,380,228
Asset management plans	6,334,959	6,054,792	12,389,751	12,389,751
Wealth management products issued by other financial institutions	4,889,848	—	4,889,848	4,889,848
	<u>12,006,035</u>	<u>6,653,792</u>	<u>18,659,827</u>	<u>18,659,827</u>

- (ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial position.

As at December 31, 2013, 2014 and 2015 and June 30, 2016, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB481.88 million, RMB230.13 million, RMB2,997.94 million, and RMB8,643.29 million, respectively.

- (iii) Unconsolidated structured entities sponsored by the Group during the year/period which the Group does not have an interest in as at December 31, 2013, 2014 and 2015 and June 30, 2016:

During the year ended December 31, 2013, 2014 and 2015, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB2,645.57 million, RMB2,391.59 million and RMB543.84 million, respectively.

46 STRUCTURED ENTITIES (Continued)**(b) Unconsolidated structured entities (Continued)**

- (iii) Unconsolidated structured entities sponsored by the Group during the year/period which the Group does not have an interest in as at December 31, 2013, 2014 and 2015 and June 30, 2016: (Continued)

During the six month ended June 30, 2016, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to RMB1,701.80 million.

47 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the Track Record Period, the Group has complied with all its externally imposed capital requirements.

47 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at December 31, 2013, 2014 and 2015 and June 30, 2016 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Total core tier-one capital				
Share capital	1,950,062	2,406,069	3,294,797	3,294,797
Qualifying portion of capital reserve	1,301,027	1,663,291	3,309,135	3,347,045
Investment revaluation reserve . . .	(42,694)	869	76,980	78,427
Surplus reserve	146,592	234,007	354,741	354,741
General reserve	369,473	622,926	1,025,282	1,025,282
Retained earnings	368,042	809,184	1,087,363	1,070,562
Qualifying portions of non-controlling interests	587,254	2,097,980	2,708,901	3,296,069
Core tier-one capital deductions (Note)	(840,590)	(897,024)	(1,201,103)	(1,226,954)
Net core tier-one capital	3,839,166	6,937,302	10,656,096	11,239,969
Other tier-one capital	—	—	—	—
Net tier-one capital	3,839,166	6,937,302	10,656,096	11,239,969
Tier-two capital				
Qualifying portion of tier-two capital instruments issued	630,000	560,000	1,290,000	1,220,000
Surplus provision for loan impairment	330,266	545,525	652,068	822,493
Net capital base	4,799,432	8,042,827	12,598,164	13,282,462
Total risk weighted assets	31,459,327	50,199,967	85,325,552	93,028,029
Core tier-one capital adequacy ratio . . .	12.20%	13.82%	12.49%	12.08%
Tier-one capital adequacy ratio	12.20%	13.82%	12.49%	12.08%
Capital adequacy ratio	15.26%	16.02%	14.76%	14.28%

Note: Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.

48 CASH AND CASH EQUIVALENTS

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	372,637	647,220	741,588	689,932
Deposits with the central bank	5,225,541	6,446,781	9,202,248	7,926,451
Deposits with banks and other financial institutions	2,415,044	6,216,868	7,242,134	2,094,524
Placements with banks and other financial institutions	140,000	140,000	390,000	—
Financial assets held under resale agreements	7,128,103	6,480,713	17,297,442	7,568,474
Total	15,281,325	19,931,582	34,873,412	18,279,381

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At December 31,			At June 30,
	2013	2014	2015	2016
Jilin Province Trust Co., Ltd. (“吉林省信託有限責任公司”)	15.57%	14.14%	13.26%	13.26%
Changchun Huaxing Construction Co., Ltd. (“長春華星建築有限責任公司”)	8.35%	9.95%	9.96%	9.96%
Jilin Province Jiapeng Group Co., Ltd. (“吉林省嘉鵬集團有限公司”)	6.48%	2.48%	2.53%	2.53%
Changchun Huamei Tourism and Culture Media Co., Ltd. (“長春市華美旅遊文化傳媒有限公司”)	1.03%	5.57%	5.34%	5.37%

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 49(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the period					
Interest income	—	—	2,458	1,093	138
Interest expense	—	—	—	—	131
	At December 31,			At June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the period					
Deposits with banks and other financial institutions	—	—	20,000	—	—
Interests receivable	—	—	196	—	—
Deposits from banks and other financial institutions	—	—	—	8,159	—
Interests payable	—	—	—	—	7

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Group and major shareholders

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the period					
Interest income	19,782	17,765	37,852	26,397	6,909
Interest expense	1,463	558	2,918	1,751	835
Rental expense	700	700	700	350	350
Balances at end of the period					
Placements with banks and other financial institutions . .	140,000	140,000	140,000	140,000	—
Financial assets held under resale agreements	49,899	—	106,429	106,429	170,199
Loans and advances to customers	180,000	130,900	13,000	13,000	13,000
Interests receivable	28	23	31	31	26
Deposits from customers	37,435	399,387	133,146	133,146	109,075

(iv) Transactions between the Group and other related parties:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the period					
Interest income	30,133	38,062	49,820	32,863	34,218
Interest expense	174	149	191	98	97
Rental expense	—	—	—	—	102
Balances at end of the period					
Loans and advances to customers	614,670	1,037,084	509,350	509,350	1,102,237
Deposits from customers	10,301	29,185	57,750	57,750	89,275

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel (Continued)

(i) Transactions between the Group and key management personnel

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the period					
Interest income	293	383	711	155	111
Interest expense	15	13	21	34	23
Rental expense	2,236	2,236	2,236	1,118	1,118

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the period:				
Loans and advances to customers	5,470	8,350	8,080	10,380
Deposits from customers	5,428	6,235	13,869	9,472

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term staff benefits	8,090	10,142	16,165	2,288	2,443
Retirement benefits					
— Basic social pension insurance	1,505	2,044	2,951	1,583	2,217
	9,595	12,186	19,116	3,871	4,660

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 of the new Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and advances to directors, supervisors and officers	5,470	8,350	8,080	10,380

50 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Treasury operations

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the Track Record Period to acquire property and equipment, land use rights and other long-term assets.

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

The Group

	Year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/ (expense)	832,268	42,580	583,778	—	1,458,626
Internal net interest (expense)/income	(50,557)	592,051	(541,494)	—	—
Net interest income	781,711	634,631	42,284	—	1,458,626
Net fee and commission income	138,133	12,002	20,232	—	170,367
Net trading gains	—	—	57,937	—	57,937
Dividend income	—	—	—	30,434	30,434
Net gains arising from investment securities	—	—	79,142	—	79,142
Foreign exchange gains	—	—	—	(402)	(402)
Other operating income	—	—	—	21,854	21,854
Operating income	919,844	646,633	199,595	51,886	1,817,958
Operating expenses	(481,341)	(339,067)	(49,312)	(8,406)	(878,126)
Impairment losses on assets	(89,821)	(126,550)	—	(200)	(216,571)
Operating profit	348,682	181,016	150,283	43,280	723,261
Share of profits of associates	—	—	—	—	—
Profit before tax	348,682	181,016	150,283	43,280	723,261
Segment assets	15,435,901	7,874,322	31,294,551	456,178	55,060,952
Deferred tax assets	—	—	—	109,499	109,499
Total assets	15,435,901	7,874,322	31,294,551	565,677	55,170,451
Segment liabilities	14,644,165	22,996,521	12,742,037	106,960	50,489,683
Dividend payable	—	—	—	1,012	1,012
Total liabilities	14,644,165	22,996,521	12,742,037	107,972	50,490,695
Other segment information					
—Depreciation and amortization	54,886	39,030	8,916	1,935	104,767
—Capital expenditure	192,565	148,185	15,536	5,491	361,777

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Year ended December 31, 2014				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expense)	1,473,120	(32,310)	1,125,529	—	2,566,339
Internal net interest (expense)/income	(214,406)	1,000,087	(785,681)	—	—
Net interest income	1,258,714	967,777	339,848	—	2,566,339
Net fee and commission income	275,571	14,256	11,334	—	301,161
Net trading gains	—	—	32,305	—	32,305
Dividend income	—	—	—	42,585	42,585
Net gains arising from investment securities	—	—	161,340	—	161,340
Foreign exchange gains	—	—	—	6,327	6,327
Other operating income	—	—	—	135,561	135,561
Operating income	1,534,285	982,033	544,827	184,473	3,245,618
Operating expenses	(770,217)	(486,924)	(184,037)	(40,925)	(1,482,103)
Impairment losses on assets	(137,495)	(48,107)	—	(130)	(185,732)
Operating profit	626,573	447,002	360,790	143,418	1,577,783
Share of profits of associates	—	—	—	—	—
Profit before tax	626,573	447,002	360,790	143,418	1,577,783
Segment assets	23,225,914	11,942,996	44,118,053	2,417,314	81,704,277
Deferred tax assets	—	—	—	151,065	151,065
Total assets	23,225,914	11,942,996	44,118,053	2,568,379	81,855,342
Segment liabilities	27,618,645	33,466,803	12,797,573	136,451	74,019,472
Dividend payable	—	—	—	1,544	1,544
Total liabilities	27,618,645	33,466,803	12,797,573	137,995	74,021,016
Other segment information					
—Depreciation and amortization	83,476	53,051	20,253	6,940	163,720
—Capital expenditure	275,994	180,504	61,513	33,622	551,633

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Year ended December 31, 2015				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	1,525,063	88,047	1,759,169	—	3,372,279
Internal net interest (expense)/income	(240,329)	1,250,384	(1,010,055)	—	—
Net interest income	1,284,734	1,338,431	749,114	—	3,372,279
Net fee and commission income	87,520	21,084	114,093	—	222,697
Net trading gains	—	—	131,926	—	131,926
Dividend income	—	—	—	69,261	69,261
Net gains arising from investment securities . . .	—	—	344,500	—	344,500
Gain on disposal of a subsidiary	—	—	12,840	—	12,840
Foreign exchange gains . . .	—	—	—	6,463	6,463
Other operating income . . .	—	—	—	107,987	107,987
Operating income	1,372,254	1,359,515	1,352,473	183,711	4,267,953
Operating expenses	(860,828)	(797,946)	(325,668)	(59,631)	(2,044,073)
Impairment losses on assets	(330,394)	3,447	(19,339)	(3,819)	(350,105)
Operating profit	181,032	565,016	1,007,466	120,261	1,873,775
Share of profits of associates . . .	—	—	—	2,167	2,167
Profit before tax	181,032	565,016	1,007,466	122,428	1,875,942
Segment assets	33,926,465	14,901,114	90,246,179	2,681,759	141,755,517
Deferred tax assets	—	—	—	197,817	197,817
Total assets	33,926,465	14,901,114	90,246,179	2,879,576	141,953,334
Segment liabilities	45,447,466	50,098,668	34,161,934	371,704	130,079,772
Dividend payable	—	—	—	16,363	16,363
Total liabilities	45,447,466	50,098,668	34,161,934	388,067	130,096,135
Other segment information					
—Depreciation and amortization	90,354	82,757	43,886	11,349	228,346
—Capital expenditure	393,316	312,401	169,882	24,436	900,035

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Six months ended June 30, 2015 (Unaudited)				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	751,650	(115,249)	775,065	—	1,411,466
Internal net interest (expense)/income	(95,922)	578,407	(482,485)	—	—
Net interest income	655,728	463,158	292,580	—	1,411,466
Net fee and commission income	24,939	18,405	37,052	—	80,396
Net trading gains	—	—	64,578	—	64,578
Dividend income	—	—	—	69,261	69,261
Net gains arising from investment securities	—	—	30,128	—	30,128
Foreign exchange gains	—	—	—	3,365	3,365
Other operating income	—	—	—	7,152	7,152
Operating income	680,667	481,563	424,338	79,778	1,666,346
Operating expenses	(363,521)	(257,276)	(107,523)	(28,604)	(756,924)
Impairment losses on assets	(145,659)	(49,964)	(11,602)	—	(207,225)
Operating profit	171,487	174,323	305,213	51,174	702,197
Share of profits of associates	—	—	—	641	641
Profit before tax	171,487	174,323	305,213	51,815	702,838
Other segment information					
—Depreciation and amortization	51,264	37,483	4,984	825	94,556
—Capital expenditure	71,554	53,109	19,042	2,604	146,309

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Six months ended June 30, 2016				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense) . . .	646,856	(6,687)	1,422,299	—	2,062,468
Internal net interest (expense)/income . . .	240,622	860,178	(1,100,800)	—	—
Net interest income	887,478	853,491	321,499	—	2,062,468
Net fee and commission income	54,216	26,178	180,265	—	260,659
Net trading gains	—	—	45,314	—	45,314
Dividend income	—	—	—	106,521	106,521
Net gains arising from investment securities	—	—	166,964	—	166,964
Foreign exchange gains	—	—	—	3,076	3,076
Other operating income	—	—	—	5,821	5,821
Operating income	941,694	879,669	714,042	115,418	2,650,823
Operating expenses	(471,802)	(422,021)	(174,444)	(26,382)	(1,094,649)
Impairment losses on assets	(171,377)	(82,017)	8,309	(199)	(245,284)
Operating profit	298,515	375,631	547,907	88,837	1,310,890
Share of profits of associates	—	—	—	3,936	3,936
Profit before tax	298,515	375,631	547,907	92,773	1,314,826
Segment assets	38,402,476	15,909,723	102,685,137	2,712,873	159,710,209
Deferred tax assets	—	—	—	255,899	255,899
Total assets	38,402,476	15,909,723	102,685,137	2,968,772	159,966,108
Segment liabilities	54,790,292	54,099,625	38,394,865	214,352	147,499,134
Dividend payable	—	—	—	51	51
Total liabilities	54,790,292	54,099,625	38,394,865	214,403	147,499,185
Other segment information					
—Depreciation and amortization	59,676	57,573	8,196	1,788	127,233
—Capital expenditure	195,954	181,289	100,034	23,186	500,463

50 SEGMENT REPORTING (Continued)**(b) Geographical information**

The Group operates principally in Mainland China.

Non-current assets include property and equipment, long-term deferred expense and land use rights. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 16 (December 31, 2015: 15, December 31, 2014: 11 December 31, 2013: 10) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by branches of the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income				
	Year ended December 31,			Six Months ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Jilin Region	1,662,000	2,892,272	3,860,114	1,507,341	2,438,057
Mainland China excluding Jilin Region	155,958	353,346	407,839	159,005	212,766
	<u>1,817,958</u>	<u>3,245,618</u>	<u>4,267,953</u>	<u>1,666,346</u>	<u>2,650,823</u>
	Non-current asset				
	At December 31,			At June 30,	
	2013	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000	
Jilin Region	1,047,323	1,493,671	2,057,920	2,423,194	
Mainland China excluding Jilin Region	133,141	294,125	395,091	420,802	
	<u>1,180,464</u>	<u>1,787,796</u>	<u>2,453,011</u>	<u>2,843,996</u>	

51 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk**

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. Legal and Compliance Department is responsible for formulating the authorization proposals for credit business. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Business Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)**

Credit business (Continued)

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal: Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury Operations

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the Track Record Period.

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Treasury Operations (Continued)**

(ii) Financial assets analyzed by credit quality are summarized as follows:

The Group

	At December 31, 2013				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount . . .	69,725	—	—	—	1,494
Less: provision for impairment losses	(43,557)	—	—	—	(1,439)
	<u>26,168</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55</u>
Collectively assessed gross amount . . .	205,291	—	—	—	—
Less: provision for impairment losses	(110,872)	—	—	—	—
	<u>94,419</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Overdue but not Impaired					
Gross amount					
—Less than three months (inclusive)	422,231	—	—	—	26,427
—Between three months and six months (inclusive)	33,361	—	—	—	236
—Between six months and one year (inclusive)	82,110	—	—	—	882
—More than one year	77,015	—	—	—	1,077
	<u>614,717</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,622</u>
Less: provision for impairment losses	(19,050)	—	—	—	—
	<u>595,667</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,622</u>
Neither overdue nor impaired					
Gross amount	20,968,842	3,456,327	7,228,103	9,048,040	313,719
Less: provision for impairment losses	(431,803)	—	—	—	—
	<u>20,537,039</u>	<u>3,456,327</u>	<u>7,228,103</u>	<u>9,048,040</u>	<u>313,719</u>
	<u>21,253,293</u>	<u>3,456,327</u>	<u>7,228,103</u>	<u>9,048,040</u>	<u>342,396</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Treasury Operations (Continued)**

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At December 31, 2014				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount . . .	139,394	—	—	—	1,329
Less: provision for impairment losses	(65,216)	—	—	—	(1,285)
	<u>74,178</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>44</u>
Collectively assessed gross amount . . .	269,546	—	—	—	—
Less: provision for impairment losses	(149,885)	—	—	—	—
	<u>119,661</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Overdue but not Impaired					
Gross amount					
—Less than three months (inclusive)	490,010	—	—	—	24,742
—Between three months and six months (inclusive)	76,795	—	—	—	269
—Between six months and one year (inclusive)	104,270	—	—	—	1,044
—More than one year	258,934	—	—	—	5,275
	<u>930,009</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,330</u>
Less: provision for impairment losses	(51,861)	—	—	—	—
	<u>878,148</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,330</u>
Neither overdue nor impaired					
Gross amount	33,032,553	12,112,805	7,131,001	9,046,483	766,527
Less: provision for impairment losses	(687,503)	—	—	—	—
	<u>32,345,050</u>	<u>12,112,805</u>	<u>7,131,001</u>	<u>9,046,483</u>	<u>766,527</u>
	<u>33,417,037</u>	<u>12,112,805</u>	<u>7,131,001</u>	<u>9,046,483</u>	<u>797,901</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At December 31, 2015				
	Loans and advances	Deposits/ placements/ with banks and other financial institution	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross					
amount	402,464	—	—	—	1,142
Less: provision for impairment					
losses	(230,286)	—	—	—	(1,093)
	<u>172,178</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>49</u>
Collectively assessed gross					
amount	276,369	—	—	—	10,265
Less: provision for impairment					
losses	(157,340)	—	—	—	(4,297)
	<u>119,029</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,968</u>
Overdue but not Impaired					
Gross amount					
—Less than three months					
(inclusive)	1,058,963	—	—	—	17,678
—Between three months and six					
months (inclusive)	82,606	—	—	—	—
—Between six months and one year					
(inclusive)	163,368	—	—	—	—
—More than one year	182,646	—	—	—	—
	<u>1,487,583</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,678</u>
Less: provision for impairment					
losses	(85,527)	—	—	—	—
	<u>1,402,056</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,678</u>
Neither overdue nor impaired					
Gross amount	45,715,280	19,030,153	17,297,442	33,991,428	563,462
Less: provision for impairment					
losses	(931,113)	—	—	(19,339)	(997)
	<u>44,784,167</u>	<u>19,030,153</u>	<u>17,297,442</u>	<u>33,972,089</u>	<u>562,465</u>
	<u>46,477,430</u>	<u>19,030,153</u>	<u>17,297,442</u>	<u>33,972,089</u>	<u>586,160</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Treasury Operations (Continued)**

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At June 30, 2016				
	Loans and advances	Deposits/ placements/ with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross					
amount	508,594	—	—	—	1,035
Less: provision for impairment					
losses	(286,700)	—	—	—	(1,032)
	<u>221,894</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>
Collectively assessed gross					
amount	329,145	—	—	—	3,457
Less: provision for impairment					
losses	(176,794)	—	—	—	(1,307)
	<u>152,351</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,150</u>
Overdue but not Impaired					
Gross amount					
—Less than three months					
(inclusive)	346,965	—	—	—	319
—Between three months and six					
months (inclusive)	479,137	—	—	—	—
—Between six months and one year					
(inclusive)	147,423	—	—	—	—
—More than one year	236,929	—	—	—	—
	<u>1,210,454</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>319</u>
Less: provision for impairment					
losses	(93,816)	—	—	—	—
	<u>1,116,638</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>319</u>
Neither overdue nor impaired					
Gross amount	51,193,302	26,394,824	8,027,043	47,635,099	639,384
Less: provision for impairment					
losses	(1,102,922)	—	—	(11,030)	(875)
	<u>50,090,380</u>	<u>26,394,824</u>	<u>8,027,043</u>	<u>47,624,069</u>	<u>638,509</u>
	<u>51,581,263</u>	<u>26,394,824</u>	<u>8,027,043</u>	<u>47,624,069</u>	<u>640,981</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank

	At December 31, 2013				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	60,985	—	—	—	—
Less: provision for impairment losses	(36,591)	—	—	—	—
	24,394	—	—	—	—
Collectively assessed gross amount	77,901	—	—	—	—
Less: provision for impairment losses	(46,334)	—	—	—	—
	31,567	—	—	—	—
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive) . .	275,786	—	—	—	—
—Between three months and six months (inclusive)	21,730	—	—	—	—
—Between six months and one year (inclusive)	32,000	—	—	—	—
—More than one year	52,000	—	—	—	—
	381,516	—	—	—	—
Less: provision for impairment losses	(14,116)	—	—	—	—
	367,400	—	—	—	—
Neither overdue nor impaired					
Gross amount	11,562,198	670,351	7,139,115	7,532,172	248,832
Less: provision for impairment losses	(266,920)	—	—	—	—
	11,295,278	670,351	7,139,115	7,532,172	248,832
	11,718,639	670,351	7,139,115	7,532,172	248,832

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At December 31, 2014				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross					
amount	57,054	—	—	—	—
Less: provision for impairment					
losses	(29,802)	—	—	—	—
	<u>27,252</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Collectively assessed gross					
amount	84,558	—	—	—	—
Less: provision for impairment					
losses	(50,373)	—	—	—	—
	<u>34,185</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Overdue but not Impaired					
Gross amount					
—Less than three months					
(inclusive)	194,895	—	—	—	—
—Between three months and six					
months (inclusive)	1,390	—	—	—	—
—Between six months and one year					
(inclusive)	11,390	—	—	—	—
—More than one year	26,577	—	—	—	—
	<u>234,252</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Less: provision for impairment					
losses	(19,474)	—	—	—	—
	<u>214,778</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Neither overdue nor impaired					
Gross amount	16,303,065	3,442,436	5,533,827	8,831,646	660,893
Less: provision for impairment					
losses	(326,230)	—	—	—	—
	<u>15,976,835</u>	<u>3,442,436</u>	<u>5,533,827</u>	<u>8,831,646</u>	<u>660,893</u>
	<u>16,253,050</u>	<u>3,442,436</u>	<u>5,533,827</u>	<u>8,831,646</u>	<u>660,893</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At December 31, 2015				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount . . .	238,666	—	—	—	—
Less: provision for impairment losses	(137,199)	—	—	—	—
	<u>101,467</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Collectively assessed gross amount . . .	33,835	—	—	—	—
Less: provision for impairment losses	(19,391)	—	—	—	—
	<u>14,444</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Overdue but not Impaired					
Gross amount					
—Less than three months (inclusive)	455,288	—	—	—	9,479
—Between three months and six months (inclusive)	7,044	—	—	—	—
—Between six months and one year (inclusive)	69,036	—	—	—	—
—More than one year	3,000	—	—	—	—
	<u>534,368</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,479</u>
Less: provision for impairment losses	(43,800)	—	—	—	—
	<u>490,568</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,479</u>
Neither overdue nor impaired					
Gross amount	20,429,240	8,653,665	17,293,846	29,053,518	279,549
Less: provision for impairment losses	(333,727)	—	—	(19,339)	(813)
	<u>20,095,513</u>	<u>8,653,665</u>	<u>17,293,846</u>	<u>29,034,179</u>	<u>278,736</u>
	<u>20,701,992</u>	<u>8,653,665</u>	<u>17,293,846</u>	<u>29,034,179</u>	<u>288,215</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At June 30, 2016				
	Loans and advances	Deposits/ placements with banks and other financial institution	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross					
amount	288,045	—	—	—	—
Less: provision for impairment					
losses	(150,987)	—	—	—	—
	<u>137,058</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Collectively assessed gross					
amount	43,064	—	—	—	—
Less: provision for impairment					
losses	(24,055)	—	—	—	—
	<u>19,009</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Overdue but not impaired					
Gross amount					
— Less than three months					
(inclusive)	55,695	—	—	—	—
— Between three months and six					
months (inclusive)	225,584	—	—	—	—
— Between six months and one year					
(inclusive)	41,994	—	—	—	—
— More than one year	50,000	—	—	—	—
	<u>373,273</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Less: provision for impairment					
losses	(31,218)	—	—	—	—
	<u>342,055</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Neither overdue nor impaired					
Gross amount	23,790,497	12,280,576	7,112,922	33,734,248	362,342
Less: provision for impairment					
losses	(435,786)	—	—	(11,030)	(813)
	<u>23,354,711</u>	<u>12,280,576</u>	<u>7,112,922</u>	<u>33,723,218</u>	<u>361,529</u>
	<u>23,852,833</u>	<u>12,280,576</u>	<u>7,112,922</u>	<u>33,723,218</u>	<u>361,529</u>

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables.

** Others comprise interest receivable and other receivables and prepayments in other assets.

51 FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Treasury Operations (Continued)****(iii) Credit rating**

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the designated rating agency as at the end of each of the Track Record Period are as follows:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Neither overdue nor impaired				
Ratings				
—AAA	—	—	1,589,890	800,357
—AA- to AA	179,294	58,696	—	274,400
—A- to A	—	—	160,058	406,854
—lower than A-	—	—	—	—
—unrated (Note)	2,008,609	1,148,410	7,371,446	14,107,750
	<u>2,187,903</u>	<u>1,207,106</u>	<u>9,121,394</u>	<u>15,589,361</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Neither overdue nor impaired				
Ratings				
—AAA	—	—	1,197,777	640,000
—AA- to AA	160,024	58,696	—	—
—A- to A	—	—	—	—
—lower than A-	—	—	—	—
—unrated (Note)	512,011	933,573	5,149,707	9,450,370
	<u>672,035</u>	<u>992,269</u>	<u>6,347,484</u>	<u>10,090,370</u>

Note: Unrated debt securities held by the Group and the Bank are mainly issued by the Mainland China government and policy banks.

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury operations. The board assumes ultimate responsibility for management of market risk. The senior

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

management implements market risk management strategies and policies as approved by the board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on / off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarizing all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Repricing risk (Continued)

interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimize potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	At December 31, 2013					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	11,269,672	372,637	10,897,035	—	—	—
Deposits with banks and other financial institutions	3,309,327	—	2,427,327	882,000	—	—
Placements with banks and other financial institutions	147,000	—	140,000	7,000	—	—
Loans and advances to customers (Notes (1))	21,253,293	—	7,237,998	9,126,511	4,514,680	374,104
Financial assets held under resale agreement	7,228,103	—	7,128,103	100,000	—	—
Investments (Notes (2))	9,428,000	379,960	1,342,580	1,644,169	4,940,476	1,120,815
Interests receivable	134,688	134,688	—	—	—	—
Others	2,400,368	2,400,368	—	—	—	—
	<u>55,170,451</u>	<u>3,287,653</u>	<u>29,173,043</u>	<u>11,759,680</u>	<u>9,455,156</u>	<u>1,494,919</u>
Liabilities						
Borrowing from the central bank	35,880	—	—	32,430	1,720	1,730
Deposits from banks and other financial institutions	4,581,500	—	2,307,500	1,614,000	660,000	—
Placements from banks and other financial institutions	8,570	—	8,570	—	—	—
Financial assets sold under repurchase agreements	7,365,709	—	7,365,709	—	—	—
Deposits from customers	36,739,267	—	21,468,578	10,083,685	5,182,409	4,595
Debt securities issued	697,300	—	—	—	697,300	—
Interests payable	657,161	657,161	—	—	—	—
Others	405,308	405,308	—	—	—	—
	<u>50,490,695</u>	<u>1,062,469</u>	<u>31,150,357</u>	<u>11,730,115</u>	<u>6,541,429</u>	<u>6,325</u>
Asset-liability gap	<u>4,679,756</u>	<u>2,225,184</u>	<u>(1,977,314)</u>	<u>29,565</u>	<u>2,913,727</u>	<u>1,488,594</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Group (Continued)

	At December 31, 2014					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	15,605,855	647,220	14,958,635	—	—	—
Deposits with banks and other financial institutions	11,972,805	—	8,194,805	3,745,000	33,000	—
Placement with banks and other financial institutions	140,000	—	140,000	—	—	—
Loans and advances to customers (Notes (1))	33,417,037	—	10,537,924	16,171,106	6,088,404	619,603
Financial assets held under resale agreement	7,131,001	—	6,480,713	650,288	—	—
Investments (Notes (2))	9,868,263	821,780	3,154,393	2,844,124	2,343,129	704,837
Interests receivable	164,012	164,012	—	—	—	—
Others	3,556,369	3,556,369	—	—	—	—
	<u>81,855,342</u>	<u>5,189,381</u>	<u>43,466,470</u>	<u>23,410,518</u>	<u>8,464,533</u>	<u>1,324,440</u>
Liabilities						
Borrowing from the central bank	203,023	—	64,216	135,787	1,720	1,300
Deposits from banks and other financial institutions	4,820,055	—	1,253,055	3,537,000	30,000	—
Placements from banks and other financial institutions	594,634	—	594,634	—	—	—
Financial assets sold under repurchase agreements	4,677,600	—	4,677,600	—	—	—
Deposits from customers	59,771,652	—	35,790,548	13,035,554	10,941,170	4,380
Debt securities issued	2,389,375	—	991,775	700,000	697,600	—
Interests payable	1,020,222	1,020,222	—	—	—	—
Others	544,455	544,455	—	—	—	—
	<u>74,021,016</u>	<u>1,564,677</u>	<u>43,371,828</u>	<u>17,408,341</u>	<u>11,670,490</u>	<u>5,680</u>
Asset-liability gap	<u>7,834,326</u>	<u>3,624,704</u>	<u>94,642</u>	<u>6,002,177</u>	<u>(3,205,957)</u>	<u>1,318,760</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Group (Continued)

	At December 31, 2015					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	19,333,596	741,588	18,592,008	—	—	—
Deposits with banks and other financial institutions	18,640,153	—	9,600,153	9,040,000	—	—
Placement with banks and other financial institutions	390,000	—	390,000	—	—	—
Loans and advances to customers (Notes (1)) . . .	46,477,430	—	12,094,048	21,948,661	11,806,801	627,920
Financial assets held under resale agreement	17,297,442	—	17,297,442	—	—	—
Investments (Notes (2)) . . .	35,012,999	1,040,910	5,863,862	9,368,759	15,939,281	2,800,187
Interests receivable	316,611	316,611	—	—	—	—
Others	4,485,103	4,485,103	—	—	—	—
	<u>141,953,334</u>	<u>6,584,212</u>	<u>63,837,513</u>	<u>40,357,420</u>	<u>27,746,082</u>	<u>3,428,107</u>
Liabilities						
Borrowing from the Central bank	293,567	—	63,907	205,130	16,520	8,010
Deposits from banks and other financial institutions	1,868,321	—	1,593,321	275,000	—	—
Placements from banks and other financial institutions	52,496	2,496	50,000	—	—	—
Financial assets sold under repurchase agreements . . .	23,063,498	—	23,063,498	—	—	—
Deposits from customers . . .	93,302,782	—	53,805,650	28,312,445	11,157,697	26,990
Debt securities issued	9,074,179	—	6,011,424	1,567,083	1,495,672	—
Interests payable	1,429,903	1,429,903	—	—	—	—
Others	1,011,389	1,011,389	—	—	—	—
	<u>130,096,135</u>	<u>2,443,788</u>	<u>84,587,800</u>	<u>30,359,658</u>	<u>12,669,889</u>	<u>35,000</u>
Asset-liability gap	<u>11,857,199</u>	<u>4,140,424</u>	<u>(20,750,287)</u>	<u>9,997,762</u>	<u>15,076,193</u>	<u>3,393,107</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Group (Continued)

	At June 30, 2016					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	19,943,249	689,932	19,253,317	—	—	—
Deposits with banks and other financial institutions	26,394,824	—	9,412,594	16,982,230	—	—
Loans and advances to customers (Notes (1)) . . .	51,581,263	—	13,687,394	26,335,631	11,338,810	219,428
Financial assets held under resale agreement	8,027,043	—	8,027,043	—	—	—
Investments (Notes (2)) . . .	48,714,479	1,090,410	9,443,498	16,670,255	14,328,603	7,181,713
Interests receivable	409,358	409,358	—	—	—	—
Others	4,895,892	4,895,892	—	—	—	—
	<u>159,966,108</u>	<u>7,085,592</u>	<u>59,823,846</u>	<u>59,988,116</u>	<u>25,667,413</u>	<u>7,401,141</u>
Liabilities						
Borrowing from the central bank	364,000	—	20,000	319,470	16,520	8,010
Deposits from banks and other financial institutions	5,817,619	—	4,362,619	1,425,000	30,000	—
Placements from banks and other financial institutions	162,496	—	162,496	—	—	—
Financial assets sold under repurchase agreements . . .	20,580,115	—	20,580,115	—	—	—
Deposits from customers . . .	106,998,758	—	57,551,857	32,017,967	17,185,984	242,950
Debt securities issued	11,247,980	—	3,441,824	6,310,214	1,495,942	—
Interests payable	1,553,244	1,553,244	—	—	—	—
Others	774,973	774,973	—	—	—	—
	<u>147,499,185</u>	<u>2,328,217</u>	<u>86,118,911</u>	<u>40,072,651</u>	<u>18,728,446</u>	<u>250,960</u>
Asset-liability gap	<u>12,466,923</u>	<u>4,757,375</u>	<u>(26,295,065)</u>	<u>19,915,465</u>	<u>6,938,967</u>	<u>7,150,181</u>

Notes:

- (1) As at December 31, 2013, 2014 and 2015 and June 30, 2016, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB470.16 million, RMB459.81 million, RMB529.49 million and RMB978.32 million respectively.
- (2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Bank

	At December 31, 2013					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	5,221,353	187,420	5,033,933	—	—	—
Deposits with banks and other financial institutions	530,351	—	190,351	340,000	—	—
Placement with banks and other financial institutions	140,000	—	140,000	—	—	—
Loans and advances to customers (Notes (1)) . .	11,718,639	—	5,204,730	4,396,917	2,097,235	19,757
Financial assets held under resale agreements	7,139,115	—	7,039,115	100,000	—	—
Investments (Notes (2)) . .	7,885,472	353,450	1,342,430	1,644,169	4,314,756	230,667
Interests receivable	79,442	79,442	—	—	—	—
Others	2,861,174	2,861,174	—	—	—	—
	<u>35,575,546</u>	<u>3,481,486</u>	<u>18,950,559</u>	<u>6,481,086</u>	<u>6,411,991</u>	<u>250,424</u>
Liabilities						
Deposits from banks and other financial institutions	5,533,918	—	2,859,918	1,754,000	920,000	—
Placements from banks and other financial institutions	2,496	—	2,496	—	—	—
Financial assets sold under repurchase agreements	6,243,259	—	6,243,259	—	—	—
Deposits from customers	18,617,956	—	11,294,377	4,973,461	2,350,118	—
Debt securities issued	697,300	—	—	—	697,300	—
Interests payable	312,665	312,665	—	—	—	—
Others	182,226	182,226	—	—	—	—
	<u>31,589,820</u>	<u>494,891</u>	<u>20,400,050</u>	<u>6,727,461</u>	<u>3,967,418</u>	<u>—</u>
Asset-liability gap	<u>3,985,726</u>	<u>2,986,595</u>	<u>(1,449,491)</u>	<u>(246,375)</u>	<u>2,444,573</u>	<u>250,424</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Bank (Continued)

	At December 31, 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	6,772,991	304,897	6,468,094	—	—	—
Deposits with banks and other financial institutions	3,302,436	—	1,004,436	2,298,000	—	—
Placement with banks and other financial institutions	140,000	—	140,000	—	—	—
Loans and advances to customers (Notes (1))	16,253,050	—	6,457,905	7,191,644	2,549,776	53,725
Financial assets held under resale agreements	5,533,827	—	5,533,827	—	—	—
Investments (Notes (2))	9,419,126	587,630	3,154,243	2,844,124	2,233,129	600,000
Interests receivable	61,859	61,859	—	—	—	—
Others	4,109,367	4,109,367	—	—	—	—
	<u>45,592,656</u>	<u>5,063,753</u>	<u>22,758,505</u>	<u>12,333,768</u>	<u>4,782,905</u>	<u>653,725</u>
Liabilities						
Deposits from banks and other financial institutions	5,195,173	—	2,043,173	2,977,000	175,000	—
Placements from banks and other financial institutions	522,496	—	522,496	—	—	—
Financial assets sold under repurchase agreements	4,577,600	—	4,577,600	—	—	—
Deposits from customers	26,909,790	—	15,412,193	5,252,805	6,244,792	—
Debt securities issued	2,389,375	—	991,775	700,000	697,600	—
Interests payable	431,609	431,609	—	—	—	—
Others	250,571	250,571	—	—	—	—
	<u>40,276,614</u>	<u>682,180</u>	<u>23,547,237</u>	<u>8,929,805</u>	<u>7,117,392</u>	<u>—</u>
Asset-liability gap	<u>5,316,042</u>	<u>4,381,573</u>	<u>(788,732)</u>	<u>3,403,963</u>	<u>(2,334,487)</u>	<u>653,725</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Bank (Continued)

	At December 31, 2015					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	9,293,581	334,805	8,958,776	—	—	—
Deposits with banks and other financial institutions	8,513,665	—	2,738,665	5,775,000	—	—
Placement with banks and other financial institutions	140,000	—	140,000	—	—	—
Loans and advances to customers (Notes (1))	20,701,992	—	6,883,998	8,252,845	5,514,027	51,122
Financial assets held under resale agreements	17,293,846	—	17,293,846	—	—	—
Investments (Notes (2))	29,964,309	930,130	5,452,614	7,969,471	13,871,736	1,740,358
Interests receivable	181,880	181,880	—	—	—	—
Others	4,759,733	4,759,733	—	—	—	—
	<u>90,849,006</u>	<u>6,206,548</u>	<u>41,467,899</u>	<u>21,997,316</u>	<u>19,385,763</u>	<u>1,791,480</u>
Liabilities						
Deposits from banks and other financial institutions	4,580,245	—	3,498,685	1,081,560	—	—
Placements from banks and other financial institutions	2,496	2,496	—	—	—	—
Financial assets sold under repurchase agreements	21,634,598	—	21,634,598	—	—	—
Deposits from customers	45,970,978	—	26,205,177	15,853,312	3,912,489	—
Debt securities issued	9,074,179	—	6,011,424	1,567,083	1,495,672	—
Interests payable	708,311	708,311	—	—	—	—
Others	321,582	321,582	—	—	—	—
	<u>82,292,389</u>	<u>1,032,389</u>	<u>57,349,884</u>	<u>18,501,955</u>	<u>5,408,161</u>	<u>—</u>
Asset-liability gap	<u>8,556,617</u>	<u>5,174,159</u>	<u>(15,881,985)</u>	<u>3,495,361</u>	<u>13,977,602</u>	<u>1,791,480</u>

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:
(Continued)

The Bank (Continued)

	At June 30, 2016					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	13,319,885	319,906	12,999,979	—	—	—
Deposits with banks and other financial institutions	12,280,576	—	3,287,216	8,993,360	—	—
Loans and advances to customers (Notes (1))	23,852,833	—	6,356,435	10,361,220	7,101,730	33,448
Financial assets held under resale agreements	7,112,921	—	7,112,921	—	—	—
Investments (Notes (2))	34,702,848	979,630	7,332,941	12,092,652	8,818,862	5,478,763
Interests receivable	263,357	263,357	—	—	—	—
Others	4,952,761	4,952,761	—	—	—	—
	<u>96,485,181</u>	<u>6,515,654</u>	<u>37,089,492</u>	<u>31,447,232</u>	<u>15,920,592</u>	<u>5,512,211</u>
Liabilities						
Deposits from banks and other financial institutions	4,380,181	—	3,308,621	1,071,560	—	—
Placements from banks and other financial institutions	2,496	—	2,496	—	—	—
Financial assets sold under repurchase agreements	15,731,600	—	15,731,600	—	—	—
Deposits from customers	55,514,296	—	31,050,793	16,362,251	8,101,252	—
Debt securities issued	11,297,357	—	3,441,824	6,359,591	1,495,942	—
Interests payable	805,342	805,342	—	—	—	—
Others	340,038	340,038	—	—	—	—
	<u>88,071,310</u>	<u>1,145,380</u>	<u>53,535,334</u>	<u>23,793,402</u>	<u>9,597,194</u>	<u>—</u>
Asset-liability gap	<u>8,413,871</u>	<u>5,370,274</u>	<u>(16,445,842)</u>	<u>7,653,830</u>	<u>6,323,398</u>	<u>5,512,211</u>

Notes:

- (1) As at December 31, 2013, 2014 and 2015 and June 30, 2016 for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB318.36 million, RMB123.52 million, RMB227.61 million and 329.48 million respectively.
- (2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at December 31, 2013, 2014 and 2015 and June 30, 2016, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB7.14 million, increase RMB37.73 million and increase RMB127.17 million, and decrease RMB163.58 million and the Group's equity to decrease RMB373.56 million, decrease RMB207.25 million and increase RMB18.67 million; and decrease RMB672.31 million; a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB7.14 million, decrease RMB37.73 million and decrease RMB127.17 million, and increase RMB163.58 million and the Group's equity to increase RMB373.56 million, increase RMB207.25 million, decrease RMB18.67 million and increase RMB672.31 million.

The Bank uses sensitivity analysis to measure the impact of changes in interest rate on the Bank's net profit or loss and equity. As at December 31, 2013, 2014 and 2015 and June 30, 2016, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Bank's net profit to decrease RMB3.20 million, increase RMB38.57 million and increase RMB114.26 million, and decrease RMB115.19 million, and the Bank's equity to decrease RMB321.17 million, increase RMB12.96 million and increase RMB75.82 million; and decrease RMB506.96 million; a decrease in estimated interest rate of 100 basis points will cause the Bank's net profit to increase RMB3.20 million, decrease RMB38.57 million and decrease RMB114.26 million, and increase RMB115.19 million, and the Bank's equity to increase RMB321.17 million, decrease RMB12.96 million, decrease RMB75.82 million and increase RMB506.96 million.

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the Track Record Period apply to non-derivative financial instruments of the Group.
- At the end of each of the Track Record Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's and the Bank's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

51 FINANCIAL RISK MANAGEMENT (Continued)**(b) Market risk (Continued)**

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

The Group's and the Bank's currency exposures as at the end of each of the Track Record Period are as follows:

The Group

	At December 31, 2013			
	RMB'000	USD	Others	Total
		(RMB'000 equivalent)	(RMB'000 equivalent)	(RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	11,269,672	—	—	11,269,672
Deposits with banks and other financial institutions	3,297,044	12,282	1	3,309,327
Placements with banks and other financial institutions	147,000	—	—	147,000
Financial assets held under resale agreements	7,228,103	—	—	7,228,103
Financial assets at fair value through profit or loss	137,930	—	—	137,930
Interest receivable	134,681	7	—	134,688
Loans and advances to customers	21,253,293	—	—	21,253,293
Available-for-sale financial assets	1,960,505	—	—	1,960,505
Held-to-maturity assets	588,088	—	—	588,088
Debt securities classified as receivables	6,741,477	—	—	6,741,477
Others	2,400,368	—	—	2,400,368
	<u>55,158,161</u>	<u>12,289</u>	<u>1</u>	<u>55,170,451</u>
Liabilities				
Borrowing from the central bank	35,880	—	—	35,880
Deposits from banks and other financial institutions	4,581,500	—	—	4,581,500
Placements from banks and other financial institutions	8,570	—	—	8,570
Deposits from customers	36,739,267	—	—	36,739,267
Debt securities issued	697,300	—	—	697,300
Financial assets sold under repurchase agreements	7,365,709	—	—	7,365,709
Interests payable	657,161	—	—	657,161
Others	393,204	12,103	1	405,308
	<u>50,478,591</u>	<u>12,103</u>	<u>1</u>	<u>50,490,695</u>
Net position	<u>4,679,570</u>	<u>186</u>	<u>—</u>	<u>4,679,756</u>
Off-balance sheet credit commitments	<u>175,360</u>	<u>—</u>	<u>—</u>	<u>175,360</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group (Continued)

	At December 31, 2014			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	15,604,463	410	982	15,605,855
Deposits with banks and other financial institutions	11,971,788	836	181	11,972,805
Placements with banks and other financial institutions	140,000	—	—	140,000
Financial assets held under resale agreements	7,131,001	—	—	7,131,001
Financial assets at fair value through profit or loss . . .	1,282,934	—	—	1,282,934
Interest receivable	163,991	21	—	164,012
Loans and advances to customers	33,405,005	12,032	—	33,417,037
Available-for-sale financial assets	1,369,475	—	—	1,369,475
Held-to-maturity assets	774,574	—	—	774,574
Debt securities classified as receivables	6,441,280	—	—	6,441,280
Others	3,556,369	—	—	3,556,369
	<u>81,840,880</u>	<u>13,299</u>	<u>1,163</u>	<u>81,855,342</u>
Liabilities				
Borrowing from the central bank	203,023	—	—	203,023
Deposits from banks and other financial institutions	4,820,055	—	—	4,820,055
Placements from banks and other financial institutions	594,634	—	—	594,634
Deposits from customers	59,771,622	29	1	59,771,652
Debt securities issued	2,389,375	—	—	2,389,375
Financial assets sold under repurchase agreements . .	4,677,600	—	—	4,677,600
Interests payable	1,020,222	—	—	1,020,222
Others	544,455	—	—	544,455
	<u>74,020,986</u>	<u>29</u>	<u>1</u>	<u>74,021,016</u>
Net position	<u>7,819,894</u>	<u>13,270</u>	<u>1,162</u>	<u>7,834,326</u>
Off-balance sheet credit commitments	<u>1,030,440</u>	<u>—</u>	<u>—</u>	<u>1,030,440</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group (Continued)

	At December 31, 2015			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	19,331,259	1,086	1,251	19,333,596
Deposits with banks and other financial institutions	18,627,914	12,171	68	18,640,153
Placements with banks and other financial institutions	390,000	—	—	390,000
Financial assets held under resale agreements . .	17,297,442	—	—	17,297,442
Financial assets at fair value through profit or loss	12,101,530	—	—	12,101,530
Interest receivable	316,375	236	—	316,611
Loans and advances to customers	46,471,879	5,551	—	46,477,430
Available-for-sale financial assets	9,047,852	—	—	9,047,852
Held-to-maturity assets	1,376,071	—	—	1,376,071
Debt securities classified as receivables	12,487,546	—	—	12,487,546
Others	4,485,103	—	—	4,485,103
	<u>141,932,971</u>	<u>19,044</u>	<u>1,319</u>	<u>141,953,334</u>
Liabilities				
Borrowing from the central bank	293,567	—	—	293,567
Deposits from banks and other financial institutions	1,868,321	—	—	1,868,321
Placements from banks and other financial institutions	52,496	—	—	52,496
Deposits from customers	93,290,490	12,111	181	93,302,782
Debt securities issued	9,074,179	—	—	9,074,179
Financial assets sold under repurchase agreements	23,063,498	—	—	23,063,498
Interests payable	1,429,903	—	—	1,429,903
Others	1,011,389	—	—	1,011,389
	<u>130,083,843</u>	<u>12,111</u>	<u>181</u>	<u>130,096,135</u>
Net position	<u>11,849,128</u>	<u>6,933</u>	<u>1,138</u>	<u>11,857,199</u>
Off-balance sheet credit commitments	<u>2,264,130</u>	<u>—</u>	<u>—</u>	<u>2,264,130</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group (Continued)

	At June 30, 2016			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	19,939,908	2,146	1,195	19,943,249
Deposits with banks and other financial institutions	26,384,867	8,750	1,207	26,394,824
Financial assets held under resale agreements . .	8,027,043	—	—	8,027,043
Financial assets at fair value through profit or loss	13,397,705	—	—	13,397,705
Interest receivable	409,356	2	—	409,358
Loans and advances to customers	51,567,236	14,027	—	51,581,263
Available-for-sale financial assets	25,518,516	—	—	25,518,516
Held-to-maturity assets	1,844,466	—	—	1,844,466
Debt securities classified as receivables	7,953,792	—	—	7,953,792
Others	4,895,892	—	—	4,895,892
	<u>159,938,781</u>	<u>24,925</u>	<u>2,402</u>	<u>159,966,108</u>
Liabilities				
Borrowing from the central bank	364,000	—	—	364,000
Deposits from banks and other financial institutions	5,817,619	—	—	5,817,619
Placements from banks and other financial institutions	162,496	—	—	162,496
Deposits from customers	106,988,022	9,612	1,124	106,998,758
Debt securities issued	11,247,980	—	—	11,247,980
Financial assets sold under repurchase agreements	20,580,115	—	—	20,580,115
Interests payable	1,553,211	33	—	1,553,244
Others	758,956	14,741	1,276	774,973
	<u>147,472,399</u>	<u>24,386</u>	<u>2,400</u>	<u>147,499,185</u>
Net position	<u>12,466,382</u>	<u>539</u>	<u>2</u>	<u>12,466,923</u>
Off-balance sheet credit commitments	<u>2,893,924</u>	<u>11,998</u>	<u>13,632</u>	<u>2,919,554</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Bank

	At December 31, 2013			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	5,221,353	—	—	5,221,353
Deposits with banks and other financial institutions	518,068	12,282	1	530,351
Placements with banks and other financial institutions	140,000	—	—	140,000
Financial assets held under resale agreements	7,139,115	—	—	7,139,115
Financial assets at fair value through profit or loss	118,660	—	—	118,660
Interest receivable	79,436	6	—	79,442
Loans and advances to customers	11,718,639	—	—	11,718,639
Available-for-sale financial assets	547,247	—	—	547,247
Held-to-maturity assets	478,088	—	—	478,088
Debt securities classified as receivables	6,741,477	—	—	6,741,477
Others	2,861,174	—	—	2,861,174
	<u>35,563,257</u>	<u>12,288</u>	<u>1</u>	<u>35,575,546</u>
Liabilities				
Deposits from banks and other financial institutions	5,533,918	—	—	5,533,918
Placements from banks and other financial institutions	2,496	—	—	2,496
Deposits from customers	18,617,956	—	—	18,617,956
Debt securities issued	697,300	—	—	697,300
Financial assets sold under repurchase agreements	6,243,259	—	—	6,243,259
Interests payable	312,665	—	—	312,665
Others	170,122	12,103	1	182,226
	<u>31,577,716</u>	<u>12,103</u>	<u>1</u>	<u>31,589,820</u>
Net position	<u>3,985,541</u>	<u>185</u>	<u>—</u>	<u>3,985,726</u>
Off-balance sheet credit commitments	<u>92,800</u>	<u>—</u>	<u>—</u>	<u>92,800</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Bank (Continued)

	At December 31, 2014			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	6,771,599	410	982	6,772,991
Deposits with banks and other financial institutions	3,301,419	836	181	3,302,436
Placements with banks and other financial institutions	140,000	—	—	140,000
Financial assets held under resale agreements	5,533,827	—	—	5,533,827
Financial assets at fair value through profit or loss	1,178,097	—	—	1,178,097
Interest receivable	61,838	21	—	61,859
Loans and advances to customers	16,241,018	12,032	—	16,253,050
Available-for-sale financial assets	1,135,175	—	—	1,135,175
Held-to-maturity assets	664,574	—	—	664,574
Debt securities classified as receivables	6,441,280	—	—	6,441,280
Others	4,109,367	—	—	4,109,367
	<u>45,578,194</u>	<u>13,299</u>	<u>1,163</u>	<u>45,592,656</u>
Liabilities				
Deposits from banks and other financial institutions	5,195,173	—	—	5,195,173
Placements from banks and other financial institutions	522,496	—	—	522,496
Deposits from customers	26,909,760	29	1	26,909,790
Debt securities issued	2,389,375	—	—	2,389,375
Financial assets sold under repurchase agreements	4,577,600	—	—	4,577,600
Interests payable	431,609	—	—	431,609
Others	250,571	—	—	250,571
	<u>40,276,584</u>	<u>29</u>	<u>1</u>	<u>40,276,614</u>
Net position	<u>5,301,610</u>	<u>13,270</u>	<u>1,162</u>	<u>5,316,042</u>
Off-balance sheet credit commitments	<u>523,500</u>	<u>—</u>	<u>—</u>	<u>523,500</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Bank (Continued)

	At December 31, 2015			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	9,291,244	1,086	1,251	9,293,581
Deposits with banks and other financial institutions	8,501,426	12,171	68	8,513,665
Placements with banks and other financial institutions	140,000	—	—	140,000
Financial assets held under resale agreements	17,293,846	—	—	17,293,846
Financial assets at fair value through profit or loss	9,967,127	—	—	9,967,127
Interest receivable	181,644	236	—	181,880
Loans and advances to customers	20,696,441	5,551	—	20,701,992
Available-for-sale financial assets	6,752,565	—	—	6,752,565
Held-to-maturity assets	1,266,071	—	—	1,266,071
Debt securities classified as receivables	11,978,546	—	—	11,978,546
Others	4,759,733	—	—	4,759,733
	<u>90,828,643</u>	<u>19,044</u>	<u>1,319</u>	<u>90,849,006</u>
Liabilities				
Borrowing from the central bank	4,580,245	—	—	4,580,245
Deposits from banks and other financial institutions	2,496	—	—	2,496
Deposits from customers	45,958,686	12,111	181	45,970,978
Debt securities issued	9,074,179	—	—	9,074,179
Financial assets sold under repurchase agreements	21,634,598	—	—	21,634,598
Interests payable	708,311	—	—	708,311
Others	321,582	—	—	321,582
	<u>82,280,097</u>	<u>12,111</u>	<u>181</u>	<u>82,292,389</u>
Net position	<u>8,548,546</u>	<u>6,933</u>	<u>1,138</u>	<u>8,556,617</u>
Off-balance sheet credit commitments	<u>1,356,075</u>	<u>—</u>	<u>—</u>	<u>1,356,075</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Bank (Continued)

	At June 30, 2016			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	13,316,544	2,146	1,195	13,319,885
Deposits with banks and other financial institutions	12,270,619	8,750	1,207	12,280,576
Financial assets held under resale agreements	7,112,921	—	—	7,112,921
Financial assets at fair value through profit or loss	12,370,103	—	—	12,370,103
Interest receivable	263,355	2	—	263,357
Loans and advances to customers	23,838,806	14,027	—	23,852,833
Available-for-sale financial assets	13,791,471	—	—	13,791,471
Held-to-maturity assets	1,487,482	—	—	1,487,482
Debt securities classified as receivables	7,053,792	—	—	7,053,792
Others	4,952,761	—	—	4,952,761
	<u>96,457,854</u>	<u>24,925</u>	<u>2,402</u>	<u>96,485,181</u>
Liabilities				
Deposits from banks and other financial institutions	4,380,181	—	—	4,380,181
Placements from banks and other financial institutions	2,496	—	—	2,496
Deposits from customers	55,503,560	9,612	1,124	55,514,296
Debt securities issued	11,297,357	—	—	11,297,357
Financial assets sold under repurchase agreements	15,731,600	—	—	15,731,600
Interests payable	805,309	33	—	805,342
Others	324,021	14,741	1,276	340,038
	<u>88,044,524</u>	<u>24,386</u>	<u>2,400</u>	<u>88,071,310</u>
Net position	<u>8,413,330</u>	<u>539</u>	<u>2</u>	<u>8,413,871</u>
Off-balance sheet credit commitments	<u>1,814,288</u>	<u>11,998</u>	<u>13,632</u>	<u>1,839,918</u>

As the net position of the Group's and the Bank's foreign currency is immaterial, the foreign currency risk is immaterial.

51 FINANCIAL RISK MANAGEMENT (Continued)**(c) Liquidity Risk**

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period:

The Group

	At December 31, 2013						Total RMB'000
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Assets							
Cash and deposits with the central bank	5,598,178	5,671,494	—	—	—	—	11,269,672
Deposit with banks and other financial institutions	1,265,786	—	1,161,541	882,000	—	—	3,309,327
Placement with banks and other financial institutions	—	—	140,000	7,000	—	—	147,000
Financial assets held under resale agreements	—	—	7,128,103	100,000	—	—	7,228,103
Financial assets at fair value through profit or loss . . .	—	—	105,430	13,230	—	19,270	137,930
Interest receivable	36,140	—	62,042	36,506	—	—	134,688
Loans and advances to customers	215,231	272,330	1,871,604	11,344,600	6,860,385	689,143	21,253,293
Available-for-sale financial assets	—	379,960	—	—	625,720	954,825	1,960,505
Held-to-maturity investments	—	—	—	—	441,218	146,870	588,088
Debt securities classified as receivables	—	—	1,237,000	1,630,939	3,873,538	—	6,741,477
Others	—	2,192,660	—	—	207,708	—	2,400,368
	<u>7,115,335</u>	<u>8,516,444</u>	<u>11,705,720</u>	<u>14,014,275</u>	<u>12,008,569</u>	<u>1,810,108</u>	<u>55,170,451</u>
Liabilities							
Borrowing from the central bank	—	—	—	32,430	1,720	1,730	35,880
Deposits from banks and other financial institutions	164,630	—	2,142,870	1,614,000	660,000	—	4,581,500
Placements from banks and other financial institutions	8,570	—	—	—	—	—	8,570
Financial assets sold under repurchase agreements . .	—	—	7,365,709	—	—	—	7,365,709
Deposit from customers . . .	19,681,791	—	1,786,786	10,083,686	5,182,409	4,595	36,739,267
Interests payable	619,566	—	23,129	12,675	1,791	—	657,161
Debt securities issued	—	—	—	—	697,300	—	697,300
Others	150,448	—	249,064	3,654	2,142	—	405,308
	<u>20,625,005</u>	<u>—</u>	<u>11,567,558</u>	<u>11,746,445</u>	<u>6,545,362</u>	<u>6,325</u>	<u>50,490,695</u>
(Short)/Long position	<u>(13,509,670)</u>	<u>8,516,444</u>	<u>138,162</u>	<u>2,267,830</u>	<u>5,463,207</u>	<u>1,803,783</u>	<u>4,679,756</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Group (Continued)

	At December 31, 2014						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	7,094,002	8,511,853	—	—	—	—	15,605,855
Deposit with banks and other financial institutions	3,178,322	—	5,016,483	3,745,000	33,000	—	11,972,805
Placement with banks and other financial institutions	—	—	140,000	—	—	—	140,000
Financial assets held under resale agreements	—	—	6,480,713	650,288	—	—	7,131,001
Financial assets at fair value through profit or loss	—	—	503,973	674,124	—	104,837	1,282,934
Interest receivable	52,881	—	89,972	20,779	380	—	164,012
Loans and advances to customers	145,794	372,714	3,931,890	18,637,808	9,054,942	1,273,889	33,417,037
Available-for-sale financial assets	—	821,780	200,000	—	347,695	—	1,369,475
Held-to-maturity investments	—	—	348,990	—	325,584	100,000	774,574
Debt securities classified as receivables	—	—	2,101,280	2,170,000	1,670,000	500,000	6,441,280
Others	9,785	2,869,158	—	19,046	640,857	17,523	3,556,369
	<u>10,480,784</u>	<u>12,575,505</u>	<u>18,813,301</u>	<u>25,917,045</u>	<u>12,072,458</u>	<u>1,996,249</u>	<u>81,855,342</u>
Liabilities							
Borrowing from the central bank	—	—	64,216	135,787	1,720	1,300	203,023
Deposits from banks and other financial institutions	443,055	—	810,000	3,537,000	30,000	—	4,820,055
Placements from banks and other financial institutions	74,634	—	520,000	—	—	—	594,634
Financial assets sold under repurchase agreements	—	—	4,677,600	—	—	—	4,677,600
Deposit from customers	30,791,627	—	4,998,921	13,035,554	10,941,170	4,380	59,771,652
Interests payable	983,205	—	13,674	23,313	30	—	1,020,222
Debt securities issued	—	—	991,775	700,000	697,600	—	2,389,375
Others	218,905	—	306,495	17,877	1,178	—	544,455
	<u>32,511,426</u>	<u>—</u>	<u>12,382,681</u>	<u>17,449,531</u>	<u>11,671,698</u>	<u>5,680</u>	<u>74,021,016</u>
(Short)/Long position	<u>(22,030,642)</u>	<u>12,575,505</u>	<u>6,430,620</u>	<u>8,467,514</u>	<u>400,760</u>	<u>1,990,569</u>	<u>7,834,326</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Group (Continued)

	At December 31, 2015						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	9,943,836	9,389,760	—	—	—	—	19,333,596
Deposit with banks and other financial institutions	3,318,150	—	6,282,003	9,040,000	—	—	18,640,153
Placement with banks and other financial institutions	—	—	390,000	—	—	—	390,000
Financial assets held under resale agreements	—	—	17,297,442	—	—	—	17,297,442
Financial assets at fair value through profit or loss	—	—	2,970,016	7,537,136	883,605	710,773	12,101,530
Interest receivable	19,901	—	112,383	183,313	1,014	—	316,611
Loans and advances to customers	77,730	529,945	5,295,199	24,596,215	13,714,433	2,263,908	46,477,430
Available-for-sale financial assets	10,000	1,040,910	1,689,662	2,006,207	2,888,649	1,412,424	9,047,852
Held-to-maturity investments	—	—	—	110,000	589,081	676,990	1,376,071
Debt securities classified as receivables	—	—	211,000	698,600	11,577,946	—	12,487,546
Others	1,474	4,180,394	2,573	—	300,662	—	4,485,103
	<u>13,371,091</u>	<u>15,141,009</u>	<u>34,250,278</u>	<u>44,171,471</u>	<u>29,955,390</u>	<u>5,064,095</u>	<u>141,953,334</u>
Liabilities							
Borrowing from the central bank	—	—	63,907	205,130	16,520	8,010	293,567
Deposits from banks and other financial institutions	178,320	—	1,415,001	275,000	—	—	1,868,321
Placements from banks and other financial institutions	2,496	—	50,000	—	—	—	52,496
Financial assets sold under repurchase agreements	—	—	23,063,498	—	—	—	23,063,498
Deposit from customers	40,616,319	—	13,189,331	28,312,445	11,157,697	26,990	93,302,782
Interests payable	1,142,076	—	88,735	145,270	53,822	—	1,429,903
Debt securities issued	—	—	6,011,423	1,567,083	1,495,673	—	9,074,179
Others	510,647	—	377,777	118,557	4,408	—	1,011,389
	<u>42,449,858</u>	<u>—</u>	<u>44,259,672</u>	<u>30,623,485</u>	<u>12,728,120</u>	<u>35,000</u>	<u>130,096,135</u>
(Short)/Long position	<u>(29,078,767)</u>	<u>15,141,009</u>	<u>(10,009,394)</u>	<u>13,547,986</u>	<u>17,227,270</u>	<u>5,029,095</u>	<u>11,857,199</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Group (Continued)

	At June 30, 2016						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	8,616,383	11,326,866	—	—	—	—	19,943,249
Deposit with banks and other financial institutions	2,537,594	—	6,875,000	16,982,230	—	—	26,394,824
Financial assets held under resale agreements	—	—	8,027,043	—	—	—	8,027,043
Financial assets at fair value through profit or loss	—	—	5,073,549	7,216,763	976,572	130,821	13,397,705
Interest receivable	5,547	—	178,858	222,138	2,815	—	409,358
Loans and advances to customers	85,144	943,685	7,699,237	24,999,813	15,564,348	2,289,036	51,581,263
Available-for-sale financial assets	125,435	1,090,410	3,584,515	7,083,989	7,608,829	6,025,338	25,518,516
Held-to-maturity investments	—	—	110,000	101,842	607,070	1,025,554	1,844,466
Debt securities classified as receivables	—	—	550,000	2,267,660	5,136,132	—	7,953,792
Others	958	4,663,312	—	—	231,622	—	4,895,892
	<u>11,371,061</u>	<u>18,024,273</u>	<u>32,098,202</u>	<u>58,874,435</u>	<u>30,127,388</u>	<u>9,470,749</u>	<u>159,966,108</u>
Liabilities							
Borrowing from the central bank	—	—	20,000	319,470	16,520	8,010	364,000
Deposits from banks and other financial institutions	484,552	—	3,878,067	1,425,000	30,000	—	5,817,619
Placements from banks and other financial institutions	2,496	—	160,000	—	—	—	162,496
Financial assets sold under repurchase agreements	—	—	20,580,115	—	—	—	20,580,115
Deposit from customers	41,204,670	—	16,347,186	32,017,967	17,185,985	242,950	106,998,758
Interests payable	1,346,067	—	102,802	104,331	44	—	1,553,244
Debt securities issued	—	—	3,441,824	6,310,214	1,495,942	—	11,247,980
Others	424,127	—	350,846	—	—	—	774,973
	<u>43,461,912</u>	<u>—</u>	<u>44,880,840</u>	<u>40,176,982</u>	<u>18,728,491</u>	<u>250,960</u>	<u>147,499,185</u>
(Short)/Long position	<u>(32,090,851)</u>	<u>18,024,273</u>	<u>(12,782,638)</u>	<u>18,697,453</u>	<u>11,398,897</u>	<u>9,219,789</u>	<u>12,466,923</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank

	At December 31, 2013						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	2,019,858	3,201,495	—	—	—	—	5,221,353
Deposit with banks and other financial institutions	118,810	—	71,541	340,000	—	—	530,351
Placement with banks and other financial institutions	—	—	140,000	—	—	—	140,000
Financial assets at fair value through profit or loss	—	—	105,430	13,230	—	—	118,660
Financial assets held under resale agreements	—	—	7,039,115	100,000	—	—	7,139,115
Interest receivable	7,815	—	55,696	15,931	—	—	79,442
Loans and advances to customers	167,249	158,101	995,538	6,228,694	3,961,827	207,230	11,718,639
Available-for-sale financial assets	—	353,300	—	—	—	193,947	547,247
Held-to-maturity investments	—	—	—	—	441,218	36,870	478,088
Debt securities classified as receivables	—	—	1,237,000	1,630,939	3,873,538	—	6,741,477
Others	—	2,680,784	11,000	—	169,390	—	2,861,174
	<u>2,313,732</u>	<u>6,393,680</u>	<u>9,655,320</u>	<u>8,328,794</u>	<u>8,445,973</u>	<u>438,047</u>	<u>35,575,546</u>
Liabilities							
Deposits from banks and other financial institutions	85,048	—	2,774,870	1,754,000	920,000	—	5,533,918
Placements from banks and other financial institutions	2,496	—	—	—	—	—	2,496
Financial assets sold under repurchase agreements	—	—	6,243,259	—	—	—	6,243,259
Deposit from customers	11,022,270	—	272,107	4,973,461	2,350,118	—	18,617,956
Interests payable	274,030	—	22,682	13,520	2,433	—	312,665
Debt securities issued	—	—	—	—	697,300	—	697,300
Others	86,209	—	96,017	—	—	—	182,226
	<u>11,470,053</u>	<u>—</u>	<u>9,408,935</u>	<u>6,740,981</u>	<u>3,969,851</u>	<u>—</u>	<u>31,589,820</u>
(Short)/Long position	<u>(9,156,321)</u>	<u>6,393,680</u>	<u>246,385</u>	<u>1,587,813</u>	<u>4,476,122</u>	<u>438,047</u>	<u>3,985,726</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank (Continued)

	At December 31, 2014						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	2,837,203	3,935,788	—	—	—	—	6,772,991
Deposit with banks and other financial institutions	202,516	—	801,920	2,298,000	—	—	3,302,436
Placement with banks and other financial institutions	—	—	140,000	—	—	—	140,000
Financial assets held under resale agreements	—	—	5,533,827	—	—	—	5,533,827
Financial assets at fair value through profit or loss	—	—	503,973	674,124	—	—	1,178,097
Interest receivable	4,848	—	47,840	9,171	—	—	61,859
Loans and advances to customers	39,957	92,572	1,734,370	8,834,195	5,115,374	436,582	16,253,050
Available-for-sale financial assets	—	587,480	200,000	—	347,695	—	1,135,175
Held-to-maturity investments	—	—	348,990	—	215,584	100,000	664,574
Debt securities classified as receivables	—	—	2,101,280	2,170,000	1,670,000	500,000	6,441,280
Others	—	3,434,243	60,400	15,690	599,034	—	4,109,367
	<u>3,084,524</u>	<u>8,050,083</u>	<u>11,472,600</u>	<u>14,001,180</u>	<u>7,947,687</u>	<u>1,036,582</u>	<u>45,592,656</u>
Liabilities							
Deposits from banks and other financial institutions	368,173	—	1,675,000	2,977,000	175,000	—	5,195,173
Placements from banks and other financial institutions	2,496	—	520,000	—	—	—	522,496
Financial assets sold under repurchase agreements	—	—	4,577,600	—	—	—	4,577,600
Deposit from customers	14,466,733	—	945,461	5,252,805	6,244,791	—	26,909,790
Interests payables	399,721	—	14,170	17,360	358	—	431,609
Debt securities issued	—	—	991,775	700,000	697,600	—	2,389,375
Others	104,721	—	130,160	15,690	—	—	250,571
	<u>15,341,844</u>	<u>—</u>	<u>8,854,166</u>	<u>8,962,855</u>	<u>7,117,749</u>	<u>—</u>	<u>40,276,614</u>
(Short)/Long position	<u>(12,257,320)</u>	<u>8,050,083</u>	<u>2,618,434</u>	<u>5,038,325</u>	<u>829,938</u>	<u>1,036,582</u>	<u>5,316,042</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank (Continued)

	At December 31, 2015						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	4,629,648	4,663,933	—	—	—	—	9,293,581
Deposit with banks and other financial institutions	312,665	—	2,426,000	5,775,000	—	—	8,513,665
Placement with banks and other financial institutions	—	—	140,000	—	—	—	140,000
Financial assets held under resale agreements	—	—	17,293,846	—	—	—	17,293,846
Financial assets at fair value through profit or loss	—	—	2,779,768	6,587,848	523,675	75,836	9,967,127
Interest receivable	9,479	—	59,052	113,349	—	—	181,880
Loans and advances to customers	32,299	209,287	1,719,104	9,909,967	8,121,864	709,471	20,701,992
Available-for-sale financial assets	—	930,130	1,689,662	1,556,207	1,589,034	987,532	6,752,565
Held-to-maturity investments	—	—	—	110,000	479,081	676,990	1,266,071
Debt securities classified as receivables	—	—	—	698,600	11,279,946	—	11,978,546
Others	—	4,551,098	102,301	—	106,334	—	4,759,733
	<u>4,984,091</u>	<u>10,354,448</u>	<u>26,209,733</u>	<u>24,750,971</u>	<u>22,099,934</u>	<u>2,449,829</u>	<u>90,849,006</u>
Liabilities							
Deposits from banks and other financial institutions	153,685	—	3,345,000	1,081,560	—	—	4,580,245
Placements from banks and other financial institutions	2,496	—	—	—	—	—	2,496
Financial assets sold under repurchase agreements	—	—	21,634,598	—	—	—	21,634,598
Deposit from customers	19,526,551	—	6,678,626	15,853,312	3,912,489	—	45,970,978
Interest payable	534,292	—	74,419	98,718	882	—	708,311
Debt securities issued	—	—	6,011,423	1,567,083	1,495,673	—	9,074,179
Others	138,434	—	183,148	—	—	—	321,582
	<u>20,355,458</u>	<u>—</u>	<u>37,927,214</u>	<u>18,600,673</u>	<u>5,409,044</u>	<u>—</u>	<u>82,292,389</u>
(Short)/Long position	<u>(15,371,367)</u>	<u>10,354,448</u>	<u>(11,717,481)</u>	<u>6,150,298</u>	<u>16,690,890</u>	<u>2,449,829</u>	<u>8,556,617</u>

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank (Continued)

	At June 30, 2016						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	6,813,929	6,505,956	—	—	—	—	13,319,885
Deposit with banks and other financial institutions	281,216	—	3,006,000	8,993,360	—	—	12,280,576
Financial assets held under resale agreements	—	—	7,112,921	—	—	—	7,112,921
Financial assets at fair value through profit or loss	—	—	4,675,190	7,146,271	525,340	23,302	12,370,103
Interest receivable	764	—	116,407	146,186	—	—	263,357
Loans and advances to customers	5,136	338,161	3,201,409	9,404,942	10,057,684	845,501	23,852,833
Available-for-sale financial assets	88,435	979,630	1,909,315	2,776,879	3,392,319	4,644,893	13,791,471
Held-to-maturity investments	—	—	110,000	101,842	465,070	810,570	1,487,482
Debt securities classified as receivables	—	—	550,000	2,067,660	4,436,132	—	7,053,792
Others	—	4,854,590	—	—	98,171	—	4,952,761
	<u>7,189,480</u>	<u>12,678,337</u>	<u>20,681,242</u>	<u>30,637,140</u>	<u>18,974,716</u>	<u>6,324,266</u>	<u>96,485,181</u>
Liabilities							
Deposits from banks and other financial institutions	470,554	—	2,838,067	1,071,560	—	—	4,380,181
Placements from banks and other financial institutions	2,496	—	—	—	—	—	2,496
Financial assets sold under repurchase agreements	—	—	15,731,600	—	—	—	15,731,600
Deposit from customers	21,133,359	—	9,917,434	16,362,251	8,101,252	—	55,514,296
Interest payable	618,786	—	90,681	95,875	—	—	805,342
Debt securities issued	—	—	3,441,824	6,359,591	1,495,942	—	11,297,357
Others	183,004	—	157,034	—	—	—	340,038
	<u>22,408,199</u>	<u>—</u>	<u>32,176,640</u>	<u>23,889,277</u>	<u>9,597,194</u>	<u>—</u>	<u>88,071,310</u>
(Short)/Long position	<u>(15,218,719)</u>	<u>12,678,337</u>	<u>(11,495,398)</u>	<u>6,747,863</u>	<u>9,377,522</u>	<u>6,324,266</u>	<u>8,413,871</u>

Note: Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at the end of each of the Track Record Period:

The Group

	At December 31, 2013						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowing from the central bank	35,880	37,054	—	290	32,966	1,973	1,825
Deposits from bank and other financial institutions	4,581,500	4,771,999	164,630	2,173,177	1,727,374	706,818	—
Placements from bank and other financial institutions	8,570	8,570	8,570	—	—	—	—
Financial assets sold under repurchase agreements	7,365,709	7,379,867	—	7,379,867	—	—	—
Deposits from customers	36,739,267	38,325,245	19,681,791	1,798,457	10,431,073	6,407,408	6,516
Debt securities issued	697,300	896,000	—	—	49,000	847,000	—
Other financial liabilities	405,308	405,308	150,447	249,065	3,654	2,142	—
	<u>49,833,534</u>	<u>51,824,043</u>	<u>20,005,438</u>	<u>11,600,856</u>	<u>12,244,067</u>	<u>7,965,341</u>	<u>8,341</u>
Off-balance sheet credit commitments	—	175,360	1,000	137,460	36,900	—	—

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Group (Continued)

	At December 31, 2014						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowing from the central bank	203,023	206,600	—	75,512	127,798	1,933	1,357
Deposits from bank and other financial institutions	4,820,055	5,049,653	443,055	838,614	3,718,970	49,014	—
Placements from bank and other financial institutions	594,634	597,714	74,634	523,080	—	—	—
Financial assets sold under repurchase agreements	4,677,600	4,691,955	—	4,691,955	—	—	—
Deposits from customers	59,771,652	63,464,396	30,791,627	5,089,994	14,137,526	13,439,038	6,211
Debt securities issued	2,389,375	2,547,000	—	1,000,000	749,000	798,000	—
Other financial liabilities	544,455	544,455	233,736	291,664	17,877	1,178	—
	<u>73,000,794</u>	<u>77,101,773</u>	<u>31,543,052</u>	<u>12,510,819</u>	<u>18,751,171</u>	<u>14,289,163</u>	<u>7,568</u>
Off-balance sheet credit commitments	—	1,030,440	2,500	660,612	359,538	7,790	—

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Group (Continued)

	At December 31, 2015						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowing from the central bank	293,567	299,391	—	134,906	137,412	19,138	7,935
Deposits from bank and other financial institutions	1,868,321	1,807,462	178,320	1,529,822	99,320	—	—
Placements from bank and other financial institutions	52,496	52,511	2,496	50,015	—	—	—
Financial assets sold under repurchase agreements ...	23,063,498	23,084,719	—	23,084,719	—	—	—
Deposits from customers ...	93,302,782	95,301,064	40,616,319	13,654,440	28,521,085	12,477,573	31,647
Debt securities issued	9,074,179	9,480,000	—	6,030,000	1,699,400	1,750,600	—
Other financial liabilities ...	1,011,389	1,011,389	510,018	378,198	118,748	4,425	—
	<u>128,666,232</u>	<u>131,036,536</u>	<u>41,307,153</u>	<u>44,862,100</u>	<u>30,575,965</u>	<u>14,251,736</u>	<u>39,582</u>
Off-balance sheet credit commitments	—	2,264,130	11,109	1,214,433	1,033,519	5,069	—
At June 30, 2016							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowing from the central bank	364,000	373,943	—	26,101	334,335	9,152	4,355
Deposits from bank and other financial institutions	5,817,619	5,892,285	484,552	3,903,856	1,473,932	29,945	—
Placements from bank and other financial institutions	162,496	163,370	2,496	160,874	—	—	—
Financial assets sold under repurchase agreements ...	20,580,115	20,591,134	—	20,591,134	—	—	—
Deposits from customers ...	106,998,758	110,319,750	41,204,670	16,496,290	32,645,428	19,722,509	250,853
Debt securities issued	11,247,980	12,145,420	—	3,450,000	6,498,220	2,197,200	—
Other financial liabilities ...	774,973	774,974	424,128	350,846	—	—	—
	<u>145,945,941</u>	<u>150,260,876</u>	<u>42,115,846</u>	<u>44,979,101</u>	<u>40,951,915</u>	<u>21,958,806</u>	<u>255,208</u>
Off-balance sheet credit commitments	—	2,919,554	9,993	1,556,470	1,076,187	276,904	—

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank

	At December 31, 2013						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Deposits from bank and other financial institutions	5,533,918	5,753,626	85,048	2,810,059	1,872,165	986,354	—
Placements from bank and other financial institutions	2,496	2,496	2,496	—	—	—	—
Financial assets sold under repurchase agreements	6,243,259	6,255,799	—	6,255,799	—	—	—
Deposits from customers	18,617,956	19,351,620	11,022,271	273,946	5,146,328	2,909,075	—
Debt securities issued	697,300	896,000	—	—	49,000	847,000	—
Other financial liabilities	182,226	182,226	86,208	96,018	—	—	—
	<u>31,277,155</u>	<u>32,441,767</u>	<u>11,196,023</u>	<u>9,435,822</u>	<u>7,067,493</u>	<u>4,742,429</u>	<u>—</u>
Off-balance sheet credit commitments	—	92,800	—	90,000	2,800	—	—
	At December 31, 2014						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Deposits from bank and other financial institutions	5,195,173	5,440,716	368,173	1,720,512	3,147,699	204,332	—
Placements from bank and other financial institutions	522,496	525,576	2,496	523,080	—	—	—
Financial assets sold under repurchase agreements	4,577,600	4,591,310	—	4,591,310	—	—	—
Deposits from customers	26,909,790	28,604,266	14,466,733	955,818	5,436,890	7,744,824	1
Debt securities issued	2,389,375	2,547,000	—	1,000,000	749,000	798,000	—
Other financial liabilities	250,571	250,571	104,721	130,161	15,690	—	—
	<u>39,845,005</u>	<u>41,959,439</u>	<u>14,942,123</u>	<u>8,920,881</u>	<u>9,349,279</u>	<u>8,747,156</u>	<u>1</u>
Off-balance sheet credit commitments	—	523,500	1,100	412,391	102,218	7,791	—

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The Bank (Continued)

At December 31, 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Deposits from bank and other financial institutions	4,580,245	4,742,769	153,686	3,478,963	1,110,120	—	—
Placements from bank and other financial institutions	2,496	2,496	2,496	—	—	—	—
Financial assets sold under repurchase agreements	21,634,598	21,655,074	—	21,655,074	—	—	—
Deposits from customers	45,970,978	46,540,436	19,526,552	6,753,842	16,179,855	4,080,187	—
Debt securities issued ...	9,074,179	9,480,000	—	6,030,000	1,699,400	1,750,600	—
Other financial liabilities	321,582	321,582	138,434	183,148	—	—	—
	<u>81,584,078</u>	<u>82,742,357</u>	<u>19,821,168</u>	<u>38,101,027</u>	<u>18,989,375</u>	<u>5,830,787</u>	<u>—</u>
Off-balance sheet credit commitments	—	1,356,075	9,008	1,030,732	311,266	5,069	—
At June 30, 2016							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Deposits from bank and other financial institutions	4,380,181	4,423,011	470,554	2,861,025	1,091,432	—	—
Placements from bank and other financial institutions	2,496	2,496	2,496	—	—	—	—
Financial assets sold under repurchase agreements	15,731,600	15,737,712	—	15,737,712	—	—	—
Deposits from customers	55,514,296	57,182,152	21,133,359	9,969,908	16,632,547	9,446,338	—
Debt securities issued ...	11,297,357	12,196,600	—	3,450,000	6,549,400	2,197,200	—
Other financial liabilities	340,038	375,445	183,004	157,034	—	—	35,407
	<u>87,265,968</u>	<u>89,917,416</u>	<u>21,789,413</u>	<u>32,175,679</u>	<u>24,273,379</u>	<u>11,643,538</u>	<u>35,407</u>
Off-balance sheet credit commitments	—	1,839,918	853	1,028,041	551,521	259,503	—

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

51 FINANCIAL RISK MANAGEMENT (Continued)**(d) Operational risk**

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS**(a) Methods and assumptions for measurement of fair value**

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Track Record Period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the Track Record Period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Track Record Period.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**(b) Fair value measurement****(i) Financial assets**

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Notes 25 and 26.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, deposits from customers and debts securities issued.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group

	At December 31, 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	19,270	—	19,270
—financial assets designated at FVTPL	—	118,660	—	118,660
Available-for-sale financial assets				
—debt securities	—	1,580,545	—	1,580,545
	—	1,718,475	—	1,718,475
	At December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	104,837	—	104,837
—financial assets designated at FVTPL	—	1,178,097	—	1,178,097
Available-for-sale financial assets				
—debt securities	—	327,695	—	327,695
—wealth management products issued by other financial institutions	—	220,000	—	220,000
	—	1,830,629	—	1,830,629
	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	3,857,844	—	3,857,844
—financial assets designated at FVTPL	—	8,243,686	—	8,243,686
Available-for-sale financial assets				
—debt securities	—	3,887,479	—	3,887,479
—trust plans	—	602,404	—	602,404
—asset management plans	—	1,755,467	—	1,755,467
—wealth management products issued by other financial institutions	—	1,761,592	—	1,761,592
	—	20,108,472	—	20,108,472

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group (Continued)

	At June 30, 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	1,122,824	—	1,122,824
—financial assets designated at FVTPL	—	12,274,881	—	12,274,881
Available-for-sale financial assets				
—debt securities	—	12,422,071	—	12,422,071
—trust plans	—	781,228	—	781,228
—asset management plans	—	6,334,959	—	6,334,959
—wealth management products issued by other financial institutions	—	4,889,848	—	4,889,848
	—	37,825,811	—	37,825,811

(i) During the Track Record Period, there were no significant transfers among each level.

The Bank

	At December 31, 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—financial assets designated at FVTPL	—	118,660	—	118,660
Available-for-sale financial assets				
—debt securities	—	193,947	—	193,947
	—	312,607	—	312,607

	At December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—financial assets designated at FVTPL	—	1,178,097	—	1,178,097
Available-for-sale financial assets				
—debt securities	—	327,695	—	327,695
—wealth management products issued by other financial institutions	—	220,000	—	220,000
	—	1,725,792	—	1,725,792

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Bank (Continued)

	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss				
—debt securities held for trading	—	1,723,441	—	1,723,441
—financial assets designated at FVTPL	—	8,243,686	—	8,243,686
Available-for-sale financial assets				
—debt securities	—	3,357,972	—	3,357,972
—trust plans	—	502,404	—	502,404
—asset management plans	—	230,467	—	230,467
—wealth management products issued by other financial institutions	—	1,731,592	—	1,731,592
	—	15,789,562	—	15,789,562
At June 30, 2016				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss				
—debt securities held for trading	—	95,222	—	95,222
—financial assets designated at FVTPL	—	12,274,881	—	12,274,881
Available-for-sale financial assets				
—debt securities	—	8,307,666	—	8,307,666
—asset management plans	—	828,327	—	828,327
—wealth management products issued by other financial institutions	—	3,675,848	—	3,675,848
	—	25,181,944	—	25,181,944

(i) During the Track Record Period, there were no significant transfers among each level.

53 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position.

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Entrusted loans	2,888,098	8,127,706	8,685,398	8,090,635
Entrusted funds	2,888,098	8,127,706	8,685,398	8,090,635

53 ENTRUSTED LENDING BUSINESS (Continued)**The Bank**

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Entrusted loans	2,517,796	2,395,838	1,977,874	773,530
Entrusted funds	2,517,796	2,395,838	1,977,874	773,530

54 COMMITMENTS**(a) Credit commitments**

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees.

The Group provides financial guarantees to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Acceptances	175,360	1,008,040	2,233,441	2,595,239
Letters of guarantees	—	22,400	30,689	300,044
Letters of credit	—	—	—	24,271
	<u>175,360</u>	<u>1,030,440</u>	<u>2,264,130</u>	<u>2,919,554</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Acceptances	92,800	503,100	1,329,500	1,543,600
Letters of guarantees	—	20,400	26,575	272,047
Letters of credit	—	—	—	24,271
	<u>92,800</u>	<u>523,500</u>	<u>1,356,075</u>	<u>1,839,918</u>

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

54 COMMITMENTS (Continued)**(b) Operating lease commitments**

As at the end of each of the Track Record Period, the Group's and the Bank's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	49,197	82,324	88,483	102,368
In the second to fifth years inclusive	215,090	329,749	397,506	451,659
Over five years	153,297	214,621	236,879	258,103
	<u>417,584</u>	<u>626,694</u>	<u>722,868</u>	<u>812,130</u>

The Bank as lessee

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	18,320	35,015	40,857	62,467
In the second to fifth years inclusive	106,986	153,135	180,043	203,960
Over five years	69,993	102,876	94,100	95,597
	<u>195,299</u>	<u>291,026</u>	<u>315,000</u>	<u>362,024</u>

(c) Capital commitments

At the end of each of the Track Record Period, the Group's and the Bank's authorized capital commitments are as follows:

The Group

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property and equipment				
—Contracted for but not provided	55,433	108,971	269,285	321,195
—Authorized but not contracted for	—	—	—	202
	<u>55,433</u>	<u>108,971</u>	<u>269,285</u>	<u>321,397</u>

The Bank

	At December 31,			At June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property and equipment				
—Contracted for but not provided	33,002	101,417	98,116	146,546

55 CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2013, 2014 and 2015 and June 30, 2016, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

56 ACQUISITION OF SUBSIDIARIES**(i) Acquisition of Jilin Dehui Rural Commercial Bank**

On December 30, 2013, the Group acquired 45% of the issued share capital of Jilin Dehui Rural Commercial Bank for consideration of RMB562.5 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB289.73 million. Jilin Dehui Rural Commercial Bank is engaged in the provision of banking services. Jilin Dehui Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with two shareholders of Jilin Dehui Rural Commercial Bank, which hold 20% equity interests in Jilin Dehui Rural Commercial Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Dehui Rural Commercial Bank and therefore, Jilin Dehui Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	<u>562,500</u>

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	3,319,228
Deposits with banks and other financial institutions	161,810
Interest receivable	27,996
Loans and advances to customers	2,833,393
Available-for-sale financial assets	16,260
Property and equipment	107,086
Deferred tax assets	21,338
Other assets	43,475
Placements from banks and other financial institutions	(6,074)
Deposits from customers	(5,609,078)
Accrued staff costs	(2,900)
Taxes payable	(94,064)
Interests payable	(180,308)
Other liabilities	<u>(32,004)</u>
	<u>606,158</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB2,833.39 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB2,913.41 million at the date of acquisition.

56 ACQUISITION OF SUBSIDIARIES (Continued)**(i) Acquisition of Jilin Dehui Rural Commercial Bank (Continued)****Goodwill arising on acquisition:**

	RMB'000
Consideration transferred	562,500
Plus: non-controlling interest (55% in Jilin Dehui Rural Commercial Bank)	333,387
Less: net assets acquired	<u>(606,158)</u>
Goodwill arising on acquisition	<u>289,729</u>

The non-controlling interests (55%) in Jilin Dehui Rural Commercial Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Jilin Dehui Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jilin Dehui Rural Commercial Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisition of Jilin Dehui Rural Commercial Bank:

	RMB'000
Cash consideration paid	(562,500)
Less: cash and cash equivalent balances acquired	2,751,858
	<u>2,189,358</u>

Jilin Dehui Rural Commercial Bank did not contribute operating income and profit for the year to the Group after acquisition.

Had the acquisition been completed on January 1, 2013, operating income of the Group for the year would have been RMB1,991.73 million and profit of the Group for the year would have been RMB808.30 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" operating income and profit of the Group had Jilin Dehui Rural Commercial Bank been acquired at the beginning of the year ended December 31, 2013, the directors of the Bank have:

- included operating income and profit of Dehui Rural Credit Cooperative (德惠市農村信用合作聯社) from the period January 1, 2013 to December 30, 2013 before reformation to Jilin Dehui Rural Commercial Bank on December 31, 2013;
- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

56 ACQUISITION OF SUBSIDIARIES (Continued)**(ii) Acquisition of Haikou United Rural Commercial Bank**

On March 30, 2014, the Group acquired 20% of the issued share capital of Haikou United Rural Commercial Bank for consideration of RMB108 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB30.77 million. Haikou United Rural Commercial Bank is engaged in the provision of banking services. Haikou United Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with six shareholders of Haikou United Rural Commercial Bank, which hold 31.91% equity interests in Haikou United Rural Commercial Bank. Pursuant to agreement, these six shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Haikou United Rural Commercial Bank and therefore, Haikou United Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	<u>108,000</u>

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	32,274
Deposits with banks and other financial institutions	2,077,167
Interest receivable	2,374
Loans and advances to customers	69,288
Property and equipment	18,905
Deferred tax assets	141
Other assets	429,979
Deposits from banks and other financial institutions	(1,242,187)
Placements from banks and other financial institutions	(72,138)
Deposits from customers	(485,354)
Taxes payable	(936)
Interests payable	(5,523)
Other liabilities	<u>(437,837)</u>
	<u>386,153</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB69.29 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB70.56 million at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	108,000
Plus: non-controlling interest (80% in Haikou United Rural Commercial Bank)	308,923
Less: net assets acquired	<u>(386,153)</u>
Goodwill arising on acquisition	<u>30,770</u>

56 ACQUISITION OF SUBSIDIARIES (Continued)**(ii) Acquisition of Haikou United Rural Commercial Bank (Continued)**

The non-controlling interests (80%) in Haikou United Rural Commercial Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Haikou United Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Haikou United Rural Commercial Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisition of Haikou United Rural Commercial Bank:

	RMB'000
Cash consideration paid	(108,000)
Less: cash and cash equivalent balances acquired	277,557
	<u>169,557</u>

Included in the profit for the year is RMB9.06 million attributable to the additional business generated by Haikou United Rural Commercial Bank. Operating income for the year includes RMB61.55 million generated from Haikou United Rural Commercial Bank.

Had the acquisition been completed on January 1, 2014, no significant impact on operating income and profit of the Group were noted. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2014, nor is it intended to be a projection of future results.

In determining the "pro-forma" operating income and profit of the Group had Haikou United Rural Commercial Bank been acquired at the beginning of the year ended December 31, 2014, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Deemed acquisition of Shulan Rural Commercial Bank

The Group had 10% equity interest in Shulan Rural Commercial Bank which was classified as available-for-sale financial asset. On December 31, 2014, the Bank had signed contracts with three shareholders of Shulan Rural Commercial Bank, which hold 20% equity interests in Shulan Rural Commercial Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Bank and the directors of the Bank concluded that the Bank has a sufficiently dominant voting interest to direct the relevant activities of this bank on the basis of the Bank's absolute size of shareholding and

56 ACQUISITION OF SUBSIDIARIES (Continued)**(iii) Deemed acquisition of Shulan Rural Commercial Bank (Continued)**

the relative size and dispersion of the shareholdings owned by other shareholders. Except for two other shareholders who hold in total 7.67% of ownership and voting power of this bank, none individually holding more than 2% of ownership and voting power of this bank. Hence, Shulan Rural Commercial Bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

Assets and liabilities recognized at the date of deemed acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	829,457
Deposits with banks and other financial institutions	402,695
Financial assets held under resale agreements	650,288
Interest receivable	22,757
Loans and advances to customers	2,359,497
Available-for-sale financial assets	142,750
Interest in an associate	15,000
Property and equipment	166,792
Deferred tax assets	24,614
Other assets	3,173
Placements from banks and other financial institutions	(25,657)
Deposits from customers	(3,895,475)
Accrued staff costs	(5,852)
Taxes payable	(8,585)
Interests payable	(111,811)
Other liabilities	(25,965)
	<u>543,678</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB2,359.50 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB2,503.89 million at the date of acquisition.

Gain on deemed disposal of an available-for-sale financial asset:

	RMB'000
Fair value of available-for-sales financial assets on date of deemed disposal	54,368
Carrying amount of available-for-sales financial assets	(30,000)
Gain on deemed disposal of an available-for-sale financial asset (included in other operating income (Note 10))	<u>24,368</u>

At the date of deemed acquisition

	RMB'000
Consideration transferred	—
Plus: fair value of available-for-sales financial asset on the date of deemed disposal	54,368
Plus: non-controlling interest (90% in Shulan Rural Commercial Bank)	489,310
Less: net assets acquired	<u>(543,678)</u>
	<u>—</u>

The non-controlling interests (90%) in Shulan Rural Commercial Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iii) Deemed acquisition of Shulan Rural Commercial Bank (Continued)

Net cash inflow on acquisition of Shulan Rural Commercial Bank:

	RMB'000
Cash consideration paid	—
Less: cash and cash equivalent balances acquired	<u>428,876</u>
	<u>428,876</u>

Shulan Rural Commercial Bank did not contribute operating income and profit for the year to the Group after acquisition.

Had the acquisition been completed on January 1, 2014, operating income of the Group for the year would have been RMB3,438.60 million, and profit for the year would have been RMB1,273.80 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2014, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Shulan Rural Commercial Bank been acquired at the beginning of the year ended December 31, 2014, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the preacquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iv) Acquisition of Jilin Gongzhuling Rural Commercial Bank

On October 12, 2015, the Group acquired 30% of the issued share capital of Jilin Gongzhuling Rural Commercial Bank for consideration of RMB375 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB135.14 million. Jilin Gongzhuling Rural Commercial Bank is engaged in the provision of banking services. Jilin Gongzhuling Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with three shareholders of Jilin Gongzhuling Rural Commercial Bank, which hold 30% equity interests in Jilin Gongzhuling Rural Commercial Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Gongzhuling Rural Commercial Bank and therefore, Jilin Gongzhuling Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	<u>375,000</u>

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Jilin Gongzhuling Rural Commercial Bank (Continued)

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	799,565
Deposits with banks and other financial institutions	2,654,507
Placements with banks and other financial institutions	100,000
Financial assets held under resale agreements	598,972
Financial assets at fair value through profit or loss	1,575,871
Interest receivable	32,244
Loans and advances to customers	4,643,259
Available-for-sale financial assets	36,260
Property and equipment	88,865
Other assets	140,283
Borrowing from the central bank	(29,340)
Deposits from banks and other financial institutions	(1,442,873)
Financial assets sold under repurchase agreements	(1,159,000)
Accrued staff costs	(8,724)
Deposits from customers	(6,966,054)
Taxes payable	(2,126)
Interests payable	(193,174)
Other liabilities	(69,007)
	<u>799,528</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB4,643.26 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB4,833.26 million at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	375,000
Plus: non-controlling interest (70% in Jilin Gongzhuling Rural Commercial Bank)	559,670
Less: net assets acquired	(799,528)
Goodwill arising on acquisition	<u>135,142</u>

The non-controlling interests (70%) in Jilin Gongzhuling Rural Commercial Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Jilin Gongzhuling Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jilin Gongzhuling Rural Commercial Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Jilin Gongzhuling Rural Commercial Bank (Continued)

Net cash inflow on acquisition of Jilin Gongzhuling Rural Commercial Bank:

	RMB'000
Cash consideration paid	(375,000)
Less: cash and cash equivalent balances acquired	<u>799,565</u>
	<u>424,565</u>

Included in the profit for the year is RMB42.46 million attributable to the additional business generated by Jilin Gongzhuling Rural Commercial Bank. Operating income for the year includes RMB121.70 million generated from Jilin Gongzhuling Rural Commercial Bank.

Had the acquisition been completed on January 1, 2015, operating income of the Group for the year would have been RMB4,457.15 million and profit of the Group for the year would have been RMB1,456.17 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Jilin Gongzhuling Rural Commercial Bank been acquired at the beginning of the year ended December 31, 2015, the directors of the Bank have:

- included operating income and profit of Jilin Gongzhuling Rural Cooperative Bank (吉林公主嶺農村合作銀行) from the period January 1, 2015 to October 11, 2015 before reformation to Jilin Gongzhuling Rural Commercial Bank on October 12, 2015;
- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(v) Acquisition of Jilin Chuncheng Rural Commercial Bank

On October 12, 2015, the Group acquired 30% of the issued share capital of Jilin Chuncheng Rural Commercial Bank for consideration of RMB375 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB196.95 million. Jilin Chuncheng Rural Commercial Bank is engaged in the provision of banking services. Jilin Chuncheng Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Jilin Chuncheng Rural Commercial Bank, which hold 40% equity interests in Jilin Chuncheng Rural Commercial Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Chuncheng Rural Commercial Bank and therefore, Jilin Chuncheng Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(v) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)

Consideration Transferred

Cash consideration	RMB'000 <u>375,000</u>
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Assets acquired and liabilities recognized at the date of acquisition are as follows:

Cash and deposits with the central bank	RMB'000 199,375
Deposits with banks and other financial institutions	1,243,331
Interest receivable	1,155
Loans and advances to customers	327,018
Property and equipment	37,525
Other assets	17,631
Accrued staff costs	(390)
Deposits from customers	(1,211,736)
Taxes payable	(97)
Interests payable	(32,247)
Other liabilities	(1,952)
	<u>579,613</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB327.02 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB375.29 million at the date of acquisition.

Goodwill arising on acquisition:

Consideration transferred	RMB'000 375,000
Plus: non-controlling interest (70% in Jilin Chuncheng Rural Commercial Bank)	405,728
Less: net assets acquired	<u>(579,613)</u>
Goodwill arising on acquisition	<u>201,115</u>

The non-controlling interests (70%) in Jilin Chuncheng Rural Commercial Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Jilin Chuncheng Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jilin Chuncheng Rural Commercial Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)**(v) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)****Net cash outflow on acquisition of Jilin Chuncheng Rural Commercial Bank:**

	RMB'000
Cash consideration paid	(375,000)
Less: cash and cash equivalent balances acquired	199,375
	<u>(175,625)</u>

Included in the profit for the year is RMB3.69 million attributable to the additional business generated by Jilin Chuncheng Rural Commercial Bank. Operating income for the year includes RMB17.22 million generated from Jilin Chuncheng Rural Commercial Bank.

Had the acquisition been completed on January 1, 2015, operating income for the year would have been RMB4,265.14 million and profit of the Group for the year would have been RMB1,384.83 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Jilin Chuncheng Rural Commercial Bank. been acquired at the beginning of the year ended December 31, 2015, the directors of the Bank have:

- included operating income and profit of Siping Jincheng Rural Credit Cooperative (四平市金誠農村信用合作社), Siping Jinghua Rural Credit Cooperative (四平市京華農村信用合作社) and Siping Jinhe Rural Credit Cooperative (四平市金合農村信用合作社) from the period January 1, 2015 to October 11, 2015 before reformation to Jilin Chuncheng Rural Commercial Bank on October 12, 2015;
- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(vi) Acquisition of Lingshui Dasheng Village and Township Bank

On December 31, 2015, the Group acquired 20% of the issued share capital of Lingshui Dasheng Village and Township Bank for consideration of RMB2 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB1.01 million. Lingshui Dasheng Village and Township Bank is engaged in the provision of banking services. Lingshui Dasheng Village and Township Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Lingshui Dasheng Village and Township Bank, which hold 38% equity interests in Lingshui Dasheng Village and Township Bank.

56 ACQUISITION OF SUBSIDIARIES (Continued)**(vi) Acquisition of Lingshui Dasheng Village and Township Bank (Continued)**

Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Lingshui Dasheng Village and Township Bank and therefore, Lingshui Dasheng Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	<u>2,000</u>

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	11,163
Deposits with banks and other financial institutions	3,979
Interest receivable	327
Loans and advances to customers	80,756
Property and equipment	2,235
Other assets	240
Deposits from banks and other financial institutions	(45,000)
Accrued staff costs	(222)
Deposits from customers	(47,748)
Taxes payable	(56)
Interests payable	(534)
Other liabilities	(189)
	<u>4,951</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB80.76 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB81.99 million at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	2,000
Plus: non-controlling interest (80% in Lingshui Dasheng Village and Township Bank)	3,961
Less: net assets acquired	(4,951)
Goodwill arising on acquisition	<u>1,010</u>

The non-controlling interests (80%) in Lingshui Dasheng Village and Township Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Lingshui Dasheng Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue

56 ACQUISITION OF SUBSIDIARIES (Continued)**(vi) Acquisition of Lingshui Dasheng Village and Township Bank (Continued)**

growth, future market development and the assembled workforce of Lingshui Dasheng Village and Township Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisition of Lingshui Dasheng Village and Township Bank

	RMB'000
Cash consideration paid	(2,000)
Less: cash and cash equivalent balances acquired	11,163
	<u>9,163</u>

Lingshui Dasheng Village and Township Bank did not contribute operating income and profit for the year to the Group after acquisition.

Had the acquisition been completed on January 1, 2015, operating income of the Group for the year would have been RMB4,274.78 million, and profit for the year would have been RMB1,400.93 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating and profit of the Group had Lingshui Dasheng Village and Township Bank been acquired at the beginning of the year ended December 31, 2013, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(vii) Acquisition of Sanya Phoenix Village and Township Bank

On June 22, 2016, the Group acquired 20% of the issued share capital of Sanya Phoenix Village and Township Bank for consideration of RMB4 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB3.4 million. Sanya Phoenix Village and Township Bank is engaged in the provision of banking services. Sanya Phoenix Village and Township Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Sanya Phoenix Village and Township Bank, which hold 33% equity interests in Sanya Phoenix Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Sanya Phoenix Village and Township Bank and therefore, Sanya Phoenix Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(vii) Acquisition of Sanya Phoenix Village and Township Bank (Continued)

Consideration Transferred

Cash consideration	RMB'000 4,000
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Assets acquired and liabilities recognized at the date of acquisition are as follows:

Cash and deposits with the central bank	RMB'000 1,385
Deposits with banks and other financial institutions	9,723
Interest receivable	45
Loans and advances to customers	12,259
Property and equipment	737
Deferred tax assets	1,045
Other assets	828
Deposits from banks and other financial institutions	(15,024)
Accrued staff costs	(109)
Deposits from customers	(6,979)
Interests payable	(157)
Other liabilities	(510)
	<u>3,243</u>

The fair value of loans and advances to customers at the date of acquisition amounted to RMB12.26 million. The gross contractual amounts of those loans and advances to customers acquired amounted to RMB15.64 million at the date of acquisition.

Goodwill arising on acquisition:

Consideration transferred	RMB'000 4,000
Plus: non-controlling interest (80% in Sanya Phoenix Village and Township Bank)	2,595
Less: net assets acquired	(3,243)
Goodwill arising on acquisition	<u>3,352</u>

The non-controlling interests (80%) in Sanya Phoenix Village and Township Bank recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Sanya Phoenix Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Sanya Phoenix Village and Township Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(vii) Acquisition of Sanya Phoenix Village and Township Bank (Continued)

Net cash inflow on acquisition of Sanya Phoenix Village and Township Bank

	RMB'000
Cash consideration paid	(4,000)
Less: cash and cash equivalent balances acquired	<u>10,459</u>
	<u>6,459</u>

Sanya Phoenix Village and Township Bank did not contribute operating income and profit for the period to the Group after acquisition.

Had the acquisition been completed on January 1, 2016, operating income of the Group for the period ended June 30, 2016 would have been RMB2,651.47 million, and profit for the period would have been RMB1,034.44 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating and profit of the Group had Sanya Phoenix Village and Township Bank been acquired at the beginning of the period ended June 30, 2016, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the Track Record Period, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

(i) Disposal and dilution of interest in Changbai Mountain Rural Commercial Bank without loss of control

During the year ended December 31, 2013, the Group disposed of 3% equity interest out of 100% equity interest in Changbai Mountain Rural Commercial Bank at a consideration of RMB9 million. This resulted in an increase in non-controlling interests of RMB3.78 million and an increase in equity attributable to owners of the Bank of RMB5.22 million. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(3,776)
Consideration received from non-controlling interests	<u>9,000</u>
Gain recognized in capital reserve within equity	<u>5,224</u>

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (i) Disposal and dilution of interest in Changbai Mountain Rural Commercial Bank without loss of control (Continued)

During the period ended June 30, 2016, Changbai Mountain Rural Commercial Bank issued 150 million ordinary shares with par value of RMB1 at RMB3 per share to non-controlling interests and the Group's ownership was diluted from 97% to 38.8%. This resulted in an increase in non-controlling interests of RMB417.33 million and an increase in equity attributable to owners of the Bank of RMB32.67 million.

The Group had signed contracts with three shareholders of Changbai Mountain Rural Commercial Bank, which hold 27.9% equity interests in Changbai Mountain Rural Commercial Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Changbai Mountain Rural Commercial Bank and therefore, Changbai Mountain Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(417,039)
Consideration received from non-controlling interests	<u>450,000</u>
Gain recognized in capital reserve within equity	<u>32,961</u>

- (ii) Dilution of interest in Songyuan Ningjiang Huimin Village and Township Bank without loss of control

During the year ended December 31, 2013, Songyuan Ningjiang Huimin Village and Township Bank issued 5 million ordinary shares with par value of RMB1 at RMB2.5 per share to non-controlling interests and the Group's ownership was diluted from 51% to 40.8%. This resulted in an increase in non-controlling interests of RMB10.28 million and an increase in equity attributable to owners of the Bank of RMB2.2 million.

The Group had signed contracts with three shareholders of Songyuan Ningjiang Huimin Village and Township Bank, which hold total 28% equity interests in Songyuan Ningjiang Huimin Village and Township Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Songyuan Ningjiang Huimin Village and Township Bank and therefore, Songyuan Ningjiang Huimin Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest is in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(10,282)
Consideration received from non-controlling interests	<u>12,500</u>
Gain recognized in capital reserve within equity	<u>2,218</u>

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (iii) Disposal and dilution of interest in Qianan Huimin Village and Township Bank without loss of control

During the year ended December 31, 2013, the Group disposed of 24% equity interest out of 100% equity interest in Qianan Huimin Village and Township Bank at a consideration of RMB9.6 million. This resulted in an increase in non-controlling interests of RMB5.24 million and an increase in equity attributable to owners of the Bank of RMB4.36 million. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(5,237)
Consideration received from non-controlling interests	9,600
Gain recognized in capital reserve within equity	<u>4,363</u>

During the year ended December 31, 2014, Qianan Huimin Village and Township Bank issued 10 million ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 76% to 50.67%. This resulted in an increase in non-controlling interests of RMB15.79 million and an increase in equity attributable to owners of the Bank of RMB4.21 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(15,785)
Consideration received from non-controlling interests	20,000
Gain recognized in capital reserve within equity	<u>4,215</u>

- (iv) Disposal and dilution of interest in Changchun Nanguan Huimin Village and Township Bank without loss of control

During the year ended December 31, 2013, the Group disposed of 24% equity interest out of 100% equity interest in Changchun Nanguan Huimin Village and Township Bank at a consideration of RMB36 million. This resulted in an increase in non-controlling interests of RMB12.97 million and an increase in equity attributable to owners of the Bank of RMB23.03 million. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(12,968)
Consideration received from non-controlling interests	36,000
Gain recognized in capital reserve within equity	<u>23,032</u>

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (iv) Disposal and dilution of interest in Changchun Nanguan Huimin Village and Township Bank without loss of control (Continued)

During the year ended December 31, 2014, Changchun Nanguan Huimin Village and Township Bank issued 10 million ordinary shares with par value of RMB1 at RMB3 per share to non-controlling interests and the Group's ownership was diluted from 76% to 63.33%. This resulted in an increase in non-controlling interests of RMB18.87 million and an increase in equity attributable to owners of the Bank of RMB11.13 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(18,870)
Consideration received from non-controlling interests	<u>30,000</u>
Gain recognized in capital reserve within equity	<u><u>11,130</u></u>

During the year ended December 31, 2015, Changchun Nanguan Huimin Village and Township Bank issued 23 million ordinary shares with par value of RMB1 at RMB2.41 per share to non-controlling interests and the Group's ownership was diluted from 63.33% to 51.20%. This resulted in an increase in non-controlling interests of RMB43.93 million and an increase in equity attributable to owners of the Bank of RMB11.57 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(43,932)
Consideration received from non-controlling interests	<u>55,500</u>
Gain recognized in capital reserve within equity	<u><u>11,568</u></u>

- (v) Disposal and dilution of interest in Da'an Huimin Village and Township Bank without loss of control

During the year ended December 31, 2013, the Group disposed of 24% equity interest out of 100% equity interest in Da'an Huimin Village and Township Bank at a consideration of RMB10.56 million. This resulted in an increase in non-controlling interests of RMB5.70 million and an increase in equity attributable to owners of the Bank of RMB4.86 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(5,698)
Consideration received from non-controlling interests	<u>10,560</u>
Gain recognized in capital reserve within equity	<u><u>4,862</u></u>

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (v) Disposal and dilution of interest in Da'an Huimin Village and Township Bank without loss of control (Continued)

During the year ended December 31, 2014, Da'an Huimin Village and Township Bank issued 5 million ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 76% to 60.80%. This resulted in an increase in non-controlling interests of RMB8.52 million and an increase in equity attributable to owners of the Bank of RMB2.48 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(8,516)
Consideration received from non-controlling interests	<u>11,000</u>
Gain recognized in capital reserve within equity	<u>2,484</u>

During the year ended December 31, 2015, Da'an Huimin Village and Township Bank issued 7.54 million ordinary shares with par value of RMB1 at RMB2.3 per share to non-controlling interests and the Group's ownership was diluted from 60.80% to 51.46%. This resulted in an increase in non-controlling interests of RMB15.39 million and an increase in equity attributable to owners of the parent of RMB1.96 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(15,386)
Consideration received from non-controlling interests	<u>17,342</u>
Gain recognized in capital reserve within equity	<u>1,956</u>

- (vi) Dilution of interest in Qingdao Pingdu Huimin Village and Township Bank without loss of control

During the year ended December 31, 2014, Qingdao Pingdu Huimin Village and Township Bank issued 35 million ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 58.82%. This resulted in an increase in non-controlling interests of RMB53.56 million and an increase in equity attributable to owners of the Bank of RMB23.44 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(53,558)
Consideration received from non-controlling interests	<u>77,000</u>
Gain recognized in capital reserve within equity	<u>23,442</u>

- (vii) Dilution of interest in Wuchang Huimin Village and Township Bank without loss of control

During the year ended December 31, 2015, Wuchang Huimin Village and Township Bank issued 10 million ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 66.67%. This resulted in an increase in

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (vii) Dilution of interest in Wuchang Huimin Village and Township Bank without loss of control (Continued)

non-controlling interests of RMB18.83 million and an increase in equity attributable to owners of the Bank of RMB1.17 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(18,831)
Consideration received from non-controlling interests	20,000
Gain recognized in capital reserve within equity	<u>1,169</u>

- (viii) Dilution of interest in Changchun Gaoxin Huimin Village and Township Bank without loss of control

During the year ended December 31, 2015, the Group disposed of 50% equity interest out of 100% equity interest in Changchun Gaoxin Huimin Village and Township Bank at a consideration of RMB150 million. This resulted in an increase in non-controlling interests of RMB51.12 million and an increase in equity attributable to owners of the Bank of RMB98.88 million.

The Group had signed contracts with a shareholder of Changchun Gaoxin Huimin Village and Township Bank, which hold 1.85% equity interests in Changchun Gaoxin Huimin Village and Township Bank. Pursuant to agreement, this shareholder agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Changchun Gaoxin Huimin Village and Township Bank and therefore, Changchun Gaoxin Huimin Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(51,124)
Consideration received from non-controlling interests	150,000
Gain recognized in capital reserve within equity	<u>98,876</u>

- (ix) Dilution of interest in Lujiang Huimin Village and Township Bank without loss of control

During the year ended December 31, 2015, Lujiang Huimin Village and Township Bank issued 20 million ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 60%. This resulted in an increase in non-controlling interests of RMB35.67 million and an increase in equity attributable to owners of the Bank of RMB8.33 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(35,669)
Consideration received from non-controlling interests	44,000
Gain recognized in capital reserve within equity	<u>8,331</u>

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

- (x) Dilution of interest in Gaomi Huimin Village and Township Bank without loss of control

During the year ended December 31, 2015, Gaomi Huimin Village and Township Bank issued 20 million ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 71.43%. This resulted in an increase in non-controlling interests of RMB31.33 million and an increase in equity attributable to owners of the Bank of RMB12.67 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(31,328)
Consideration received from non-controlling interests	<u>44,000</u>
Gain recognized in capital reserve within equity	<u><u>12,672</u></u>

- (xi) Dilution of interest in Shuangcheng Huimin Village and Township Bank without loss of control

During the period ended June 30, 2016, Shuangcheng Huimin Village and Township Bank issued 10 million ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 75%. This resulted in an increase in non-controlling interests of RMB15.05 million and an increase in equity attributable to owners of the Bank of RMB4.95 million. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(15,051)
Consideration received from non-controlling interests	<u>20,000</u>
Gain recognized in capital reserve within equity	<u><u>4,949</u></u>

58 DISPOSAL OF INTEREST IN SUBSIDIARIES

- (i) Deemed disposal of interest in Haikou United Rural Commercial Bank

On January 8, 2015, four of the shareholders who hold 27.91% of ownership and voting power of Haikou United Rural Commercial Bank terminated the act in concert contract. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Haikou United Rural Commercial Bank.

The Group hold 20% equity interest in and has significant influence in Haikou United Rural Commercial Bank. As a result, it is classified as an associate of the Group.

58 DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(i) Deemed disposal of interest in Haikou United Rural Commercial Bank (Continued)

Assets disposed and liabilities derecognized at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	593,111
Deposits with banks and other financial institutions	1,595,459
Interest receivable	10,988
Loans and advances to customers	380,694
Property and equipment	32,902
Deferred tax assets	791
Other assets	8,882
Deposits from banks and other financial institutions	(827,147)
Placements from banks and other financial institutions	(72,138)
Deposits from customers	(1,294,546)
Tax payables	(1,546)
Interest payables	(20,243)
Other liabilities	(11,995)
Net assets disposed of	<u>395,212</u>

	RMB'000
Gain on deemed disposal of a subsidiary:	
Fair value of retained interest recognized as interest in the associate	109,812
Net assets disposed of	(395,212)
Goodwill	(30,770)
Non-controlling interests	316,170
Gain on deemed disposal	<u>—</u>

	RMB'000
Net cash outflow arising on disposal	
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(1,360,200)
.....	<u>(1,360,200)</u>

(ii) Disposal of interest in Shulan Rural Commercial Bank

On December 10, 2015, the Group disposed of Shulan Rural Commercial Bank to an independent third party, at cash consideration of RMB66.12 million. Shulan Rural Commercial Bank is engaged in corporate and retail bank business. The net assets of Shulan Rural Commercial Bank at the date of disposal was as follows:

	RMB'000
Consideration received	
Cash received	<u>66,120</u>

58 DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)**(ii) Disposal of interest in Shulan Rural Commercial Bank (Continued)****Analysis of assets and liabilities over which control was lost:**

	RMB'000
Cash and deposits with the central bank	552,155
Deposits with banks and other financial institutions	1,090,795
Financial assets at fair value through profit or loss	300,000
Interest receivable	7,122
Loans and advances to customers	2,635,618
Available-for-sale financial assets	705,529
Held-to-maturity investments	481,653
Interest in an associate	15,000
Property and equipment	179,142
Deferred tax assets	24,615
Other assets	4,053
Deposits from banks and other financial institutions	(486,843)
Placements from banks and other financial institutions	(200,000)
Deposits from customers	(4,229,984)
Financial assets sold under repurchase agreements	(389,400)
Tax payables	(5,902)
Interest payables	(124,388)
Other liabilities	(26,365)
Net assets disposed of	<u>532,800</u>
	RMB'000
Gain on disposal of a subsidiary:	
Consideration received and receivable	66,120
Net assets disposed of	(532,800)
Non-controlling interests	479,520
Gain on disposal of a subsidiary	<u>12,840</u>
	RMB'000
Net cash outflow arising on disposal	
Cash consideration	66,120
Less: cash and cash equivalent balances disposed of	(552,155)
	<u>(486,035)</u>

Included in the profit for the year is RMB23.92 million attributable to the business generated by Shulan Rural Commercial Bank. Operating income for the year includes RMB108.91 million generated from Shulan Rural Commercial Bank.

During the year ended December 31, 2015, Shulan Rural Commercial Bank contributed RMB2,118.33 million to the Group's net operating cash flows, paid RMB2,512.41 million in respect of investing activities and paid RMB34.8 million in respect of financing activities.

D EVENT AFTER THE REPORTING PERIOD

On October 18, 2016, the Group issued a fixed rate tier two capital bonds at a face value of RMB900 million with a term of ten years. The coupon rate and the effective interest rate are 4.20% and 4.24% per annum respectively. The Group has an option to redeem the debts on October 21, 2021 at the nominal amount.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Bank or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2016 and up to the date of this report.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong