重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

Chongqing Rural Commercial Bank Co., Ltd.

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

GLOBAL OFFERING

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

Morgan Stanley NOMURA

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

重 慶 農 村 商 業 銀 行 股 份 有 限 公 司*
Chongqing Rural Commercial Bank Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**: 2,185,509,601 H Shares (comprising 2,000,000,000 Offer Shares to be offered by the Bank and 185,509,601 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of International Offer Shares	**: 2,021,595,601 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**: 163,914,000 H Shares (subject to adjustment)**
Maximum Offer Price	**: HK$6.00 per H Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**: RMB 1.00 per H Share**
Stock code	**: 3618**

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

Morgan Stanley NOMURA

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

A copy of this prospectus, together with the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix X has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, December 9, 2010 (Hong Kong time) and, in any event, not later than Tuesday, December 14, 2010 (Hong Kong time). The Offer Price will be not more than HK$6.00 and is currently expected to be not less than HK$4.50. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$6.00 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$6.00.

The Joint Bookrunners (on behalf of the Underwriters, and with our consent) may reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK$4.50 to HK$6.00) at anytime prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Bank at www.cqrcb.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure of the Global Offering," "How to Apply for Hong Kong Offer Shares" and "Further Terms and Conditions of the Hong Kong Public Offering." Applicants under the Hong Kong Public Offering should note that under no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares and/or the indicative Offer Price range is so reduced. If, for whatever reason, we and the Joint Bookrunners (on behalf of the Underwriters) are not able to agree on the Offer Price on or before Tuesday, December 14, 2010, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, or to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered to qualified institutional buyers pursuant to Rule 144A or another available exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* *Chongqing Rural Commercial Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.*

December 3, 2010

EXPECTED TIMETABLE[1]

Application lists of the Hong Kong Public Offering open[2] . . . . .11:45 a.m. on December 8, 2010

Latest time for lodging **white** and **yellow** Application Forms . . . .12:00 noon on December 8, 2010

Latest time to give **electronic application instructions** to HKSCC[3] . . . . .12:00 noon on December 8, 2010

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[4] . . . . .11:30 a.m. on December 8, 2010

Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . .12:00 noon on December 8, 2010

Application lists of the Hong Kong Public Offering close . . . . . .12:00 noon on December 8, 2010

Expected Price Determination Date[5] . . . . .December 9, 2010

Announcement of:

- the Offer Price;
- the level of indication of interest in the International Offering;
- the level of applications of the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . .December 15, 2010

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results, Dispatch/Collection of H Share Certificates and Refunds of Application Monies" in this prospectus from . . . . .December 15, 2010

A full announcement of the Hong Kong Public Offering containing the announcement and results of allocations above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.cqrcb.com**[6] from . . . . .December 15, 2010

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function . . . . .December 15, 2010

Dispatch of H Share certificates in respect of wholly or partially successful applications on or before[7] . . . . .December 15, 2010

Dispatch of White Form e-Refund Payment Instructions/ refund checks (if applicable) on or before . . . . .December 15, 2010

Dealings in the H Shares on the Hong Kong Stock Exchange
expected to commence on . . . . .December 16, 2010

Notes:

(1) All dates and times refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at anytime between 9:00 a.m. to 12:00 noon on December 8, 2010, the application lists will not open on that day. For further information, please refer to the section headed "How to Apply for Hong Kong Offer Shares — 7. When May Applications be Made — Effects of Bad Weather Conditions on the Opening of the Application Lists" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC" in this prospectus.

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

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about December 9, 2010 and, in any event, not later than December 14, 2010. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Underwriters) and us by December 14, 2010, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

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

(7) Share certificates for the H Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date, which is expected to be December 16, 2010. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

You should read carefully the sections headed "Structure of the Global Offering", "How to Apply for Hong Kong Offer Shares" and "Further Terms and Conditions of the Hong Kong Public Offering" in this prospectus for details relating to the structure of the Global Offering and how to apply for Hong Kong Offer Shares.

CONTENTS

This prospectus is issued by Chongqing Rural Commercial Bank Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any directors of any of them or any other person involved in the Global Offering. Information contained in our website, located at www.cqrcb.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

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

The market share and industry data in this prospectus were extracted and derived, in part, from data relating to our Group which were prepared in accordance with IFRS, and various official or publicly available sources derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards which may differ from IFRS in certain significant respects. In addition, the information provided by the various official or publicly available sources may not be consistent with the information compiled within or outside China by third parties.

We believe that the sources of this information are appropriate sources for such information. However, we make no representation as to the correctness or accuracy of government, official or publicly available information contained in this prospectus. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholders, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon. We have, however, taken such care as we consider reasonable in the reproduction and extraction of such information.

OVERVIEW

According to statistics provided by CBRC Chongqing Bureau, we are the largest bank in terms of total assets and total deposits in Chongqing. As of June 30, 2010, we had RMB261.6 billion in total assets and RMB185.4 billion in total deposits. Our total deposits represent approximately 14.6% of total deposits of all banking institutions in Chongqing. As of June 30, 2010, we were the fourth largest bank in terms of total loans in Chongqing with RMB114.5 billion in total loans, representing approximately 11.6% of total loans of all banking institutions in Chongqing. For the six months ended June 30, 2010, we had RMB1.7 billion of net profit.

We were the first provincial level rural commercial bank*(Note 1)* established in Western China (in June 2008) and the third provincial level rural commercial bank estabished in the PRC after those in Beijing and Shanghai in October 2005 and August 2005, respectively. Based on the data of the Bankers' Almanac as of September 2010, we are also the third largest rural commercial bank in the PRC, and the 21st largest bank in China in terms of total assets *(Note 2)*. Our predecessors were the rural credit cooperatives in Chongqing. With nearly 60 years' operating history in Chongqing, we underwent a series of corporate reorganizations to become a joint stock limited company and a commercial bank in June 2008.

Selected Financial Ratios

	For the year ended December 31,			For the six months ended June 30,
	2007	2008	2009	2010
Profitability indicators				
Return on total assets	2.49%[1]	1.19%[1]	0.94%[1]	1.27%[14]
Return on average total assets	3.02%[2]	1.39%[2]	1.02%[2]	1.43%[14]
Return on equity[3]	N/A[4]	25.28%	19.92%	26.18%[14]
Net interest spread[5]	4.08%	3.51%	2.94%	2.93%
Net interest margin[6]	4.16%	3.68%	3.06%	3.04%
Net fee and commission income to operating income	0.93%	1.40%	2.41%	3.42%
Cost-to-income ratio[7]	29.12%	40.84%	49.23%	38.94%

Notes:

1. *As advised by Junhe Law Offices, our PRC legal advisors, our Bank is classified as a provincial level rural commercial bank. Under current regulatory regime, there is no limitation for such a provincial level rural commercial bank to expand and establish township banks in other provinces.*

2. *According to the Bankers' Almanac, the ranking was based on the year-end total assets figures as shown in the balance sheets submitted by banks on a voluntary basis. While we have submitted our total assets figure as at December 31, 2009, we understand that some other banks have not yet submitted their 2009 financial figures and thus some 2008 financial figures were used for the purpose of the ranking. Bankers' Almanac is a source of intelligent reference data for payments, compliance and risk assessment. Source: http://www.bankersalmanac.com/addcon/products/home.aspx.*

	As at December 31,			As at June 30,
	2007	2008	2009	2010
Capital adequacy indicators				
Core capital adequacy ratio(8)	N/A(9)	9.31%	8.14%	8.84%
Capital adequacy ratio(10)	N/A(9)	9.32%	10.23%	10.50%
Total equity to total assets	N/A(4)	4.72%	4.71%	4.85%
Assets quality indicators				
Non-performing loan ratio(11)	13.22%	8.68%	3.88%	2.99%
Allowance to non-performing loans(12)	63.33%	83.43%	126.85%	148.85%
Allowance to total loans(13)	8.37%	7.25%	4.92%	4.45%
Other indicators				
Loan-to-deposit ratio	78.25%	66.38%	66.21%	61.76%

(1) Represents the net profit for the period (including profit attributable to minority interests) as a percentage of the period-end balance of total assets.

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

(3) Represents the net profit for the period (including profit attributable to minority interests) as a percentage of the period-end balance of total equity including minority interests.

(4) Not meaningful given we had a capital deficit at December 31, 2007.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net interest income by average interest-earning assets.

(7) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

(8) Calculated as follows: core capital adequacy ratio = (core capital - core capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk). For the components of core capital, core capital deductions and risk-weighted assets, see "Supervision and Regulation — PRC Banking Supervision and Regulation — Supervision over Capital Adequacy — CBRC Supervision of Capital Adequacy" and "Financial Information — Capital Resources — Capital Adequacy" in this prospectus.

(9) In 2007, before we were incorporated into a joint stock limited company, our business was carried out by CRCU, our predecessor, and the 39 Rural Credit Unions thereunder at that time. Each of the Rural Credit Unions was separately regulated by regulatory authorities and the regulators examined the capital adequacy ratio and the core capital adequacy ratio of each of the credit cooperative unions individually. Therefore, we believe it is not meaningful to disclose the capital adequacy ratio and the core capital adequacy ratio for 2007 on a consolidated basis. Before the incorporation of our Bank, 5 out of the 39 Rural Credit Unions had complied with both capital adequacy ratio and core capital adequacy ratio requirements, 22 met the core capital adequacy ratio requirement, while 12 failed to meet the requirements of both indicators. This was primarily because before the Restructuring, the 39 Rural Credit Unions had limited risk control, low level of capital management, imperfect capital control and capital replenishment mechanism as well as inadequate risks resistant capacity under the original mechanism. After the incorporation of our Bank, our corporate governance had improved, and we had been able to maintain capital adequacy ratio and core capital adequacy ratio at a level higher than regulatory standards.

(10) Calculated as follows: capital adequacy ratio = regulatory capital/(risk-weighted assets + 12.5 x capital charge for market risk). For the components of regulatory capital and risk-weighted assets, see "Supervision and Regulation — PRC Banking Supervision and Regulation — Supervision over Capital Adequacy — CBRC Supervision of Capital Adequacy" and "Financial Information — Capital Resources — Capital Adequacy" in this prospectus.

(11) Calculated by dividing non-performing loans and advances to customers by total loans and advances to customers.

(12) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total non-performing loans and advances to customers.

(13) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total loans and advances to customers.

(14) Based on annualized figures.

OUR OPERATIONAL AND RISK MANAGEMENT RATIOS

The Core Indicators for the Risk Management of Commercial Banks (for Trial Implementation)("**Core Indicators (Provisional)**") (商業銀行風險監管核心指標(試行)) promulgated by the CBRC became effective on January 1, 2006.

The following table sets forth the required ratios as provided in the Core Indicators (Provisional) and our Bank's ratios as of June 30, 2010, calculated under PRC GAAP.

				Ratios of our Bank (%)			
			Requirement	as of December 31,			as of June 30,
Risk level	**Primary indicators**	**Secondary Indicators**	**(%)**	**2007**	**2008**	**2009**	**2010**
Risk Level							
Liquidity risk	Liquidity ratio(1)	RMB	≥25	47.89	60.21	54.12	32.40
		Foreign Currency		N/A***	N/A***	N/A***	61.93
	Core liabilities ratio(2)		≥60	38.5*	55.98*	52.55*	48.38*
	Liquidity gap ratio(3)		≥-10	2.69	26.62	27.18	13.76
Credit risk	Non-performing asset ratio(4)		≤4	10.25*	4.87*	2.55	1.78
		Non-performing loan ratio(5)	≤5	13.22*	8.68*	3.88	2.99
	Credit concentration to a single group customer(6)		≤15	N/A**	28.73*	8.19	8.76
		Loan concentration to a single customer(7)	≤10	N/A**	28.73*	8.10	9.15
	Overall credit exposure to related parties(8)		≤50	N/A**	58.08*	21.95	27.83
Market risk	Cumulative foreign currency exposure ratio(9)		≤20	N/A***	N/A***	0.38	0.78
Risk Cushion							
Profitability	Cost to income ratio(10)		≤45	38.16	40.67	47.55*	37.25
	Return on assets(11)		≥0.6	2.02	1.41	1.05	1.46
	Return on capital(12)		≥11	N/A**	56.59	23.78	31.85

Risk level	Primary indicators	Secondary Indicators	Requirement (%)	Ratios of our Bank (%) as of December 31, 2007	2008	2009	as of June 30, 2010
Allowance adequacy	Allowance adequacy ratio for asset impairment(13)		≥100	134.96	172.42	234.35	269.70
		Allowance adequacy ratio for loan impairment(14)	≥100	153.21	174.74	239.38	274.76
Capital adequacy	Capital adequacy ratio(15)		≥8	N/A**	9.32	10.23	10.50
		Core capital adequacy ratio(16)	≥4	N/A**	9.31	8.14	8.84

Calculated as follows:

(1) Liquidity ratio = Current assets/Current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and financial institutions with maturities of one month or less, interest receivable and other receivables due within one month, qualified loans with maturities of one month or less, investment in debt securities with maturities of one month or less, debt securities that can be liquidated in the international secondary market at any time and other liquid assets with maturities of one month or less (excluding the non-performing portion of such assets). Current liabilities include demand deposits (excluding policy deposits), time deposits with remaining maturities of one month or less (excluding policy deposits), net placements and deposits from banks and financial institutions due within one month, issued debt securities with maturities of one month or less, interest payable and other payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(2) Core liabilities ratio = Amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued debt securities and 50% of demand deposits. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

(3) Liquidity gap ratio = Liquidity gap/Amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of 90 days or less minus the amount of on- or off-balance sheet liabilities with maturities of 90 days or less.

(4) Non-performing asset ratio = Amount of non-performing assets subject to credit risk/Amount of assets subject to credit risk x 100%. Non-performing assets include non-performing loans and other assets categorized as non-performing. The categorization of non-loan assets is in accordance with relevant CBRC regulations.

(5) Non-performing loan ratio = Amount of non-performing loans/Amount of total loans x 100%. Non-performing loans refer to loans in the substandard, doubtful and loss categories according to the PBOC and CBRC's five category loan classification system.

(6) Credit exposure to a single group borrower = Total credit granted to the largest group borrower/Regulatory capital x 100%. Largest group borrower refers to the single group borrower granted the highest credit limit at the end of the period.

(7) Loan exposure to a single borrower = Total loans to the largest borrower/Regulatory capital x 100%. Largest borrower refers to the borrower with the highest amount of loans outstanding at the end of the period.

(8) Overall credit exposure to related parties = Total granted credit limit to all related parties/Regulatory capital x 100%. Related parties refer to parties defined in the Related Party Transactions Measures. Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and PRC government bonds.

(9) Cumulative foreign currency exposure ratio = Amount of cumulative foreign currency exposure/Regulatory capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by exchange rate sensitive foreign currency liabilities.

(10) Cost-to-income ratio = Operating and management expenses/Operating income x 100%.

(11) Return on assets = Net profit/Average balance of total assets for the period x 100%.

(12) Return on capital = Net profit/Average balance of shareholders' equity for the period x 100%.

(13) Allowance adequacy ratio for asset impairment = Actual amount of allowance for assets subject to credit risk/Required amount of allowance for assets subject to credit risk x 100%.

(14) Allowance adequacy ratio for loan impairment = Actual amount of allowance for loans/Required amount of allowance for loans x 100%. The required amount of allowance for loans is calculated based on the methodology under the PBOC guidelines as described under "— Loan Classification, Allowance and Write-offs — Loan Allowance." Although the methodology and amount of allowance for impairment loss prepared under IFRS and PBOC's guidelines are different and not comparable, the Bank confirmed that the differences have not had any adverse effect on the Bank's operation, and its allowance adequacy ratio for loan impairment under both IFRS and PBOC's guidelines met the regulatory requirements as of June 30, 2010.

(15) Capital adequacy ratio = (Capital - capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB360 million declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from regulatory capital in calculating the above capital adequacy ratio at December 31, 2009. Our capital adequacy ratio would have been 9.90% at December 31, 2009 if such cash dividend were deducted from regulatory capital at that date.

(16) Core capital adequacy ratio = (Core capital - core capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB360 million declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from the core capital in calculating the above core capital adequacy ratio at December 31, 2009. Our core capital adequacy ratio would have been 7.81% at December 31, 2009 if such cash dividend were deducted from core capital at that date.

* Non-compliance with relevant regulatory requirement.

** In 2007, our Business was conducted by 39 Rural Credit Unions, who separately complies with relevant core indicator ratio requirements. On such premise, our directors are of the view that it is unnecessary or even misleading to present those core indicators on consolidated basis.

*** The Bank did not conduct any foreign currency businesses during 2007 and 2008.

The Bank did not comply with core liabilities ratio because it used inter-bank money market and capital market, instead of time deposit, to finance its funding requirements in the past, but it expects to improve the core liabilities ratio by the first quarter of 2011. CBRC Chongqing Bureau has not requested the Bank to rectify the non-compliance of the core liabilities ratio during its latest ad-hoc inspection from November 2, 2010 to November 12, 2010.

LEADING BANK IN CHONGQING

We are headquartered in Chongqing, the largest municipality in China by size and population and the only municipality in Western China. As one of the four municipalities directly supervised by the PRC central government, Chongqing has been established as the key area for the Go West Policy (西部大開發) since 2000 and the pilot area for China's Coordinated Urban Rural Development Comprehensive Reform (城鄉統籌改革). Chongqing's development was also escalated to be one of China's national development strategies in 2009. With a series of policies and initiatives at the central government and local levels to boost the development of Chongqing's industry, agriculture and infrastructure, Chongqing has been experiencing strong economic growth and rapid urbanization. From 2007 to 2009, Chongqing's GDP grew at a CAGR of 18.2%, which was higher than the CAGR of national GDP of 13.2% for the same period. Over the same time period, its urbanization rate increased by 6.3% to reach 51.6%, while the urbanization rate of Beijing, Tianjin and Shanghai increased only by 1.4%, 2.9% and decreased by 0.5% respectively. For details of the development strategies of Chongqing, see "Banking Industry in the PRC — *Economy of Chongqing*" in this prospectus. Leveraging on its geo-economic advantage, Chongqing Municipal Government, with the support of the PRC central government, has been developing Chongqing as the economic and financial center of the upper reaches of Yangtze River and the Western China, paving the way for Chongqing's long term growth.

As a leading bank in Chongqing, we have benefited from Chongqing's strong economic growth. From December 31, 2007 to December 31, 2009, our total loans and total deposits grew rapidly at a CAGR of 16.2% and 26.3% respectively.

According to statistics provided by PBOC Chongqing Operations Office, as of June 30, 2010, we had the largest market share in each of County Areas deposits, County Areas loans and SME loans, accounting for 27.6%, 25.5% and 16.6% market share in Chongqing respectively. We have the most extensive distribution network in Chongqing covering a broad and diversified customer base. As of June 30, 2010, we had a distribution network of 1,763 outlets, comprising our headquarters, one main branch under the headquarters, 42 branches, 1,719 branch outlets and deposit taking outlets, and 672 ATMs. Our network of branches covers all the 40 administrative districts and counties in Chongqing. We have the largest distribution network in the County Areas with 1,457 distribution outlets covering 1,244 townships and villages in Chongqing. We have established the largest branch network in the Urban Areas with 306 outlets. Our customer base included approximately 62,000 corporate customers and 17.47 million retail customers as of June 30, 2010. On the above premises, we are regarded as a market leader in various banking service segments in Chongqing.

HONOURS AND AWARDS

With our long standing presence and extensive brand recognition amongst households, SMEs, large corporations and local governments in the County Areas and Urban Areas of Chongqing, we have cultivated a unique corporate culture of focusing on personalized banking services with local characteristics that distinguishes us from many other banks operating in Chongqing. In recent years, we have received a number of honors and awards for our outstanding performance and service excellence. For example:

— we were ranked No. 11 among the "Chongqing Top 100 Enterprises" (重慶市百強企業) and No. 5 among the "Chongqing Top 50 Service Enterprises" (重慶市服務企業50強) by Chongqing Enterprises Confederation (重慶市企業聯合會) and Chongqing Entrepreneur Association (重慶市企業家協會) in 2010;

— we were ranked No. 446 among the "Top 500 Enterprises of China" and No.135 among the "Top 500 Service Enterprises of China" by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家聯合會) in 2010;

— we were ranked No. 26 in the category of banks with total assets between USD 10 billion and USD 40 billion in Asia in the "Asian Bank Competitiveness Rankings of Year 2009" ("2009年亞洲銀行競爭力排名研究報告") by the 21st Century Business Herald;

— we were awarded the "Service Excellence Award for Chongqing Rural Worker Bank Card" ("重慶市農民工銀行卡特色服務獎") by the PBOC Chongqing Operations Office in 2009;

— we were awarded "The 2009 State-owned Enterprise Contribution Award" ("2009年度國企貢獻獎") by the Chongqing SASAC recognising our good products, quality services and strong performance; and

— we were named one of the "China (West) Top Ten Growth Enterprises" ("CCTV - 2008年新財富年會西部論壇中國(西部)十大成長企業") in the 2008 New Fortune Annual Conference of CCTV (China Central Television) (中國中央電視台2008年新財富年會).

OUR STRENGTHS

Our principal strengths include:

- Uniquely positioned to benefit from the rapid development of Chongqing, the economic center in Western China;
- The most extensive distribution network in Chongqing with solid local connection;
- Strong deposit base providing access to stable sources of funding;
- Leading financial services provider for SMEs in Chongqing;
- Nimble and adaptive organization with strong county banking expertise and growing strength in urban banking;
- Sound risk management and internal control capability;
- Industry leading net interest margin and return on investment; and
- Stable and experienced management team.

OUR STRATEGIES

Our strategic goal is to become one of the most competitive regional commercial banks in China while achieving sustainable growth and maximizing returns for our shareholders. We will focus on serving the SMEs and retail banking clients in Chongqing. We will further enhance our leading position in the County Areas and continuously improve our competitiveness in Urban Area banking. We will also selectively expand our distribution networks and establish presence in economically developed regions outside Chongqing.

We intend to implement the following strategic measures to achieve our strategic goals:

- Capture opportunities arising from the rapid growth in the County Areas;

- Continue to expand our fast-growing banking business in the Urban Areas;
- Continue to enhance the competitive advantages of our SME banking business;
- Become a premier retail bank in Chongqing;
- Accelerate the growth of fee and commission income;
- Continue to improve the efficiency of our multi-channel distribution network;
- Selectively expand our banking business in other affluent regions outside Chongqing; and
- Continue to enhance our corporate governance, risk management, internal controls and construction of IT systems.

Despite our plan to continue expanding our business rapidly after our Global Offering, we are not planning to conduct A share listing in the near future.

COUNTY AREA BANKING BUSINESS

As a primary provider and market leader of banking services in the County Areas with an extensive distribution network in Chongqing, leading operational scale, diverse and innovative product and service offerings, decades of experience and expertise in the County Area banking market, as well as strong government relationship, we are well-positioned to capitalize on the continued growth of Chongqing's County Areas. County Area Banking Business has been a long-term strategic focus of our Bank, and also one of our major sources of revenues. We provide diversified financial products and services, including Sannong-related loans, for customers in County Areas through 31 County Area branches with a total of 1,457 distribution outlets located in County Areas. As of June 30, 2010, our County Area loans amounted to RMB54.0 billion, accounting for 47.1% of our total loans, while County Area deposits amounted to RMB124.2 billion, accounting for 67.0% of our total deposits.

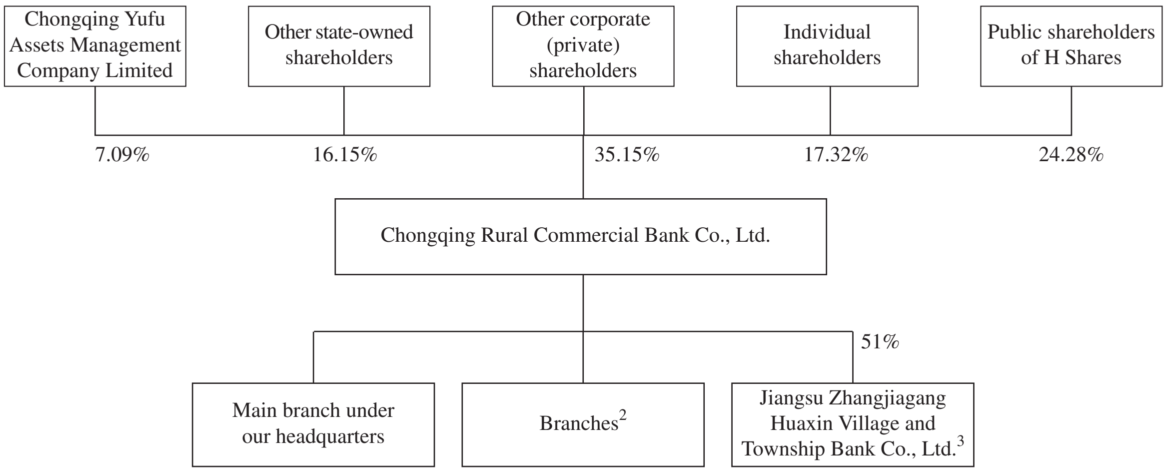
OUR RESTRUCTURING AND INCORPORATION

Since 2004, we have undergone a series of financial restructuring, including: (i) writing off and disposing of non-performing assets since 2004; (ii) government grants by the Chongqing Municipal Government; (iii) capital injection by the promoters; (iv) issuance of subordinated bonds; and (v) increase in registered capital.

In June 2008, we obtained the approval from CBRC and obtained a business license from the Chongqing Administration for Industry and Commerce to register and commence operation as a joint stock limited company. We began to conduct commercial banking business in the PRC. At the time of our incorporation, we had registered capital of RMB6 billion.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets out our shareholding structure, to the best knowledge of our Directors, immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of the shareholders listed below subsequent to the Latest Practicable Date[1]:



---

1 For information regarding our equity and share capital immediately following completion of the Global Offering before or after exercising the Over-allotment Option, please refer to the section headed "Share Capital" in this prospectus.

2 As of June 30, 2010, we have 42 branches, all of which are non-legal entities.

3 Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd, established in April, 2010 is our 51% held subsidiary and a separate legal entity. Five corporate shareholders and one individual shareholder, namely, Panhua Group Co.,Ltd. (攀華集團有限公司) (10% of the total shareholding), Zhangjiagang Free Trade Zone Jianglian International Trading Co., Ltd. (張家港保稅區江聯國際貿易有限公司) (10% of the total shareholding), Zhangjiagang Baoliwei Metal Materials Co., Ltd. (張家港市寶利威金屬材料有限公司) (10% of the total shareholding), Chongqing Welluck Trading Co., Ltd. (重慶華力克貿易有限公司) (9% of the total shareholding), Jiangsu Huaerda International Trading Co., Ltd. (江蘇華爾達國際貿易有限公司) (5% of the total shareholding), and Mr. Duolun Feng (馮多倫) (5% of the total shareholding), collectively hold the remaining 49% shareholding. Apart from Panhua Group Co., Ltd., which holds 1.43% shareholding of our Bank, all other shareholders are independent third parties.

SUMMARY FINANCIAL INFORMATION

The summary historical consolidated income statement data for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009, the summary historical consolidated balance sheet data at December 31, 2009, 2008 and 2007 and at June 30, 2010 set forth below have been derived from the Accountants' Reports issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, which have been prepared in accordance with IFRS and are included in Appendices IA and IB to this prospectus. You should read the summary historical financial information below in conjunction with "Appendix IA — Accountant's Report for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008" and "Appendix IB — Accountant's Report for the period from June 27, 2008 to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010."

BASIS OF PRESENTATION

In June 2008, we were incorporated into a newly formed joint stock limited company as part of our Restructuring to take over the business carried out by the 39 Rural Credit Unions and CRCU which formed the business of our Bank (the "**Business**"). Due to the requirements under the IFRS, we were not able to take advantage of the common control combination accounting method under the IFRS, which would otherwise allow us to adopt merger accounting, to account for the Restructuring because there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and our Bank before and after the Restructuring. Therefore, the results of the Business carried out by the 39 Rural Credit Unions and CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 cannot be included in the financial statements of our Bank as a continuation of the Business. Instead, the Restructuring is accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCU by our Bank. As a result, our reporting accountants, Deloitte Touche Tohmatsu, has prepared two sets of accountants' reports included in this prospectus as Appendix IA and Appendix IB, which include the financial information of the banking business carried out by the 39 Rural Credit Unions under the management of CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 (the "**Predecessor Period**") and the financial information of our Bank for the period from June 27, 2008 to December 31, 2008, the year ended December 31, 2009, and the six months ended June 30, 2010 (the "**Post-Predecessor Period**"), respectively.

In order to help you have a better understanding of our financial condition and results of operations during the Track Record Period, we have added up the corresponding income statement line items for the period from January 1, 2008 to June 26, 2008 included in the CRCU Financial Information and for the period from June 27, 2008 to December 31, 2008 included in the Financial Information for the purposes of presenting the income statement figures for 2008 in this prospectus, except for Appendix IA and Appendix IB.

Due to the presentation adjustments mentioned above, some of the amounts and numbers presented in this prospectus are derived from calculation using the amounts and numbers in the CRCU Financial Information and the Financial Information, and not directly from the CRCU Financial Information and the Financial Information themselves. See "Financial Information — Basis of Presentation" for further information on the basis of presentation and "Our History, Restructuring and Operational Reform" for further information regarding our current and historical corporate structure and the Restructuring.

In addition, because the Restructuring was accounted for as an acquisition, the amounts of loans and advances to customers reported at the end of the reporting period after the Restructuring presented in Appendix IB were stated at their fair value, which represented the net amounts of the loans after allowance, while the loans and advances to customers prior to the Restructuring presented in Appendix IA were stated at their gross amounts (i.e., the contractual amounts) after allowance. However, in order to give you a more meaningful comparison of our financial positions during the Track Record Period, the disclosure in relation to loans and advances to customers after the Restructuring in this prospectus, in particular, the "Assets and Liabilities" and "Financial Information" sections, has been prepared based on the contractual amount of these loans, which are not the same as the fair value of these loans presented in Appendix IB.

Summary Historical Consolidated Income Statement Data

Results of operations for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007

The following table sets forth, for the periods indicated, our condensed results of operations.

	For the year ended December 31,	For the period from January 1, 2008 to June 26,	For the period from June 27, 2008 (date of incorporation) to December 31,	For the year ended December 31,		For the six months ended June 30,	
	2007	2008	2008	2008[1]	2009	2009	2010
						(unaudited)	
	(in millions of RMB)						
Interest income	6,420.5	3,830.8	4,953.3	8,784.1	8,703.0	4,006.6	5,238.3
Interest expense	(2,106.3)	(1,557.8)	(2,043.0)	(3,600.8)	(3,228.5)	(1,659.6)	(1,798.4)
Net interest income	**4,314.2**	**2,273.0**	**2,910.3**	**5,183.3**	**5,474.5**	**2,347.0**	**3,439.9**
Fee and commission income	66.1	31.7	56.6	88.3	148.8	60.5	129.2
Fee and commission expense	(12.7)	(6.4)	(7.6)	(14.0)	(12.1)	(6.7)	(6.1)
Net fee and commission income	**53.4**	**25.3**	**49.0**	**74.3**	**136.7**	**53.8**	**123.1**
Net trading gain/loss	(2.8)	—	—	—	8.3	2.1	12.7
Other operating income, net[2]	1,347.7	11.4	25.3	36.7	57.3	12.0	21.6
Operating income	5,712.5	2,309.7	2,984.6	5,294.3	5,676.8	2,414.9	3,597.3
Operating expenses	(1,845.8)	(829.2)	(1,643.4)	(2,472.6)	(3,190.7)	(1,203.5)	(1,650.3)
Impairment losses on assets	(883.4)	(161.6)	(130.4)	(292.0)	(123.0)	(111.7)	142.1

	For the year ended December 31,	For the period from January 1, 2008 to June 26,	For the period from June 27, 2008 (date of incorporation) to December 31,	For the year ended December 31,		For the six months ended June 30,	
	2007	2008	2008	2008[1]	2009	2009	2010
						(unaudited)	
	(in millions of RMB)						
Net gain/loss on sale of available-for-sale financial assets	18.9	(1.1)	0.7	(0.4)	121.4	100.8	108.0
Profit before tax	**3,002.2**	**1,317.8**	**1,211.5**	**2,529.3**	**2,484.5**	**1,200.5**	**2,197.1**
Income tax expense	—	—	(534.1)	(534.1)	(596.2)	(280.0)	(536.7)
Profit for the period/year	**3,002.2**	**1,317.8**	**677.4**	**1,995.2**	**1,888.3**	**920.5**	**1,660.4**
Earnings per Share (expressed in RMB per Share)							
— basic	N/A	N/A	0.11	N/A	0.31	0.15	0.26
— diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividends	—	110.8	—	110.8	232.1	0.0	360.0

(1) In order to help you have a better understanding of our financial condition and results of operations during the Track Record Period, we have added up the corresponding income statement line items for the period from January 1, 2008 to June 26, 2008 included in Appendix IA to this prospectus and for the period from June 27, 2008 to December 31, 2008 included in Appendix IB to this prospectus.

(2) Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

Summary Historical Consolidated Balance Sheet Data

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	(in millions of RMB)			
Loans to customers, gross	75,398.6(7)	77,854.6	101,821.1(10)	114,513.3
Allowances for impairment losses	(6,314.6)(8)	(5,640.8)(9)	(5,005.4)(11)	(5,097.2)(13)
Loans to customers, net	69,084.0(8)	72,213.8(9)	96,815.7(11)	109,416.1(13)
Investment securities and other financial assets, net(1)	23,012.6	34,346.4	47,430.4	71,961.2
of which:				
Receivables(2)	1,849.9	7,829.1	15,274.1	23,219.7
Cash and balances with central bank	19,170.3	19,053.4	27,415.9	32,844.0
Deposits with banks and other financial institutions, net(3)	3,532.4	5,355.2	10,154.4	7,651.3
Financial assets held under resale agreements(4)	2,205.2	29,941.3	13,374.2	33,499.7
Goodwill	0.0	440.1	440.1	440.1
Other assets(5)	3,482.5	5,917.9	5,730.0	5,802.7
Total assets	**120,487.0**	**167,268.1**	**201,360.7**	**261,615.1**
Deposits from customers	96,350.8	117,282.5	153,776.4	185,402.1
Deposits from banks and other financial institutions	800.1	2,176.8	4,135.6	10,938.6
Subordinate debt payable	—	—	2,300.0	2,300.0
Others(6)	23,528.4	39,917.0	31,671.4	50,289.8
Total liabilities	**120,679.3**	**159,376.3**	**191,883.4**	**248,930.5**
Paid-in/share capital	1,639.9	6,000.0	6,000.0	7,000.0
Reserves	4,999.8	1,284.6	1,407.6	3,697.4
(Accumulated losses)/retained earnings	(6,832.0)(12)	607.2	2,069.7	1,960.2
Equity attributable to equity holders	(192.3)	7,891.8	9,477.3	12,657.6
Minority interests	—	—	—	27.0
Total equity	**(192.3)**	**7,891.8**	**9,477.3**	**12,684.6**
Total equity and liabilities	**120,487.0**	**167,268.1**	**201,360.7**	**261,615.1**

(1) Investment securities and other financial assets consist of financial assets designated as at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables. There were no related allowance for impairment losses on investment securities at June 30, 2010 and December 31, 2009, 2008 and 2007.

(2) Receivables consist mainly of debt instruments issued by financial institutions. See “Assets and Liabilities — Investment Securities — Receivables.”

(3) There were no related allowance for impairment losses on deposits with banks and other financial institutions as at June 30, 2010 and December 31, 2009, 2008 and 2007.

(4) Financial assets held under resale agreements consist primarily of bills and government and enterprise bonds.

(5) Other assets consist primarily of property and equipment, deferred tax assets, interest receivables, foreclosed assets, and other assets.

(6) Others consist primarily of interest payable, salary payable and financial assets sold under repurchase agreements.

(7) The amount of gross loans to customers at December 31, 2007 reflected the write-off of RMB4.2 billion in non-performing loans in connection with our Financial Restructuring.

(8) The amount of the allowance for impairment losses and the amount of net loans to customers at December 31, 2007 reflected the release in the amount of RMB4.2 billion from the loan loss allowance resulting from the write-off of RMB4.5 billion in non-performing assets in connection with our Financial Restructuring and the collection of RMB132.3 million from the written-off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

(9) The amount of allowance for impairment losses and the amount of net loans to customers at December 31, 2008 reflected the release in the amount of RMB483.1 million from the loan loss allowance resulting from the collection from the written off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

(10) The amount of gross loans to customers at December 31, 2009 reflected the write-off of RMB188.4 million in non-performing loans in connection with our Financial Restructuring.

(11) The amount of allowance for impairment losses and the amount of net loans to customers at December 31, 2009 reflected the release in the amount of RMB188.4 million from the loan loss allowance resulting from the write-off of RMB472.5 million in non-performing assets in connection with our Financial Restructuring and the collection of RMB661.4 million from the written-off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

(12) The Bank incurred a large amount of accumulated losses before 2007 due to the large amount of non-performing assets resulted from the operations of the various rural credit cooperatives before 2007, which necessitated the provision of a large amount of allowance for impairment losses.

(13) The amount of allowance for impairment losses and the amount of net loans to customers at June 30, 2010 reflected the collection of RMB121.3 million from the written-off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

Operating Income by Business Segment

	For the year ended December 31,						For the six months ended June 30,			
	2007		2008		2009		2009		2010	
							(unaudited)			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking business	2,153.1	37.7%	2,556.2	48.3%	2,322.4	40.9%	1,353.7	56.1%	1,556.4	43.3%
Retail banking business	2,333.5	40.8	2,164.2	40.9	1,942.2	34.2	711.8	29.5	1,117.6	31.1
Treasury business	(121.8)[1]	(2.1)	538.2	10.1	1,359.9	24.0	337.4	14.0	901.6	25.0
Unallocated[2]	1,347.7	23.6	35.7	0.7	52.3	0.9	12.0	0.4	21.7	0.6
Total operating income	**5,712.5**	**100.0%**	**5,294.3**	**100.0%**	**5,676.8**	**100.0%**	**2,414.9**	**100.0%**	**3,597.3**	**100.0%**

(1) The loss in our treasury business in 2007 was primarily due to the decentralization in the management of funds in the individual credit cooperative unions which formed part of our business prior to our incorporation in 2008, resulting in low efficiency in fund utilization.

(2) Includes businesses such as equity investment and other operating income that are not directly attributable to a segment or cannot be allocated on a reasonable basis. Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

Key Financial Indicators of County Area and Urban Area Banking Business

The following table sets forth, for the periods indicated, the main financial indicators of our County Area and Urban Banking Business.

	As at December 31,						As at June 30,	
	2007		2008		2009		2010	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area(1)	Urban Area
Deposits	74.1%	25.9%	74.3%	25.7%	69.7%	30.3%	67.0%	33.0%
Loans	59.3%	40.7%	55.3%	44.7%	45.3%	54.7%	47.1%	52.9%
Assets	55.2%	44.8%	53.8%	46.2%	55.0%	45.0%	48.9%	51.1%
Return on average total assets	4.1%	1.6%	1.1%	1.8%	1.0%	1.1%	1.1%	1.8%
Net fee and commission income to operating income	0.6%	1.9%	1.6%	1.2%	2.6%	2.1%	2.4%	4.5%
Cost-to-income ratio	28.2%	31.8%	52.3%	26.1%	56.3%	37.2%	55.5%	22.1%
Loan-deposit ratio	62.6%	122.9%	49.4%	115.3%	43.0%	119.5%	43.5%	98.9%
NPL ratio	17.7%	6.7%	12.8%	3.6%	7.2%	1.1%	5.5%	0.8%
Allowance to non-performing loans	64.5%	58.7%	81.0%	94.3%	107.5%	229.3%	118.4%	340.9%

(1) County Area numbers in 2010 include those from our subsidiary in Zhangjiagang, Jiangsu.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

The statistics set forth in the table below are based on the assumption that the Over-allotment Option is not exercised.

Forecast consolidated profit attributable to equity holders of the Bank(1) . . . . Not less than RMB2.85 billion

Unaudited pro forma forecast earnings per share(2)(3) . . . . RMB0.325 (HK$0.379)

(1) The forecast consolidated profit attributable to equity holders of the Bank for the year ending December 31, 2010 is extracted from the profit forecast as set out in "Profit Forecast For The Year Ending December 31, 2010" under "Financial Information". The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in "Appendix IV — Profit Forecast".

(2) The calculation of the unaudited forecast earnings per share on a pro forma basis in accordance with Hong Kong Listing Rules 4.29(8) is based on the forecast consolidated net profit attributable to the equity holders of the Bank for the year ending December 31, 2010, and a weighted average of 8,758,904,110 shares assumed to be issued and outstanding during the year ending December 31, 2010. The weighted average of 8,758,904,110 shares is calculated based on the

6,000,000,000 shares issued and outstanding as of January 1, 2010, 1,000,000,000 shares issued on March 30, 2010 to three state-owned enterprises under a private placement and adjusted for the 2,000,000,000 shares to be newly issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on January 1, 2010. This calculation assumes that the Over-allotment Option will not be exercised.

(3) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8577 to HK$1.00, the PBOC rate prevailing on November 26, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 2,000,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 9,000,000,000 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$4.50	**Based on an Offer Price of HK$6.00**
Market capitalization of our Shares	HK$40.5 billion	HK$54.0 billion
Estimated price/earnings multiple		
(a) pro forma basis(1)	11.86 times	15.81 times
(b) weighted average basis(2)	9.27 times	12.36 times
Unaudited pro forma adjusted consolidated net tangible assets per share(3)	HK$2.55 (RMB2.19)	HK$2.88 (RMB2.47)

(1) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a pro forma basis at respective Offer Prices of HK$4.50 and HK$6.00 per H Share, assuming a weighted average of 8,758,904,110 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 8,758,904,110, is calculated on the basis that there were 6,000,000,000 shares issued and outstanding as of December 31, 2009, 1,000,000,000 shares issued on March 30, 2010 to three state-owned enterprises under a private placement and 2,000,000,000 H Shares to be newly issued pursuant to the Global Offering had been issued on January 1, 2010.

(2) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a weighted average basis at respective Offer Prices of HK$4.50 and HK$6.00 per H Share, assuming a weighted average of 6,846,575,342 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 6,846,575,342, is calculated on the basis that there were 6,000,000,000 shares issued and outstanding as of December 31, 2009, 1,000,000,000 shares issued on March 30, 2010 to three state-owned enterprises under a private placement and 2,000,000,000 H Shares to be newly issued pursuant to the Global Offering will be issued on December 16, 2010.

(3) The amount of unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Rule 4.29 of the Hong Kong Listing Rules after the adjustments referred to in "Appendix III — Unaudited Pro Forma Financial Information" to this prospectus.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 163,914,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "— The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 2,021,595,601 H Shares by us and the Selling Shareholders (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for our H Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our H Shares under the International Offering, but may not do both.

The requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

The number of H Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection headed "— The Hong Kong Public Offering — Reallocation."

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK$5.25, being the mid-point of the proposed Offer Price range of HK$4.50 to HK$6.00) to be approximately HK$10,291 million, if the Over-allotment Option is not exercised or HK$11,654 million, if the Over-allotment Option is exercised in full. We currently intend to use our net proceeds from the Global Offering to strengthen our capital base to support the ongoing growth of our business.

RISK FACTORS

There are certain risks and considerations relating to an investment in our Shares. These can be summarized in five categories, including: (i) risks relating to our loan portfolio; (ii) risks relating to our business; (iii) risks relating to the PRC banking industry; (iv) risks relating to the PRC; and (v) risks relating to the Global Offering. These risks and considerations are further described in "Risk Factors" and are summarized below.

Risks relating to our loan portfolio

- Our current results of operations and financial condition reflect a number of extraordinary disposals and write-offs of non-performing assets.

- If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

- We may have to increase our allowance for impairment losses to cover future actual losses to our loan portfolio.

- We are exposed to risks inherent to County Area Banking Business, and in particular, Sannong-related loans.

- Our business and prospects may be materially and adversely affected if we are not able to maintain the growth of our loan portfolio or successfully manage our growth in general.

- We have a concentration of exposures to certain industries, customers, and a concentration of loans to SMEs, and if the condition of these industries or customers significantly deteriorate, our financial condition and results of operations may be materially and adversely affected.

Risks relating to our business

- Our business and operations are concentrated in Chongqing.

- We face uncertainties associated with the government policies and initiatives to develop the county areas in Chongqing and China.

- Our primary source of income is interest income and we may not be able to increase the proportion of our fee and commission income as fast as we expect as we only started to enter into certain fee- and commission-based businesses recently and our ability to generate fee and commission income is limited.

- We may not be able to satisfy the capital adequacy requirements established by the CBRC.

- The collateral or guarantees securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral or guarantees.

- Our current risk management system may not adequately protect us against credit, market, liquidity, operation and all other risks.

- If we fail to maintain our growth rate in customer deposits or if there is a significant decrease in our customer deposits, our business operations and our liquidity may be adversely affected.

- We will be exposed to various risks as we expand our range of products and services.
- If we fail to successfully expand our business outside of Chongqing, our business and prospects may be adversely affected.
- We may not be able to effectively implement our post-Restructuring operational reform initiatives, which may affect our ability to enhance our competitiveness and may have a material adverse effect on our business operations or prospects.
- We may not be able to recruit or retain a sufficient number of qualified staff.
- Certain of our shareholders may be able to exercise significant influence over us.
- Our business is highly dependent on the proper functioning and improvement of our information technology systems.
- If we are not effective in implementing enhanced internal control system, our business and prospects may be materially and adversely affected.
- We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties and we may be subject to other operational risks.
- We are subject to various PRC regulatory guidelines and requirements, and our past non-compliance could result in fines, sanctions or other penalties.
- We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to reputational damages or additional liabilities.
- We do not possess the relevant land use right certificates or building ownership certificates for certain properties held by us, and we may be required to seek alternative premises for some of our offices or operational sites due to our landlords' lack of relevant land use right certificates or building ownership certificates.
- We are subject to risks associated with off-balance sheet commitments.
- There might be potential disputes raised by the shareholders whom we are unable to locate.
- The high proportion of our loans due within one year may adversely affect the reliability and stability of our interest income, or result in a higher default rate on our loans.

Risks relating to the PRC banking industry

- We face increasingly intense competition in China's banking industry.

- Our business and operations are highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies.

- The growth of China's banking industry may not be sustainable.

- Certain PRC regulations limit our ability to diversify our investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.

- We are subject to changes in interest rates, exchange rate and other market risks, which may be beyond our control.

- The effectiveness of our credit risk management is affected by the quality and scope of information available in China.

- The ability of our shareholders to pledge their shares is limited by applicable PRC legal and regulatory requirements.

- Investments in commercial banks in the PRC are subject to ownership restrictions that may materially and adversely affect the value of your investment.

- Further amendments to IAS 39 and interpretive guidance on its application may require us to change our loan provisioning practice.

- Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

- Our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected as a result of negative media coverage of China's banking industry and the county areas in China.

- We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government publications contained in this prospectus with respect to China, its economy or its banking industry.

Risks relating to the PRC

- China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.

- The PRC legal system could limit the legal protections available to you.

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

- We are subject to PRC government controls on currency conversion, and the fluctuation of the Renminbi may materially and adversely affect our operations and our ability to pay dividends to holders of our H shares.

- Holders of H Shares may be subject to PRC taxation.

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

- Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

Risks relating to the Global Offering

- There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

- Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future.

- Because the Offer Price of our H Shares is higher than our net tangible book value per Share, purchasers of our H Shares in the Global Offering will experience immediate dilution upon such purchase.

- There will be a five-business-day time gap between pricing and trading of our H Shares offered in the Global Offering, holders of our H Shares are subject to the risk that the trading prices of our H Shares could fall during the period before trading of our H Shares begins.

- Dividends distributed in the past may not be indicative of our dividend policy in the future.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deems relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, we may only pay dividends out of our distributable profit. Our distributable profits represent the sum of the consolidated net profit attributable to our equity holders and the unconsolidated net profit of our Bank for a period, whichever is lower, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP or IFRS, whichever is lower, less:

- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our net profit available for appropriation as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a regulatory general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

According to recent MOF regulations, in principle, we are required to maintain a regulatory general reserve no less than 1% of the balance of our risk-bearing assets from our net profits after tax. This regulatory general reserve constitutes part of our reserves.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividend by us must also be approved at a shareholders' general meeting. We are prohibited from making any profit distributions to our shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve and the general reserve. If we make any profit distributions in violation of these rules, our shareholders are required to return to us the amounts they received in such profit distributions.

The CBRC has the discretionary authority to prohibit any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or has violated certain other PRC banking regulations, from paying dividends and making other forms of distributions. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Supervision Over Capital Adequacy — CBRC Supervision of Capital Adequacy" and "Supervision and Regulation — PRC Banking Supervision and Regulation — Principal Regulators — CBRC" in this prospectus. As of June 30, 2010, we had a capital adequacy ratio of 10.50% and a core capital adequacy ratio of 8.84%.

Pursuant to the resolution passed by our shareholders at an annual general meeting on May 26, 2010, dividend payment of RMB360.0 million in respect of profits for the year ended December 31, 2009 was declared and paid in full.

On November 12, 2010, our Board of Directors recommended the distribution of a special dividend. At an extraordinary general meeting of shareholders on November 26, 2010, our shareholders approved the following profit appropriations and dividend declarations:

- in respect of the period from January 1, 2010 to the date (the "**Base Date**") immediately preceding the Listing Date (the "**Special Dividend Period**"), the declaration of a cash dividend to our existing shareholders in an aggregate amount of RMB403.6 million for the Special Dividend Period;

- Such amount will be proportionally allocated in accordance with the number of the Shares held by these shareholders on the Base Date and distributed in the amount of RMB0.06 per Share with respect to the original 6 billion issued shares of our Bank prior to the capital injection in March 2010 and in the amount of RMB0.0436 per share with respect to the one billion new shares issued in connection with the capital injection in March 2010. Such cash dividend will be distributed in 2011; and

- the remaining distributable profits for the Special Dividend Period and the distributable profits for the period from the Base Date to December 31, 2010 will be reserved for distributions for all the shareholders in subsequent years after the Listing.

On the basis that our forecast net profit attributable to shareholders (before appropriations to the statutory surplus reserve, statutory public welfare fund and general reserve) for the year ending December 31, 2010 is not less than RMB2.85 billion, we believe that there will be sufficient distributable profits (as defined under PRC law and described above) in respect of the Special Dividend Period. Due to this reason, no special audit will be conducted in relation to the distribution of this special dividend, as we believe our management accounts show a generous buffer for such dividend payment.

In each of the years ending December 31, 2011 and 2012, our Board of Directors contemplates a dividend distribution of 25% to 35% of our audited net profit (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is lower) for the relevant year, subject to the applicable PRC laws on dividend distributions as summarized above.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Application Form(s)"	**white, yellow** and **green** application forms or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Bank, the current version of which was passed by our shareholders at the extraordinary shareholders' meeting on February 22, 2010 and was approved by the CBRC on August 3, 2010, which will become effective upon the listing of the Offer Shares on the Hong Kong Stock Exchange, as the same may be amended, supplemented or otherwise modified from time to time
"ATM"	automated teller machine
"Bank", "our Bank", "Group", "we" or "us"	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司), a joint stock limited company incorporated in the PRC on June 27, 2008 with limited liability in accordance with PRC laws and all of its subsidiaries and branches
"Banking Disclosure Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Banking Regulatory Law"	the Banking Regulatory Law of the PRC (中華人民共和國銀行業監督管理法), promulgated by the 6th meeting of the 10th Standing Committee of the NPC on December 27, 2003 which became effective on February 1, 2004, as the same may be amended, supplemented or otherwise modified from time to time
"Basel I"	1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Board"	the board of Directors of our Bank, as described in "Appendix VII — Summary of the Articles of Association" of this prospectus
"Board of Supervisors"	the supervisory board of our Bank established pursuant to the Company Law, as described in "Appendix VII — Summary of the Articles of Association" of this prospectus
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)

"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Chongqing Bureau"	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEPA"	the Closer Economic Partnership Arrangement entered into between the Hong Kong government and the PRC government on June 29, 2003 and any supplemental arrangements pursuant thereto and as the same may be amended, supplemented or otherwise modified from time to time
"Chongqing"	the Chongqing Municipality located in the Western China and one of the four provincial-level municipalities in China (i.e., Beijing, Shanghai, Tianjin and Chongqing) which comprises the County Areas and the Urban Areas
"Chongqing Audit Office"	Chongqing Municipal Audit Office (重慶市審計局), which is part of the Chongqing Municipal Government in charge of auditing work. The auditing work is mainly led by the NAO
"Chongqing SASAC"	Chongqing Stated-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會)
"CIETAC"	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)

"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"City Commercial Banks"	banks that are approved by CBRC（中國銀行業監督管理委員會） to be incorporated under PRC Company Law (中華人民共和國公司法） and PRC Commercial Banking Law (中華人民共和國商業銀行法) with branches set up at municipal level and above
"Commercial Banking Law"	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), which was promulgated by the 13th meeting of the 8th Standing Committee of the NPC on May 10, 1995 and became effective on July 1, 1995, as the same may be amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the 5th meeting of the 8th Standing Committee of the NPC on December 29, 1993, which became effective on July 1, 1994, as the same may be amended, supplemented or otherwise modified from time to time
"Core Indicators (Provisional)"	the Core Indicators for Risk Supervision of Commercial Banks (Provisional) (商業銀行風險監管核心指標(試行)), as promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006, as the same may be amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines"	Corporate Governance Guidelines for Joint Stock Commercial Banks (股份制商業銀行公司治理指引), as promulgated by the PBOC on May 23, 2002 and effective on the same date, as the same may be amended, supplemented or otherwise modified from time to time
"County Area" or "County Areas"	areas in Chongqing other than the Urban Area or Urban Areas. As of June 30, 2010, such areas consisted of 31 of the 40 districts and counties under the Plan for the Overall City-planning of Urban and Rural Areas of Chongqing (2007-2020) (重慶市城鄉總體規劃（2007-2020年）) as approved by the State Council in 2007
"County Area Banking Business"	the banking services offered by our County Area Branches to customers
"County Area Branch" or "County Area Branches"	our branches, including our branch outlets, deposit taking outlets, loan centers and customer centers located in the County Areas

"county areas in China"	areas designated as counties or county-level cities under China's administrative division system, which include economically more developed county centers, towns and the vast rural areas within their jurisdictions. As an administrative division unit, a county or county-level city is generally directly below and under the direct supervision of its corresponding municipal-level or provincial-level government. As of December 31, 2008, there were 2,003 counties and county-level cities in China, covering a total of 34,301 towns. As of December 31, 2009, county or county-level cities accounted for approximately 95% of the total area, 70% of the total population and 50% of the total GDP of China.
"CRCU"	Chongqing Rural Credit Union (重慶市農村信用社聯合社)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Development of New Rural Areas"	the plans, policies and targets underpinning the developments of agricultural activities and building the rural areas of China into new rural areas (新農村) by the Central Committee of the Communist Party of China and the State Council at the beginning of 2006
"Director(s)"	the director(s) of our Bank
"Domestic Shares"	ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
"Euro"	official currency of the eurozone
"Financial Restructuring"	comprising the historical non-performing asset disposals and write-offs during the period from 2004 to 2009, the issuance of subordinated bonds in 2009 and the increase in our registered capital in March 2010 contributed by three State-owned shareholders, all of which as further described in the section headed "Our History, Restructuring and Organizational Reform — Our Financial Restructuring" of this prospectus
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Go West Policy"	China's Great Western Development Strategy (西部大開發), or the so-called "Go-West Policy", which was launched in 2000. Under this regional economic development policy, the Chinese Government has intensified its efforts to accelerate the development of the Western China areas
"green application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider
"Guidelines of Risk-based Classification of Loans"	Guidelines of Risk-based Classification of Loans (貸款風險分類指引) as promulgated by the CBRC on July 3, 2007 and became effective on the same date, as the same may be amended, supplemented or otherwise modified from time to time
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	ordinary shares to be issued by our Bank in Hong Kong under the Global Offering, with a nominal value of RMB1 each, which are to be subscribed for and traded in HK dollars and are to be listed and traded on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKIAC"	Hong Kong International Arbitration Centre
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as the same may be amended and supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	163,914,000 H Shares (subject to adjustment) offered in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" of this prospectus
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting — Hong Kong Underwriters"

"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering dated December 2, 2010 entered into among us, the Joint Bookrunners and the Hong Kong Underwriters, as described in the section headed "Underwriting" of this prospectus
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"International Offer Shares"	the 2,021,595,601 H Shares (subject to adjustment and the Over-allotment Option) offered in the International Offering
"International Offering"	the offer by us and the Selling Shareholders for subscription and sale of certain Offer Shares to investors as further described in the section headed "Structure of the Global Offering — The International Offering"
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, expected to be entered into on or about December 9, 2010, among, inter alia, us and the International Underwriters
"International Underwriters"	the group of initial underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
"IT"	Information Technology
"Jiangyu Xiangqing Card"	a debit card issued by our Bank which targets farmers and farming households in Chongqing (江渝鄉情卡)
"Joint Stock Commercial Banks"	banks that are approved by CBRC (中國銀行業監督管理委員會) to be incorporated under PRC Company Law (中華人民共和國公司法) and PRC Commercial Banking Law (中華人民共和國商業銀行法) with joint stock ownership
"land use rights certificates"	land use rights certificates in the PRC (中華人民共和國國有土地使用證)
"Large Commercial Banks"	means (i) Agricultural Bank of China, (ii) Bank of China, (iii) Bank of Communications, (iv) China Construction Bank, and (v) Industrial and Commercial Bank of China, and their respective predecessors, collectively
"Large Enterprises"	enterprises other than enterprises classified as small and medium enterprises under the Interim Provisions on the Standards for Small and Medium Enterprises (中小企業標準暫行規定) as measured by a number of criteria such as the number of employees, sales volumes and total assets which vary from industry to industry

"Latest Practicable Date"	November 26, 2010, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), which were promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27,1994, effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
"Medium Enterprises"	enterprises classified as medium enterprises under the Interim Provisions on the Standards for Small and Medium Enterprises (中小企業標準暫行規定) as measured by a number of criteria such as the number of employees, sales volumes and total assets which vary from industry to industry, for example, industrial enterprises with employees between 300 and 2,000, sales volumes between RMB30 million and RMB300 million or total assets between RMB40 million and RMB400 million are classified as "Medium Enterprises"
"MIS"	Management Information Systems
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Capital Adequacy Regulations"	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法), as promulgated by the CBRC on February 23, 2004 and effective on March 1, 2004, as the same may be amended, supplemented or otherwise modified from time to time

"No. 1 Central Government Document"	the PRC government's first document promulgated each year by the Central Committee of the Communist Party of China (中央1號文件), which provides guiding principles and directions for the overall development plan for China in the coming year. The document placed its key focus on "Sannong" (三農) from 2004 to 2010 consecutively and emphasized the issue of "Sannong" as a top priority during the time of socialist modernization in the PRC
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final Hong Kong dollar offer price per H Share (exclusive of brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) at which the H Shares are to be subscribed and issued pursuant to the Global Offering, to be determined as described in the section headed "Structure of the Global Offering"
"Offer Shares"	the H Shares offered in the Global Offering
"One-hour Economic Circle and Two Wings Strategy", "One-hour Economic Circle" and "Two Wings"	the One-hour Economic Circle and Two Wings Strategy ("一圈兩翼") was announced by the Government of Chongqing in November 2006 underpinning the overall development of the Urban Areas and the County Areas. Starting from the Urban Areas as center, the One-hour Economic Circle covers the areas located within one hour driving distance. From the One-hour Economic Circle, the Two Wings include the Northeast Wing, which covers the Three Gorges Reservoir area with Wanzhou (萬州) as the center, and the Southeast Wing, which covers the area with Qianjiang (黔江) as the center. Out of the total 40 districts and counties in Chongqing, 23 districts and counties are within the One-hour Economic Circle, with the remaining 11 districts and counties in Northeast Wing and 6 in Southeast Wing
"Other National Commercial Banks"	China CITIC Bank, China Everbright Bank, Huaxia Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Bank, Evergrowing Bank, Zheshang Bank and Bohai Bank
"Over-allotment Option"	the option granted by us and the Selling Shareholders to the International Underwriters to purchase up to an aggregate of 327,826,440 additional H Shares at the Offer Price as described in the section headed "Structure of the Global Offering" of this prospectus.

"PBOC"	the People's Bank of China, the central bank of the PRC (中國人民銀行)
"PBOC Chongqing Operations Office"	the People's Bank of China Chongqing Operations Office (中國人民銀行重慶營業管理部), established directly under the Head Office of the PBOC, and which assumes the function of a central bank in Chongqing
"PBOC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國中國人民銀行法), which was promulgated by the 3rd meeting of the 8th Standing Committee of the NPC on March 18, 1995 and became effective on the same date, as the same may be amended, supplemented or otherwise modified from time to time
"Personal Data (Privacy) Ordinance"	the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"POS"	point of sale, a checkout counter in a shop or various other locations where a transaction occurs
"PRC" or "China"	the People's Republic of China, but for the purposes of this prospectus only, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
"PRC GAAP"	generally accepted accounting principles in the PRC
"Price Determination Date"	the date, expected to be on or about December 9, 2010, on which the Offer Price is to be fixed by an agreement between us and the Joint Sponsors (on behalf of the Underwriters) for the purpose of the Global Offering
"Promoters"	the promoters that established our Bank on June 27, 2008. At the time of our establishment, our Promoters comprised 177 corporate shareholders and 84,618 individual shareholders
"QDII"	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
"QIB (s)"	qualified institutional buyer(s) within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Related Party Transactions Measures"	the Administrative Measures on Transactions with Insiders and Shareholders of Commercial Banks (商業銀行與內部人和股東關聯交易管理辦法), as promulgated by the CBRC on April 2, 2004 and effective on May 1, 2004, as the same may be amended, supplemented or otherwise modified from time to time

"Restructuring"	the restructuring undertook by our Bank starting in 2003 and completed in June 2008 when we were incorporated into a joint stock limited company, as further described in the section headed "Our History, Restructuring and Operational Reform—Our History" of this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 185,509,601 H Shares to be converted from an equal number of Domestic Shares with a nominal value of RMB1.00 each held by the Selling Shareholders to be offered for sale by the Selling Shareholders as part of the Global Offering at the Offer Price, subject to any adjustment as mentioned in "Structure of the Global Offering" in this prospectus and, where relevant, any additional H Shares which may be sold pursuant to the exercise of the Over-allotment Option, and references to "Sale Shares" shall include, where the context requires, the Domestic Shares from which the Sale Shares are converted
"Sannong"	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers." For the purposes of this prospectus, "Sannong" means government policies and visions (if applicable) which aim to enhance agricultural, rural development and improve living conditions of farmers. The County Area economy in Chongqing has benefited directly from the government's Sannong policies in recent years
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998, which became effective on July 1, 1999, as the same may be amended, supplemented or otherwise modified from time to time

"Selling Shareholders"	collectively, Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司), Chongqing City Construction Investment Company (重慶市城市建設投資公司), Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅遊投資集團有限公司), Chongqing Water Conservancy Investment Group Co., Ltd (重慶市水利投資(集團)有限公司), Chongqing Agriculture Holdings (Group) Company Limited (重慶市農墾控股(集團)有限公司), Chongqing Yulong Asset Management (Group) Company Limited (重慶市渝隆資產經營(集團)有限公司), Chongqing Gaoke Group Co., Ltd (重慶高科集團有限公司), Southwest Aluminium (Group) Co., Ltd. (西南鋁業(集團)有限責任公司), Chongqing City South Bank Asset Management Company Limited (重慶市南岸資產經營管理有限公司), and Chongqing Jiangnan City Asset Operation Management Limited Co., Ltd (重慶市江南城市建設資產經營管理有限公司), only to the extent and in the context of the Sale Shares, holding the Sale Shares as registered holders on behalf of NSSF, as further described in "Structure of the Global Offering — the Selling Shareholders" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Small Enterprise Loan Center(s)"	special loan centers our Bank establishes to serve our SME customers
"Small Enterprises"	enterprises classified as small enterprises under the Interim Provisions on the Standards for Small and Medium Enterprises (中小企業標準暫行規定) as measured by a number of criteria such as the number of employees, sales volumes and total assets which vary from industry to industry, for example, industrial enterprises with employees less than 300, sales volumes less than RMB30 million or total assets less than RMB40 million are classified as "Small Enterprises"
"SME" or "SMEs"	Small Enterprises and Medium Enterprises
"SMS"	short message service, a service that allows exchange of short text messages between mobile phone devices
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), as promulgated by the State Council on August 4, 1994
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"Supervisors"	the members of the Board of Supervisors of our Bank
"Three Gorges Project"	a short-hand reference to the key water control project at the Three Gorges on the Yangtze River (長江三峽水利樞紐工程), which is a large hydro-construction project located in the mid-to-upper-reaches of the Yangtze River, stretching across Chongqing Municipality to Yichang City (宜昌) in the Hubei Province (湖北)
"Track Record Period"	the period comprising the years ended December 31, 2007, 2008 and 2009 and the six-month period ended June 30, 2010
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"upper reaches of Yangtze River"	covers the areas from the headstream of Yangtze River down to Yichang City (宜昌) in Hubei Province (湖北), including provinces such as Sichuan (四川), Tibet (西藏), Qinghai (青海), Yunnan (雲南), Guizhou (貴州), and Chongqing municipality
"Urban Area" or "Urban Areas"	the areas designated as main city districts of Chongqing under the Plan for the Overall City-planning of Urban and Rural Areas of Chongqing (重慶市城鄉總體規劃(2007-2020年)) as approved by the State Council in 2007. As of December 31, 2009, there were 9 main city districts in Chongqing, which are also considered the metropolitan areas of Chongqing, out of the 40 districts and counties in Chongqing
"Urban Area Branch" or "Urban Area Branches"	our branches, including our branch outlets, deposit taking outlets, loan centers and customer centers located in the Urban Areas
"Urbanization rate"	level of increasing population living in towns or the growing number of metropolitan areas in a region, these towns and metropolitan areas can be located in both county areas and urban areas of a region
"U.S.", "U.S.A." or "United States"	the United States of America
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Village and Township Banks"	banks that are approved by CBRC(中國銀行業監督管理委員會) to be incorporated in rural areas with the main business focused on serving local farmers and supporting agricultural development

"West" or "Western China"	a region defined under the "Go West Policy", which includes 12 provinces, autonomous regions and municipalities, namely Shaanxi (陝西), Gansu (甘肅), Ningxia (寧夏), Qinghai (青海), Xinjiang (新疆), Sichuan (四川), Chongqing (重慶), Yunnan (雲南), Guizhou (貴州), Tibet (西藏), Guangxi (廣西) and Inner Mongolia (內蒙古). The whole Western China region accounts for 71% of China's total area
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	the World Trade Organization
"39 Rural Credit Unions"	38 rural credit cooperative unions at the county level of Chongqing and the Chongqing Wulong Rurual Cooperative Bank (重慶武隆農村合作銀行), formerly as Wulong County Rural Credit Cooperative Union

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

For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers," "loans" and "loans to customers" synonymously.

In this prospectus, the terms "non-performing loans" and "impaired loans" are used synonymously to refer to the loans identified as "impairment losses on loans and advances to customers" in Notes 1A and 1B to our consolidated financial statements included in the Accountants' Reports in Appendix IA and Appendix IB, respectively, to this prospectus. Under the five-category loan classification system we have adopted pursuant to applicable PRC guidelines, our non-performing loans are classified as substandard, doubtful or loss, as applicable. See "Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Loan Classification Criteria."

In this prospectus, unless otherwise indicated, the discussions on loans are based on our gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans and advances to customers are reported net of the allowance for impairment losses on our consolidated balance sheet.

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

The growth rates with respect to our business and financial data presented in this prospectus are calculated based on amounts in millions of Renminbi.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiary that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would," and the negative forms of these words and other similar expressions, as they relate to our Bank or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Bank's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in "Risk Factors," "Banking Industry in China," "Supervision and Regulation," "Business," "Risk Management," "Assets and Liabilities," "Financial Information," "County Area Banking Business," "Connected Transactions," and "Future Plans and Use of Proceeds" with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory regime which in some respects may differ from that which prevails in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Supervision and Regulation," "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of Articles of Association" of this prospectus.

RISKS RELATING TO OUR LOAN PORTFOLIO

Our current results of operations and financial condition reflect a number of extraordinary disposal and write-offs of non-performing assets.

Our results of operations have been, and will continue to be, negatively affected by our non-performing loans. Our non-performing loan ratio, which is defined as the ratio of loans classified as substandard, doubtful and loss under our five-category classification system derived from the CBRC guidelines, to the balance of our total loans, was 2.99%, 3.88%, 8.68%, and 13.22% as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. Due to a number of one-time disposals and write-offs of non-performing loans that are not in our ordinary course of business, our non-performing loan ratios at these dates may not fully reflect the actual changes in our asset quality and historical trends in our non-performing loans.

During the period from 2004 to 2009, we wrote off non-performing loans of approximately RMB2,291.0 million in 2004, disposed of and wrote off non-performing assets of approximately RMB4.5 billion (of which approximately RMB4.18 billion was non-performing loans) in 2007 and wrote off non-performing assets of approximately RMB472.5 million (of which approximately RMB188.4 million was non-performing loans) in 2009. Each of these disposals and write-offs was made at the book value of the relevant assets, before allowance for impairment loss. As a result, we had significantly reduced our non-performing loan ratios in the relevant years. In addition, we were entrusted to manage and collect non-performing assets that were written off. During the six months ended June 30, 2010, and the three years ended December 31, 2009, we had collected RMB127.8 million, RMB123.5 million, RMB483.1 million and RMB661.4 million, respectively, from these assets and we had applied these amounts to our allowance for impairment losses in the respective years. Please refer to the sections headed "Our History, Restructuring and Operational Reform — Financial Restructuring — Disposal and Write-offs of Non-performing Assets" and "Assets and Liabilities — Impact of Financial Restructuring on Our Assets" for further details. In the absence of such disposals and write-offs, our non-performing loan ratio during the relevant financial years would have been substantially higher. In the future, we may not be permitted to dispose of or write off non-performing loans on a similar scale or on similar terms. As a result, our historical financial and asset quality data must be viewed in light of such disposals, write-offs and recoveries.

If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

During the three years ended December 31, 2009 and the six months ended June 30, 2010, we had experienced growth in our loan balances. Our gross loans to customers increased from 75.4 billion as of December 31, 2007 to RMB77.9 billion as of December 31, 2008, which further increased to RMB101.8 billion as of December 31, 2009 and RMB114.5 billion as of June 30, 2010. The increase in 2009 and the first half of 2010 was largely attributable to the increased demand for loans as a result of the PRC government's fiscal stimulus measures to boost economic growth. Our non-performing loan ratio decreased from 8.68% as of December 31, 2008 to 3.88% as of December 31, 2009 and further to 2.99% as of June 30, 2010. Our financial condition and results of operations will be affected by our ability to maintain or improve the quality of our loan portfolio.

We cannot assure you that the quality of our existing or future loans to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio may occur due to a variety of reasons, including factors beyond our control such as a slowdown in the growth of the PRC or global economies due to the recent financial crisis, a relapse of the global credit crisis, other adverse macroeconomic trends in China and other parts of the world and the occurrence of natural disasters, which may adversely affect the businesses, operations or liquidity of our borrowers or their ability to repay their debt. Any significant deterioration in our asset quality may lead to significant increases in our non-performing loans and allowance made for non-performing loans, which may have a material adverse effect on our business, results of operations and financial condition.

We may have to increase our allowance for impairment losses to cover future actual losses to our loan portfolio.

Our allowance for impairment losses on loans and advances amounted to RMB5.1 billion, RMB5.0 billion, RMB5.6 billion and RMB6.3 billion as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively, and the ratio of our allowance for impairment losses to total non-performing loans was 148.8%, 126.8%, 83.4% and 63.3%, respectively. While our allowance for impairment losses had steadily decreased in absolute amount during the Track Record Period, our allowance coverage had increased, partially due to our non-performing loans disposal and write-offs in connection with our Financial Restructuring from 2004 to 2009 and our collection efforts made on the non-performing assets that were entrusted to us for management after the disposal or write-off, as well as the continued improvement in the quality of our loans. The amount of the allowance is based on our assessment of various factors affecting the quality of our loan portfolio under IAS 39. These factors include, among other things, our borrowers' operational and financial condition, repayment ability and repayment intention, the realizable value of any collateral and the ability of the guarantors of our customers to fulfill their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and therefore our assessment and expectations on these factors may differ from future developments. Furthermore, the adequacy of our allowance for impairment losses depends to a significant extent on the reliability of, and our skills in applying, our assessment system, which is based on a number of financial analysis models, to estimate these losses, as well as our ability to accurately collect, process and analyze relevant data.

If our assessment of, or expectations concerning, the factors that affect the quality of our loan portfolio differ from actual developments, or if the quality of our loan portfolio deteriorates, or if our assessment system proves to be inaccurate or our skill in applying the assessment system or our ability to collect relevant data proves to be insufficient, our allowance for impairment losses may not adequately cover our actual losses, and we may need to make additional provisions for impairment losses. In addition, our allowance for impairment losses may continue to increase as a result of future regulatory and accounting policy changes, inaccuracies in loan classification, or our conservative strategy. Any of the above may significantly reduce our profit and materially and adversely affect our business, prospects, financial condition and results of operations.

We are exposed to risks inherent to County Area Banking Business, and in particular, Sannong-related loans.

One of our key strategies has been and continues to be focusing on opportunities arising from the development in the County Areas. We aspire to provide high-quality financial services to customers in the County Areas. Our Articles of Association provide that each year we shall allocate a certain percentage of newly issued loans to support the Sannong development, and such percentage is to be decided at the shareholders' meeting in accordance with the industry structure of the relevant local areas. Historically, our County Area Banking Business had been an important component of our business and County Area loans accounted for 47.1%, 45.3%, 55.3% and 59.3% of our total loans as of June 30, 2010 and December 31 2009, 2008 and 2007, respectively. We are therefore subject to risks inherent to the County Area Banking Business, in particular the Sannong-related industries, such as the vast rural areas and decentralization of the rural economy, low production efficiency, natural disasters, long production cycle, change in consumption pattern, and lack of insurance system available to residents in the County Areas against catastrophic events, any of which may materially and adversely affect the business and financial conditions of our County Area customers, which in turn may affect their abilities to repay our loans. In addition, population in the county areas of China is very mobile and many of the residents in the County Areas migrate to cities with their entire families. This behaviour also increases the difficulties in loan management and loan recovery in the County Areas.

Due to the above reasons, historically, our County Area Banking Business had generally presented relatively higher risks than our Urban Area Banking Business. A majority of the non-performing assets we disposed of during the period from 2004 to 2009 were County Area loans. As of June 30, 2010 and December 31, 2009, 2008 and 2007, our non-performing loan ratios for the County Area loans were 5.47%, 7.20%, 12.82%, and 17.72%, respectively, which were higher than the non-performing loan ratios for the Urban Area loans of 0.77%, 1.13%, 3.57%, and 6.68%, respectively. In addition, we are encouraged by the CBRC to increase our Sannong-related loans at a rate not less than the growth of our total new loans, and to keep the volume and percentage of Sannong-related loans to total loans higher than those in the previous year. These policy measures, while reflecting the PRC government's commitment to promote our County Area Banking Business, may affect our ability to optimize our capital deployment and improve our customer mix, which may in turn adversely affect our profitability. In addition, if the CBRC changes its encouragement measures to mandatory requirements, and if we fail to meet these requirements, the CBRC may refuse to issue a license to us to carry out new types of banking business, impose restrictions on our business or investment activities or impose more stringent regulatory actions on us, any of which may adversely affect our business, results of operations and financial condition.

Our business and prospects may be materially and adversely affected if we are not able to maintain the growth of our loan portfolio or successfully manage our growth in general.

Our total operating income was RMB3,597.3 million, RMB5,676.8 million, RMB5,294.3 million and RMB5,712.5 million for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. Our loans to customers were RMB114.5 billion, RMB101.8 billion, RMB77.9 billion and RMB75.4 billion as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. In recent years, we have increased our marketing efforts in Urban Area banking business while maintaining the growth of County Area banking business. Our Urban Area corporate and retail loans amounted to RMB55,925.0 million, RMB40,328.8 million, RMB21,762.8 million and RMB16,039.1 million as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively and our County Area corporate and retail loans amounted to RMB52,116.8 million, RMB45,343.7 million, RMB42,022.4 million and RMB40,474.4 million, respectively. However, we may not be able to successfully maintain our growth if we fail to offer more new products to attract new customers, improve our marketing, or expand our sales channels. Our growth may also be influenced by the general state of the PRC economy and the macroeconomic factors affecting the PRC or Chongqing and its County Areas in particular, such as growth in GDP, the rate of inflation, changes in laws or regulations governing banking and finance and changes in the implementation of macroeconomic regulation regarding Sannong development. We may not be able to successfully maintain our growth rates due to any unfavorable change in one or more of the above factors or other factors.

In addition, the management of our growth requires, and will continue to require, substantial managerial and operational resources. We may not be able to retain and attract qualified personnel to satisfy our growth needs. See "— We may not be able to recruit, train or retain a sufficient number of qualified staff." We may also need additional capital in the future, and we may not be able to obtain such capital on acceptable terms, or at all, which may result in a lower capital adequacy ratio. See "— We may not be able to satisfy the capital adequacy requirements established by the CBRC." Any of the above occurrences may materially and adversely affect our financial condition and results of operations.

We have a concentration of exposures to certain industries, customers, and a concentration of loans to SMEs, and if the condition of these industries or customers significantly deteriorate, our financial condition and results of operations may be materially and adversely affected.

As of June 30, 2010 and December 31, 2009, 2008 and 2007, our corporate loans represented 65.0%, 56.5%, 49.1% and 39.7% of our total loans, respectively. As of June 30, 2010, our loans to the (i) manufacturing, (ii) real estate, (iii) water, environmental and public utility management and (iv) construction, (v) production and supply of electricity, gas and water, and (vi) retail and wholesale, sectors represented approximately 26.0%, 21.3%, 11.9%, 7.0%, 6.0% and 5.6% of our total corporate loans, respectively. As of the same date, approximately 28.2%, 25.2%, 0.8%, 3.3%, 1.9% and 5.1%, respectively of our impaired corporate loans were concentrated in these sectors. We are further exposed to the real estate sector through our personal property mortgage loans. As of June 30, 2010, our residential mortgages and personal commercial property loans represented 50.4% of our total retail loans, which together with our corporate loans to the real estate sector accounted for 28.7% of our total outstanding loans. The PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating, such as imposing business taxes on the transfer of residential houses within five years after the purchase of the houses and levying mandatory personal income tax for second-hand residential housing transactions. On April 17, 2010, the State Council announced a notice under which the minimum down payments for qualified home buyers of their first residential properties with construction areas of larger than 90 square meters shall not be lower than 30% of the purchase price and the mortgage rate for their second residential properties shall not be lower than 110% of the PBOC benchmark lending rates. Such measures may adversely affect the growth of our loans related to real estate.

Moreover, our loans to corporate customers are concentrated in SMEs, which account for over 80% of our total corporate loans as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. The business operation of the SMEs may not be as stable as the Large Enterprises as they are more vulnerable to adverse changes in the economic environment, and the SMEs may lack certain internal control or risk management systems, which may increase the credit risk of SME loans.

As of June 30, 2010, the aggregate amount of our loans to the ten largest single borrowers was RMB8,063.0 million, representing approximately 7.05% of our total loans to customers and 57.02% of our regulatory capital. As of the same date, our loans to our ten largest group borrowers amounted to RMB8,430.0 million, representing approximately 7.36% of our total loans and 59.61% of our regulatory capital. Any deterioration in any of the industries in which our loans are highly concentrated or any deterioration in the financial condition or results of operation of our major borrowers could materially and adversely affect the quality of our existing loans and our ability to generate new loans, which in turn could have a material adverse impact on our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS

Our business and operations are concentrated in Chongqing.

Our business and operations are concentrated in Chongqing. As of June 30, 2010, most of our loans were originated from borrowers in Chongqing and most of our deposits were originated from customers in Chongqing. We intend to expand our operations outside of Chongqing, for example, we commenced operation of our first majority-owned village and township bank in Zhangjiagang, Jiangsu Province, in April 2010. However, we expect most of our businesses and operations to largely remain in Chongqing in the foreseeable future. As a result, any adverse change in the economic development of Chongqing or any significant natural disaster or catastrophic event occurring in Chongqing may materially and adversely affect our business, financial condition and results of operations.

We face uncertainties associated with the government policies and initiatives to develop the county areas in Chongqing and China.

We rely on favorable government policies and agenda in respect of county area development and Sannong reform in China, such as the Three Gorges Project and the Go West Policy. Such policies and initiatives include, among others, providing public finance to support the county area development, introducing financial products such as business start-up loans to the Sannong-related businesses, developing insurance services in the county areas in China to manage risks from catastrophic events and health and safety accidents, as well as providing subsidies for purchasing electronic products, farm equipment, vehicles and construction materials. For example, according to a notice issued jointly by the MOF and SAT in August 2009, financial institutions, including us, are allowed to deduct from taxable income the allowance for impairment losses for loans made to qualified farming households and enterprises that have less than RMB200 million in both annual sales volume and total assets, which allowance are otherwise not deductible. These deductions are expected to terminate on or before December 31, 2010. On May 13, 2010, the MOF and SAT issued another notice under which the interest income from loans to farming households with outstanding principal of less than RMB 50,000 will be exempted from the 5% business tax and only 90% of such interest income will be counted towards the taxable income for income tax purposes. Such favorable tax treatments are available to financial institutions, including us, for the period from January 1, 2009 to December 31, 2013.

We also rely on initiatives promulgated by the Chongqing municipal government with respect to County Area development and reform. Chongqing has been chosen as a testing ground in developing insurance services in its County Areas. The Chongqing municipal government is undertaking reform on rural-urban balanced development in Chongqing, for example, by allowing collectively-owned land use rights and real property rights to be used as collateral for loans in certain designated areas in Chongqing. We were able to participate in the small and medium enterprise loan subsidization scheme implemented by the Chongqing municipal government on March 17, 2009, under which the local government provided subsidies to qualified small enterprises for interest payments made on loans drawn by them from first quarter to third quarter 2009. This policy expired in September 2009.

Largely due to these favorable government policies and initiatives in China and Chongqing, the average disposable income per capita in the county areas in Chongqing and China grew from 2007 to 2009 at a CAGR of 14.8% and 11.6%, respectively, according to the China Statistical Yearbook. We expect our business to continue to benefit from these favorable government policies and initiatives and the business opportunities presented in connection with the growth in county area economy. However, we cannot guarantee that the county areas can maintain their current growth rates or that the government will maintain its favorable policies in promoting county area development in China. Any discontinuation or unfavorable change in or application of policies in the county area development in general may have a significant impact on our business, financial condition and results of operation.

Our primary source of income is interest income and we may not be able to increase the proportion of our fee and commission income as fast as we expect as we only started to enter into certain fee- and commission-based businesses recently and our ability to generate fee and commission income is limited.

Prior to our conversion into a joint stock limited company in June 2008 as part of our Restructuring, we operated as a rural cooperative and as such due to regulatory restrictions, we were not allowed to operate certain fee- and commission-based businesses, including credit cards, open ended funds distribution, third-party fund custody services, underwriting of PRC treasury bonds and others. Only after we were converted into a joint stock limited company were we no longer subject to these restrictions. In November 2009, we commenced issuing credit cards to our customers. Largely as a result of these historical restrictions, our primary source of income is interest income from our loans. Currently, our fee and commission income is derived primarily from our agency services and settlement and clearance services and our net fee and commission income constituted 3.4%, 2.4%, 1.4% and 0.9% of our total operating income for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively.

As part of our growth strategy, we intend to increase our fee and commission income, especially from bank card business and agency services. However, our ability to increase our fee and commission income is limited due to factors including, but not limited to, our limited experience and regulatory restrictions generally imposed on PRC commercial banks on fee- and commission-based services. For example, a PRC commercial bank is required to obtain prior written approval from the relevant government authorities before launching certain fee- and commission-based services, such as approval from the CSRC for fund distribution services and approval from the MOF and PBOC for certificate government bond underwriting service, and the CBRC requires the applicant banks to meet certain requirements on branch network, hardware system and relevant personnel and experience, e.g., a national branch network is required to engage in third-party fund custody business. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Licensing Requirements" for further information. Furthermore, fee- and commission-based services normally impose higher requirements on a bank's information system and branch distribution network. As we are currently a local bank in Chongqing and substantially all of our branch network is located within Chongqing, we may not be able to enter into new fee- and commission-based services that demand national branch coverage. We have built the open-ended fund distribution services system and conducted preliminary testing on the system, and we target to submit formal application to the CSRC to obtain qualification by the end of 2010. We are collaborating with the Industrial and Commercial Bank of China to enter into third-party fund custody services. We are preparing for the system development for such third party fund custody services, and are expecting to launch such services by early 2011 if the conditions are met. However, we cannot assure you that we will launch new fee- and commission-based services as planned or that we can successfully carry out our strategy to grow our fee- and commission-based services due to the various restrictions we are facing, which may adversely and materially affect our growth prospect, financial condition and results of operations.

We may not be able to satisfy the capital adequacy requirements established by the CBRC.

We are subject to capital adequacy guidelines set by the CBRC. These guidelines require us to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. Our capital adequacy ratio was 10.50%, 10.23% and 9.32% as of June 30, 2010 and December 31, 2009 and 2008, respectively. Our core capital adequacy ratio was 8.84%, 8.14% and 9.31% as of June 30, 2010 and December 31, 2009 and 2008 respectively. In December 2009, we issued subordinated bonds with an aggregate principal amount of RMB2.3 billion, which increased our capital adequacy ratio as of December 31, 2009. See "Our History, Restructuring and Operational Reform — Financial Restructuring — Issuance of Subordinated Bonds" for further information.

Our ability to satisfy the current regulatory capital adequacy requirements could be adversely affected as a result of deterioration in our financial condition, including an increase in the level of our non-performing loans, deterioration in the quality of our assets and decline in our profitability, any of which could result in the decline of our capital base. If our growth places capital demands on us in excess of what we are able to generate internally or raise in the capital markets or through alternative means, we may not be able to obtain additional capital on commercially acceptable terms in a timely manner, or at all. We do not expect the PRC government or the Chongqing municipal government to provide additional financial support to us in the future. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, conditions prescribed by PRC law and regulatory approvals, our credit rating, general market conditions for capital-raising activities by commercial banks and other financial institutions, and economic, political and other conditions both within and outside China.

In addition, pursuant to a notice issued by the CBRC in October 2009, non-national commercial banks, including us, are required to deduct the balance of their holdings of subordinated debt issued by other banking institutions since July 1, 2009 from their supplemental capital in computing their capital adequacy ratios, and the amount of subordinated debt may not exceed 30% of the core capital of a major commercial bank. This notice also requires a non-national commercial bank to maintain a core capital adequacy ratio of no less than 5% if it seeks to issue subordinated debt after this notice became effective. As we issued subordinated bonds in December 29, 2009, we were required to comply with the requirements under the notice. Our core capital adequacy ratios as of December 31, 2009 and as of June 30, 2010 were both higher than 5%. However, we cannot assure you that we are able to continue to meet such applicable capital adequacy requirements in the future.

Furthermore, the CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements. In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in China. In February 2007, the CBRC announced a plan to start implementing Basel II by the end of 2010, or upon the CBRC's approval, no later than the end of 2013, to assess the capital adequacy of large commercial banks with operations in other jurisdictions and significant international business as well as commercial banks which elect to comply with Basel II. We are currently not subject to the Basel II requirements. The methodologies used in computation of our capital adequacy ratios under Basel II may substantially differ from our current practice.

Moreover, we cannot provide assurance that our capital will not be affected in the future by developments including:

- increase of our risk-weighted assets as a result of the rapid expansion of our business;
- decline in our net profit and thus decreases in our retained earnings;
- increases in the CBRC minimum capital adequacy requirements; and
- changes in accounting rules or in the CBRC regulations or guidelines regarding the calculation of capital adequacy ratios.

If we fail to meet the capital adequacy requirements, our capacity to further grow our business may be constrained. The CBRC may take certain actions, including imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, declining to approve our application to enter into a new service or restricting our ability to pay dividends. These actions could materially and adversely affect our reputation, growth prospects, results of operations and financial condition.

The collateral or guarantees securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral or guarantees.

A majority of our loans is secured by collateral and guarantees. Collateral is classified into mortgages or pledges under the PRC laws. As of June 30, 2010, 53.2%, 13.2% and 19.3% of our total loans were secured by mortgages, pledges and guarantees, respectively. The mortgages securing our loans primarily comprised commercial real estates and land use rights located in China. The pledges securing our loans primarily comprised certificates of bond, equity securities or other monetary assets. The value of the collateral securing our loans may fluctuate and decline due to various factors beyond our control, including macroeconomic factors affecting China. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real properties securing our loans to levels below the outstanding principal balance of such loans. Moreover, the growth of the real estate industry and price of real properties in the PRC are significantly influenced by macroeconomic policies of the government, such as interest rate and credit policies. In addition, we cannot assure you that our assessment of the values of collateral is always accurate or that we re-evaluate our collateral as regularly as required under our collateral management policies. If our collateral proves to be insufficient to cover the related loans, we may have to obtain additional collateral from the borrowers and there is no assurance that we would be able to do so. Declines in the price of our collateral or our inability to obtain additional collateral may require us to make additional provisions for loan impairment, which may materially and adversely affect our business, financial condition and results of operations.

In the PRC, the procedures for liquidating or otherwise realizing the value of collateral in the form of tangible assets may be protracted and it may be difficult in practice to implement the realization of the value of collateral. In addition, in certain circumstances, our rights to the collateral securing our loans may be subordinated to other claims. All of the foregoing factors could adversely affect our ability to realize the value of the collateral securing our loans in a timely manner or at all.

As of June 30, 2010, 19.3% of our loans were secured by guarantees, some of which were provided by the borrowers' affiliates. Such guarantees are generally not backed by collateral or other security interests. If the borrowers are unable to perform their obligations and there is a significant deterioration in the financial condition of the guarantors, the amounts we may recover under such guarantees may decrease significantly. In addition, we are subject to the risk that a court or any other judicial or government authorities may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantee. We are therefore exposed to the risk that we may not be able to recover some or any part of the amounts guaranteed in respect of our loans. Our inability to realize the full value of the collateral or guarantees securing our non-performing loans on a timely basis may adversely affect our asset quality, result of operations and financial condition.

Our current risk management system may not adequately protect us against credit, market, liquidity, operation and all other risks.

We have in the past suffered from certain credit-quality problems, lapses in credit approval and operational problems as a result of the weaknesses in our risk management. We did not have an integrated and centralized risk management system prior to the completion of our Restructuring in 2008. As part of our Restructuring, we introduced a new risk management organizational structure which was further revised in April 2010, and we started to build an information system to support a centralized database and revamped our risk management system, policies and procedures in an effort to improve our risk management capabilities. However, as these systems, policies and procedures were installed or implemented relatively recently, our ability to operate such systems, policies and procedures and monitor and analyze the effectiveness of such systems, policies and procedures has not been fully tested. We will need additional time to adjust to these systems, policies and procedures and fully measure the impact of, and evaluate the compliance with, these systems, policies and procedures. Moreover, our employees will require time to adapt to these systems, policies and procedures and we cannot provide assurance that our employees will be able to consistently comply with or correctly apply these systems, policies and procedures.

Due to limitations on the information, resources or tools we have, we may not be able to address the risks in our operations effectively or respond to sudden developments in a timely manner. Due to insufficient information technology support, including data and module support, our current system may not be able to generate sufficient data in time to allow us to effectively monitor our risk. For example, we need to further upgrade our corporate and individual customer information system to support our risk management function. Our previous business information system was not able to standardize the collection of customer information, allowing a single customer to open multiple accounts, which resulted in duplicate, incomplete or conflicting customer information to appear in the system. In 2009, we started to build a new customer management system and started to integrate the customer information in our credit management system and business information system to provide a uniform customer data platform. The system is currently still being improved. We, however, cannot assure you that the new customer-centered information system will be completed as scheduled. Furthermore, many aspects of our risk management system involve detailed quantitative and qualitative analyses by our personnel responsible for risk management and thus they are subject to human error. Our risk management capabilities are further limited by our internal resources. For example, we may not have sufficient specialized risk management personnel, or our current risk management personnel may not have sufficient expertise. We need to continue to build a specialized risk management team, and enhance their skills and capacity.

In addition, as we focus on the growth of our County Area Banking Business, we also face special credit risks inherent to Sannong-related industries. There can be no assurance that our risk management system is adequate to guard against those special risks. Some of these risks are yet to be identified by us, or may be unforeseeable or higher than what we originally expected. If we fail to address these risks on a timely basis or fail to improve our risk management system effectively to enhance our risk management capability, our competitiveness, business prospects, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain our growth rate in customer deposits or if there is a significant decrease in our customer deposits, our business operations and our liquidity may be adversely affected.

As a commercial bank, customer deposits remain our primary funding source. During our Track Record Period, our total deposits from customers grew by 92.3% from RMB96.4 billion as of December 31, 2007 to RMB185.4 billion as of June 30, 2010. However, there are many factors affecting the growth of deposits, some of which are beyond our control, such as economic and political conditions, the availability of alternative investment choices and retail customers' changing perception towards savings. As a result, we cannot assure you that we will be able to grow our customer deposits at a pace sufficient to support our expanding business.

In addition, as of June 30, 2010, 93.0% of our total customer deposits had remaining maturities of one year or less, or were payable on demand. As of the same date, 65.9% of our gross loans to customer are due in more than one year. As such, there is a mismatch between the due date of our assets and that of our liabilities. In our experience, due in part to the lack of alternative investment products in China, a substantial portion of our short-term customer deposits has been rolled over upon maturity, and these deposits have represented a relatively stable source of funding. However, we cannot assure you that this will continue to be the case, particularly as the domestic capital market in China continues to develop and as we face more competition for our deposits from other banks.

If we are unable to maintain our growth rate in deposits, or a substantial portion of our customers withdraw their demand deposits or do not roll over their time deposits upon maturity, we may need to seek more expensive sources of funding to meet our funding requirements. If such events occur, our liquidity position, financial condition and results of operations may be materially and adversely affected.

We will be exposed to various risks as we expand our range of products and services.

We have expanded and will continue to expand the products and services we offer to our customers. Compared to the other Large Commercial Banks in China, the products and services currently offered by us are still relatively simple. We rely heavily on our deposit and loan business, and need to further develop our fee- and commission-based business and treasury operations. In March 2010, we formally launched our corporate Internet banking service and we are planning to launch, or are in the process of launching various other new products and services, including personal Internet banking, wealth management, derivatives. Our expansion in the range of products and services has exposed, and will continue to expose, us to new and potentially increasingly challenging market and operational risks. The success of our new products and services will largely be dependent on the following factors:

- our experience and expertise in managing the new products and services;
- our ability to recruit additional qualified staff;
- our ability to provide satisfactory customer service such as providing sufficient products and service information and handling of customer complaints;

- acceptance of our new products by customers;
- our ability to establish an effective management team or to enhance our risk management systems and information technology system to support a broader range of products and services;
- our ability to identify all potential risks associated with our products and services; and
- actions of our competitors.

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

Furthermore, if we are unable to obtain relevant regulatory approvals, or comply with relevant banking regulations in the sales and marketing of our financial products and services, we may be subject to legal proceedings or regulatory sanction, which in turn could lead to significant financial losses and reputational damages. For example, the existing banking regulations set out the minimum interest rates for loans and the maximum interest rates for deposits. In connection with our Jiangyu Xiangqing Card, which was launched in April 2009, we established a charity fund through which we would subsidize remittance transaction fees arising from transfer from outside of Chongqing and we had obtained CBRC approval for such practice. However, this practice was challenged by our competitors as being not in compliance with the regulatory requirements and a form of unfair competition. We cannot guarantee that further legal or other challenges to our new products will not be raised or that the governmental approval we obtained will not be withdrawn, which may have an adverse effect on our reputation, business, results of operations and financial condition.

If we fail to successfully expand our business outside of Chongqing, our business and prospects may be adversely affected.

We plan to strategically expand our business outside of Chongqing into other economically affluent regions as we see fit. In April 2010, we established our first village and township bank outside of Chongqing in Zhangjiagang, Jiangsu in which we hold a 51% ownership. We plan to further expand into the surrounding provinces of Chongqing, including Yunnan and Sichuan. See "Business — Strategies" in this prospectus for further detail. We cannot guarantee, however, that our plan to expand outside of Chongqing will be successful. We may not possess the necessary experience, risk management tools and qualified personnel to successfully compete with the banks and other financial institutions existing in these areas or regions. In addition, we cannot assure you that the actual results will meet our expectation. Various factors may occur that could materially change the assumptions based on which we make our judgment. In order to further expand outside of Chongqing, we need to satisfy various requirements imposed by the CBRC, such as obtaining regulatory rating above a certain level, having total assets above a minimum required amount, having sufficient working capital, maintaining profitability in the last three years and satisfying other financial indicators. We cannot assure you that we will be able to meet the regulatory requirements or meet our development expectation when we expand into our targeted regions. If we fail to successfully expand our business outside of Chongqing into other regions in China, our ability to compete with other commercial banks, our business, financial condition and results of operations may be adversely affected.

We may not be able to effectively implement our post-Restructuring operational reform initiatives, which may affect our ability to enhance our competitiveness and may have a material adverse effect on our business operations or prospects.

We are in the process of implementing and developing a number of post-Restructuring operational reform initiatives in an effort to become a more competitive and customer-oriented company. For details on the operational reform, see "Our History, Restructuring and Operational Reform — Our Organizational Structure and Operational Reform" in this prospectus. Such initiatives include reorganizing our operational structure and organizational procedures. For example, we are in the process of centralizing loan approval and management function from the branch level to the headquarters levels, while allocating more marketing responsibilities to our outlets to improve efficiency. We have established our Retail Credit Department, Distribution Channel Department and County Area Banking Department in order to build a stronger retail banking team and further develop our County Area Banking Business. We are also establishing accountability at each level within our Bank by creating a "vertical" internal auditing management system between our headquarters and our branches and established various committees of the board to meet regulatory requirements. However, such organizational reform initiatives may not be effectively implemented. If we do not successfully implement all or any of these reform initiatives or, if implemented, these initiatives do not achieve the intended benefits generally or within our intended time frame, our ability to enhance our competitiveness and our business, results of operations and financial condition may be adversely affected.

We may not be able to recruit or retain a sufficient number of qualified staff.

Our ability to sustain growth and meet future business demands is dependent upon the continued services of our senior management. Our senior management has on average more than 10 years of experience in the banking industry. We also rely on the continued service and performance of our employees as most aspects of our business depend on the quality of our professional staff. The departure of any member of our senior management team or professional staff may have a material adverse effect on our business and results of operations.

Due to our rapid expansion within and beyond Chongqing, our organizational changes, and other reform initiatives, we are in need of talented employees and have devoted considerable resources to recruitment and professional training. However, we face increasing competition in recruiting and retaining qualified personnel, including our senior management, as other banks are competing for the same pool of qualified personnel and our compensation package may not be as competitive as our competitors. In addition, some of our employees are not subject to long-term employment contracts and they may resign at any time and may seek to divert customer relationships that they have developed while working for us. While we have improved our salary structure in 2009, we cannot provide assurance that we will be able to recruit staff in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to significant increase in our employment costs. Should we fail to recruit or retain a sufficient number of qualified staff, our business and financial condition could be adversely affected.

Certain of our shareholders may be able to exercise significant influence over us.

Chongqing Yufu Assets Management Company Limited, Chongqing City Construction Investment Company Limited and Loncin Holding Co., Limited are expected to own approximately 7.09%, 6.78%, and 6.33% of our outstanding shares immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option. Chongqing Yufu Assets Management Company is an entity owned by Chongqing Municipal Government and is our single largest shareholder, holding 10.00% of our outstanding shares as at the Latest Practicable Date. Chongqing City Construction Investment Company is an entity established by the Chongqing Municipal Government to manage the government's investments in municipal infrastructural projects. As of the Latest Practicable Date, it holds 9.56% of our outstanding shares and is our second largest shareholder. Loncin Holding Co., Limited is a private holding company that has holdings in various businesses such as motorcycle manufacturing, gasoline engine manufacturing, and real estate. As of the Latest Practicable Date, it holds 8.14% of our outstanding shares and is our third largest shareholder. The executive director of Chongqing Yufu Assets Management Company Limited and the chairman of the board of Loncin Holding Co., Limited are both directors of our board. Accordingly, subject to our Articles of Association and the applicable laws and regulations, each of Chongqing Yufu Assets Management Company Limited, Chongqing City Construction Investment Company and Loncin Holding Co., Limited may, through its representatives on our Board, be able to exercise significant influence over our major policy decisions, including our management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material asset transactions, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment to our Articles of Association and other actions that require the approval of our directors and shareholders. From time to time, the interests of our substantial shareholders may not be in line with those of our other shareholders. We cannot guarantee that such shareholders will influence us to pursue decisions and actions that are in the best interests of the remaining shareholders.

Our business is highly dependent on the proper functioning and improvement of our information technology systems.

Our business is highly dependent on the ability of our information technology systems to support our business development, and accurately process a large number of transactions in a timely manner. The proper functioning of our financial control, risk management, accounting, Internet banking, credit card service, customer service and other data processing systems, together with the communication networks between our various branches and outlets and our main data processing centers, is critical to our business and our ability to maintain competitiveness. We cannot guarantee that our operations will not be materially disrupted if there is a partial or complete failure of any of these information technology systems. We are also subject to risks of telecommunication network or Internet breakdown. Such failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, failure by the equipment provider to provide proper maintenance of the system, or natural disasters. Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material adverse effect on our business, reputation, results of operations and financial condition.

In addition, our ability to remain competitive will depend in part on our ability to upgrade the information technology system in a timely and cost-effective manner. We are in the process of upgrading our information technology system. The information available to and received by us through our existing information technology systems may not be timely or sufficient for us to support daily business analysis, manage risks, plan for and respond to market changes and other developments in our current operating environment. We are making, and intend to continue to make, investments to improve or upgrade our information technology systems. For instance, we are in the process of establishing our centralized operating system, post-disbursement supervision auditing system, and upgrading our integrated business system, internal fund transfer pricing (內部資金轉移定價) system and credit management system. Due to the demand of extensive IT reform and construction and the relatively short period of time to carry out the construction work, our ability to fully implement the IT construction plan and utilize the upgraded IT system relies on factors including:

- our ability to meet the more stringent testing requirements;
- our ability to institutionalize and improve IT management, and establish long-term IT development agenda;
- our ability to improve the cooperation relationship between our IT department and other operational departments;
- our ability to recruit and train skilled and qualified IT personnel;
- our ability to identify and secure the services of qualified IT system providers; and
- our ability to strengthen risk management and enhance IT risk control.

If we fail to meet such requirements or demands, we may not be able to improve or upgrade our information technology systems effectively or on a timely basis, which could materially and adversely affect our competitiveness, financial condition and results of operations.

If we are not effective in implementing enhanced internal control system, our business and prospects may be materially and adversely affected.

Our internal control system is essential to the maintenance of our business operations and financial results. As a result of weakness in our internal control system prior to the Restructuring, we suffered from internal control deficiencies and lapses in control processes. We established an enhanced internal control system after the Restructuring and we are in the process of implementing various initiatives to improve our internal control. Such initiatives include improving our corporate governance structure and implementing various internal control policies and guidelines with respect to our credit management, treasury operations, internal accounting and auditing and information management. We have also established a special internal audit team to conduct random on-site inspections to enhance supervision. We also periodically assess our internal control system pursuant to the requirements by the CBRC. However, we cannot assure you that our staff will be able to consistently follow these policies and guidelines at all times as it takes time for our staff to familiarize themselves with these new or trial policies. We also cannot assure you these initiatives will be successfully implemented or as effective as anticipated.

Moreover, our growth and expansion may affect our ability to implement and maintain stringent internal controls. For example, under the CBRC Banking Financial Institution Internal Auditing Guidance (銀行業金融機構內部審計指引), we are required to have a minimum of 1% of our employees specialize in internal auditing. As of June 30, 2010, we had approximately 260 employees specialized in internal auditing, accounting for approximately 2.12% of our total number of employees. However, as we expand our business and recruit more employees, we cannot guarantee that we can meet this ratio at all times. If we fail to satisfy such requirement, the CBRC Chongqing Bureau may take certain administrative actions, including, but not limited to, increasing the frequency of on-site inspections, recommending a change of management, suspension of relevant employees and imposing a deadline for full compliance and correction of such non-compliance when exercising its general supervisory authority to assess the overall condition of our internal control system.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties and we may be subject to other operational risks.

It may be difficult to detect or prevent fraud or other misconduct committed by our employees or third parties, which could subject us to financial losses, third party claims, regulatory actions or reputational damages. Detected incidents of past fraud and other misconduct by our employees included, among other things:

- engaging in unauthorized transactions to the detriment of our Bank, breaching applicable laws or our internal control procedures or violating financial accounting policies;
- misapplying or failing to apply the loan classification standards which results in misclassifications of our loan portfolio;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products to our customers;
- improperly using or disclosing confidential information;
- falsifying or concealing information, including illegal or unlawful activities or credit information during the credit application or loan classification process;
- engaging in transactions that exceed our authorized scope of business; and
- concealing unauthorized or illegal activities that might result in unknown and unmanageable risks or losses.

We cannot provide assurance that our internal control policies and procedures are effective and sufficient to prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct. We cannot provide assurance that such fraud and other misconduct committed by our employees, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on our business, results of operations and financial condition. In addition, improper acts of third parties against us, such as fraud, theft of customer information for illegal activities, robbery and certain armed crimes, may also expose us to certain risks which may adversely affect our business and operations.

We are also subject to other operational risks such as labor and product liability. As of June 30, 2010, we had in total 5,413 retired and internally retired employees. Some of these employees may not be satisfied with their retirement packages and may engage in acts that may adversely affect our reputation. Such acts include but are not limited to visitations to and demonstrations in our office and government authorities, either individually or in a group, and making negative statements about our Bank to the media. We cannot provide assurance that they will not engage in such activities in the future, which may adversely affect our business, reputation and operations.

We are subject to various PRC regulatory guidelines and requirements, and our past non-compliance could result in fines, sanctions or other penalties.

We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include without limitation the CBRC, the CSRC, the PBOC, the MOF, the SAT, the CIRC, and their respective local bureaus and offices, especially in Chongqing. These regulatory authorities carry out periodic inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements. These laws, regulations, guidelines and regulatory requirements include approving banking products and services, market entry, opening of new branches or institutions, tax and accounting policy and pricing. We have previously failed to meet certain requirements and guidelines set by the PRC regulatory authorities or we were found to have violated certain laws and regulations, such as our failure to meet the deposit reserve requirement or other regulatory requirements, and failure to take action on pledged or mortgaged assets when legally required to do so. Prior to the incorporation of our Bank, we had also received administrative penalties due to our delay in contribution to or overdrawal of the deposit reserve account, charging fees from rating agencies, opening accounts that require the approval from PBOC without the requisite approval, and paying cash to our depositors in violation of the applicable regulations. We have in the past been subject to fines and other penalties for cases of such non-compliance. See "Business — Legal Proceedings and Compliance" in this prospectus.

In connection with our Restructuring into a joint stock limited company, we allowed the then existing corporate and individual members to exchange their membership interest for the shares of the newly formed joint stock limited company. In addition, we have also brought in new investors. As a result, we had more than 84,000 shareholders immediately after our incorporation in 2008. However, the Company Law and the Securities Law were amended in 2006 and the amendment provides that the establishment of a joint stock limited company shall not involve more than 200 initial shareholders; otherwise it constitutes a "public offering" that is required to comply with the securities law in China. The implementation of our Restructuring plan had been carried out in 2008 and thus our Restructuring did not fully comply with this requirement. The PRC authorities have the right to take action against such non-compliance, including disciplinary warning, fines and closing down the joint stock limited company. Our PRC counsel advised us that, in light of the government approvals we obtained for the Global Offering, it is very unlikely that we will be subject to administrative actions due to such non-compliance. Nevertheless, we cannot assure you that the PRC regulatory authorities will not take actions against us for such non-compliance in the future. Any regulatory actions against us may damage our reputation and adversely affect our business.

We are subject to a credit limit of 15% of our regulatory capital to any single group borrower. As of December 31, 2008, our loans to the largest single group borrower represented 28.7% of our total regulatory capital, exceeding the maximum 15% limit permitted under PRC laws. As of June 30, 2010, we complied with the maximum regulatory limit imposed on our single borrowers. If we violate this requirement again in the future, the CBRC and its local branches may issue warnings against us, impose fines on us, punish the members of our senior management and/or other responsible persons, suspend our operation or even revoke our business license.

The PRC Commercial Banking Law imposes strict limitations on the use of funds by PRC commercial banks and generally prohibits them from holding equity interests in non-banking entities in the PRC. We have historically held equity interests in domestic non-banking entities, and thus have not been in compliance with these requirements. Under the Commercial Banking Law of the PRC, commercial banks that hold equity interests in non-banking entities may be compelled to take rectification measures by state banking regulatory authorities, and any illegal gain from such violation may be disgorged. If the illegal gain is more than RMB500,000, a penalty equivalent to one to five times of the amount of the illegal gain may be imposed. Otherwise, a penalty between RMB500,000 and RMB two million may be imposed. If the violation is gross or not rectified in a timely manner, the violator's operation may be suspended or its business license may be revoked. Criminal liabilities may be imposed if the violation constitutes a crime. We have disposed of a large percentage of these equity interests prior to the Global Offering. As of June 30, 2010, such equity interests amounted to RMB71.7 million, representing a very small percentage of our total assets. We intend to continue to dispose of these equity interests following the Global Offering. We cannot assure you that CBRC will not take action against us in the future on our past non-compliance, or ongoing non-compliance if we fail to carry out these asset disposals as planned.

We cannot assure you that we will be able to meet these operational requirements and guidelines or comply with all the applicable regulations at all times in the future or that we will not be subject to sanctions, fines or other penalties that may adversely affect our business and financial condition due to our non-compliance with these applicable requirements, guidelines or regulations.

We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to reputational damages or additional liabilities.

In 2007, the PRC Anti-money Laundering Law which set out new requirements for financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering activities came into effect. Such policies and procedures require us to, among others, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities. See "Supervision and Regulation — Anti-money

Laundering Regulation" in this prospectus. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money-laundering activities by terrorists and terrorist-related organizations and individuals generally, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances where our Bank may be used by other parties to engage in money-laundering and other illegal or improper activities. We cannot provide assurance that there will not be future failures in detecting money-laundering or other illegal or improper activities which may adversely affect our business reputation and operations or may expose us to additional liabilities.

We do not possess the relevant land use right certificates or building ownership certificates for certain properties held by us, and we may be required to seek alternative premises for some of our offices or operational sites due to our landlords' lack of relevant land use right certificates or building ownership certificates.

As of September 30, 2010, we held 2,995 properties in China. Of the properties with defective legal titles, there are 50 properties with respect to which we have obtained the allocated land use right certificates and the building ownership certificates. For another 15 properties, we have obtained the collective land use right certificates and the building ownership certificates. We have not obtained the granted land use right certificates and/or building ownership certificates in respect of 94 properties. We are in the process of applying for the relevant land use rights and building ownership certificates that we do not yet hold and have taken steps to rectify certain title defects. On November 15, 2010, we entered into an asset purchase agreement with Chongqing Yufu Assets Management Company Limited, at arm's length basis pursuant to which Chongqing Yufu Assets Management Company Limited agreed to purchase in cash at the consideration of RMB105.4 million a majority of the defective properties with a gross floor area of approximately 83,813.63 sq.m that we owned with defective legal titles. However, we have been unable to obtain relevant land use right or building ownership certificates for the remaining 5 of the properties with a gross floor area of approximately 4,215.53 sq.m representing 4.8% of the GFA of properties that we own due to various title defects. For the defective properties purchased by Chongqing Yufu Assets Management Company Limited, the Bank plans to continue to use them for its operation by entering into leaseback arrangement after the completion of the Global Offering. We may not be able to obtain certificates for all of the properties held by us due to title defects or for other reasons. We may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates. We will also need to pay transfer fees and incur other relevant expenses in order to obtain the full title certificates to such properties. Such additional expenses may materially and adversely affect our business and financial condition. The esimated aggregate amount of transfer fees and other relevant expenses to be paid in order to obtain the full title certificates to the remaining defective properties is immaterial. Our failure to obtain the full title certificates to such properties may require us to seek alternative premises for our business operations, which may lead to disruptions in part or all of our business operations.

In addition, as of September 30, 2010, we leased approximately 323 properties in China, among which 177 were leased from lessors who were not able to provide the title certificates. As a result, the validity of our leases may be subject to legal challenge. In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of challenges by third parties or if we fail to renew any of them upon expiration, we may be forced to relocate the affected branches and branch outlets and incur additional costs associated therewith, and our business, financial condition and results of operations may be materially and adversely affected. See "Business — Properties" in this prospectus for further information.

We are subject to risks associated with off-balance sheet commitments.

In the ordinary course of business, we provide guarantees that are not reflected on our balance sheet, including the provision of financial guarantees and letters of credit to guarantee the performance of our customers to third parties, and bank acceptances. See "Financial Information— Off-balance Sheet Commitments." We are subject to credit risks associated with these credit commitments. If our customers are unable to honor their obligations, our financial condition and results of operations may be adversely affected.

There might be potential disputes raised by the shareholders whom we are unable to locate.

As a historical problem resulting from the credit cooperative form of business before the Restructuring, approximately 2,090 individual shareholders out of the 80,855 individual shareholders could not be located as of the Latest Practicable Date due to incompleteness of their personal information. In 2007, in connection with our restructuring into a joint stock limited company, we decided the subscription price for the shares of the joint stock limited company to be RMB1.60 per share, of which RMB0.60 per share represented a premium on capital to be used to write off our non-performing assets. As a result, our then existing shareholders paid the additional RMB0.60 per share in connection with their subscription of the new shares, except for employee shareholders and the individual shareholders who could not be located, whose old shares were exchanged for new shares in the ratio of 1.6:1, and as a result, their shareholdings were diluted accordingly. These unallocated shareholders in the aggregate hold approximately 0.02% of the equity interest of our Bank.

Under the promoters' agreement of the joint stock limited company, we are entrusted by the Promoters to collect the RMB3.6 billion non-performing assets that were written off and are entitled to the amount collected. According to Junhe Law Offices, our PRC legal advisors, despite the fact that some of our individual shareholders cannot be located, the collection and write-off of the non-performing assets under the entrusted arrangement are valid and enforceable. In addition, we have set up custodianship for the shares of these unallocated shareholders and put in place procedures for these shareholders to register their shares. However, we cannot guarantee that there will not be any issues raised by such shareholders, such as dispute over the dilution of their shareholding or challenge over the validity of the arrangement under which the non-performing assets were written off and collected, any of which may result in negative publicity and reputational damage to us.

The high proportion of our loans due within one year may adversely affect the reliability and stability of our interest income, or result in a higher default rate on our loans.

A significant portion of our outstanding loans consists of loans that are due within one year. As of December 31, 2009 and June 30, 2010, these loans represented approximately 50.5% and 32.7%, respectively, of our net loans and advances to customers. We cannot ensure we can maintain such ratio or we can adjust the composition of our short term and long term loans in our loan portfolio to a level that we deem appropriate. In our experience, a substantial portion of these loans is rolled over upon maturity and, as a result, these loans have been a stable source of interest income. We cannot provide assurance, however, that this will continue to be the case, particularly if competition increases or alternative sources of funding at lower interest rates become available to our customers. In addition, the concentration of short-term loans means that the repayment of such loans may be more vulnerable to, and could result in a higher default rate in case of, any downturn in the PRC economy or in the specific sectors of the PRC economy to which we primarily lend. Either of these two factors of unstable interest income and a higher rate of loan defaults could have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE PRC BANKING INDUSTRY

We face increasingly intense competition in China's banking industry.

The banking industry in China is becoming increasingly competitive. At present, we face intense competition from Large Commercial Banks, other joint stock commercial banks and city commercial banks, in particular within our SME sector. Our competition generally has better access to capital, more advanced risk management systems, and broader customer and deposit bases nationwide. Joint stock commercial banks and city commercial banks are under fast development and market expansion.

With respect to our County Area Banking Business, we compete primarily with China Postal Savings Bank in Chongqing and other national and regional financial institutions in the county areas in China, which have smaller customer and deposit bases compared with the Large Commercial Banks and certain joint stock commercial banks but are more comparable to us in their management style and business strategies. In addition, the Large Commercial Banks have recently adjusted their development strategy and started focusing on market in the county areas. We also compete with foreign financial institutions which have started to focus on county area banking and have opened county area banking branches. For example, in recent years, a number of foreign banks opened their first county area banking branch in the county area of China in order to develop its county area banking business in the PRC. While these banks have limited geographical presence, they have significant know-how and marketing expertise which can challenge our market position.

We compete with our competitors for substantially the same loan, deposit and fee customers. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services, and increasing competition for senior management talents and qualified professional personnel. If we do not successfully compete against other banks and financial institutions, our results of operations would be materially and adversely affected.

We may also face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative financing to fund their capital needs, our interest income, financial condition and results of operations may be adversely affected.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in China. Our deposit customers may elect to convert their funds into stocks and bonds, which may reduce our deposit base and materially and adversely affect our business, financial condition and results of operations.

Our business and operations are highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies.

The PRC banking industry is highly regulated and our business could be directly affected by changes in the policies, laws and regulations relating to the PRC banking industry, such as those affecting the extent to which we can engage in, or charge fees for, specific businesses, as well as changes in other governmental policies. The bank regulatory regime in the PRC has been undergoing significant changes, some of which are applicable to us and may result in additional compliance costs or restrictions on our activities. Since its establishment in 2003, the CBRC has promulgated a series of banking regulations and guidelines aimed at improving the operations and risk management of the PRC commercial banks. For example, in 2008, the CBRC undertook several regulatory measures in response to the global financial crisis, including requirement on the banking industry to enhance analysis and reporting methods and strengthen information disclosure.

Over the past decade local governments in the PRC have established investment vehicles to develop various projects, including infrastructure and real estate. According to the CBRC, government financing vehicles consist primarily of government-led vehicles and vehicles the shares of which are substantially owned by the government. These vehicles primarily engage in financing activities wholly or partially supported by the direct or indirect repayment commitments or direct or indirect guarantees from local governments and provide support to various infrastructure development and quasi-public interest government investment projects. Within China's administrative division system, the recipients of these loans generally rank at or above the district city level. In August 2010, the PRC government began to tighten lending to these vehicles by issuing the Notice on Enhancing the Regulation on Local Government Funding Vehicles (關於加强地方政府融資平台公司管理有關問題的通知). Based on this notice, we implemented re-evaluation of our loans as specified by CBRC. It was concluded that only 0.89% of the total amount of the loans (totalling RMB172 million) would be regarded and regulated as local government funding vehicle loans. Nevertheless, any further policy change with respect to our lending to these vehicles, or deteriorations in the debt repayment abilities of these financing vehicles due to unfavorable developments in the macroeconomic condition, state policy changes or other reasons may still materially and adversely affect our asset quality, financial condition and results of operations. Please see the section titled "Supervision and Regulation" for further details.

In addition, other PRC regulatory authorities have also imposed various macroeconomic measures that affect the banking industry. For example, the PBOC raised the required reserve ratio by ten instances in 2007 prior to the global financial crisis and cut such ratio by four instances in 2008 since the global financial crisis, which remained unchanged until January 2010. In January, February, May and November 2010, the PBOC raised the reserve ratio by four instances with an aim to prevent overheating of the economy. Also in recent years, China's regulatory policies are gradually incorporating international standards, such as the internal rating system based on the Basel II Capital Accord.

The policies, laws and regulations governing the banking industry are subject to future changes. Moreover, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. We cannot assure you that such changes will not materially and adversely affect our business, financial condition and results of operations or any interpretation and application of new policies will be favorable for us, nor can we assure you that we will be able to adapt to all such changes or new policies on a timely basis.

The growth of China's banking industry may not be sustainable.

The PRC banking industry has experienced rapid growth, consistent with the economic development of the PRC. Banks have historically been, and are likely to remain, the principal financing channel for enterprises and the primary choice for domestic savings. We expect the banking industry in the PRC to further expand as a result of the continued growth in the PRC economy, increases in household income, deregulation of interest rates and further liberalization of exchange restrictions on the Renminbi, among other factors.

However, the financial crisis in the United States had brought about a global economic downturn. China's GDP growth rate was 9.1% in 2009. It is uncertain whether the PRC economy and the banking industry can return to the previous levels of growth. In addition, the PRC banking industry has historically been burdened with a high level of non-performing loans. Even with the PRC government's measures to dispose the non-performing loans of the Large Commercial Banks and certain other commercial banks and to recapitalize these banks, we cannot assure you that the banking industry in the PRC is free from systemic risks. Consequently, we cannot assure you that the growth and development of the PRC banking industry will be sustainable. If the rate of growth of the PRC banking industry slows down, our business, financial condition and results of operations may be materially and adversely affected. In addition, the PRC government introduced a RMB four trillion stimulus package in 2009 which sought to boost the slowing Chinese economy by stimulating domestic spending and demand. The package has led to a rapid increase in bank loans. However, this rapid increase may be a result of loans being made to less qualified customers, and the non-performing loans in the PRC banking industry may eventually rise.

Certain PRC regulations limit our ability to diversify our investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bonds issued by PRC policy banks, bonds, subordinated notes other debt instruments issued by PRC commercial banks, PBOC bills and commercial papers issued by qualified domestic corporations. These restrictions on our ability to diversify our investment portfolio limit our ability to seek returns on our investments in a way comparable with those of banks in other countries or to manage our liquidity and asset-liability duration mismatch in the same manner as banks in other countries. In addition, we are exposed to a certain level of risk as a result of the concentration of our RMB-denominated investments assets and lack of hedging instruments. For example, as of June 30, 2010, we have RMB39.1 billion of debt instruments issued by financial institutions and thus, any deterioration of the financial condition of commercial banks in China would increase the risks associated with holding their bonds, subordinated notes and other debt instruments issued by these commercial banks. A decrease in the value of any of these types of investments could have a material adverse effect on our financial condition and results of operations.

We are subject to changes in interest rates, exchange rate and other market risks, which may be beyond our control.

Our primary source of income is interest income from our loans. Currently, our net fee and commission income is derived primarily from our agency services and settlement and clearance services and constituted only 3.4%, 2.4%, 1.4% and 0.9% of our total operating income in the first half of 2010 and the years of 2009, 2008 and 2007, respectively. As a result of our low fee and commission income revenues, our reliance on net interest income makes us more vulnerable to interest rate changes. Fluctuations in interest rates could affect our financial condition, results of operations and profitability in different ways. For example, a decrease in interest rates may reduce our interest income as well as yields from interest-earning investments. An increase in interest rates may decrease the value of our debt securities portfolio and raise our funding costs. Moreover, an increase in interest rates may reduce overall demand for loans, and accordingly, reduce our origination of new loans, and increase the risk of customer default. In addition, volatility in interest rates may also result in a gap between our interest rate sensitive assets and interest rate sensitive liabilities. Furthermore, changes in interest rates applicable to us are sensitive to the impact of many factors over which we have no control, including the regulatory framework of the banking and financial sectors, domestic and international economic and political conditions, and competitive pressures. For example, in October 2008, the PBOC announced a policy under which commercial banks are not allowed to price RMB denominated residential mortgage loans below 70% of the applicable benchmark lending rates or set the minimum down payments for qualified home buyers below 20% of the purchase price, and subsequently on September 29, 2010, such minimum down payments for qualified home buyers were raised to at least 30% of the purchase price. Moreover, we may not be able to pass on the cost of increased interest rates to our customers. There is also a time lag between the time the PBOC adjusts the interest rate and the time that its impact on our financials is fully shown. For instance, during the last four months of 2008, the PBOC cut rates in five instances, reducing the one-year benchmark RMB lending rate by a total of 216 basis points and the deposit rate by a total of 189 basis points. The PBOC rate cuts led to the decline in our overall average yield in 2009 and the average yield of some of our interest-earning assets.

We have just launched our foreign currency business in the second half of 2009, and our income from foreign currency related activities is also subject to volatility caused by, among other things, fluctuations in foreign currency exchange rate. As the derivative market has yet to fully develop in China, there are limited risk management tools available to enable us to reduce interest rate, exchange rate and other market risks. In addition, due to restrictions on the types of investments we may make, our ability to hedge against market risk is limited.

The effectiveness of our credit risk management is affected by the quality and scope of information available in China.

National credit information databases developed by the PBOC have only recently become operational. In addition, limitations on the availability of information and the developing information infrastructure in China mean that national credit information databases are generally under-developed and are not able to provide complete credit information on many of our credit applicants. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Without complete, accurate and reliable information and until comprehensive national credit databases with respect to corporate and retail borrowers have been fully implemented and effective, we have to rely on other publicly available information and our internal resources, which may not be effective. In addition, as we focus on the growth of our County Area Banking Business, and since information on County Area is even harder to collect due to the underdevelopment of the credit information system in the county areas in China, we may have greater difficulties in managing the risks of our County Area Banking Business. As a result, our ability to effectively manage our credit risk may be materially and adversely affected.

The ability of our shareholders to pledge their shares is limited by applicable PRC legal and regulatory requirements.

According to current PRC banking regulations, a shareholder of a commercial bank may not use its shares in the bank as collateral for loans from such bank. If a shareholder procures a loan from the bank, the terms of such loan may not be more favorable than those offered to other borrowers. Moreover, any shareholder of a commercial bank who owns 5% or more of the shares must give a written notice to the board of directors of such bank before pledging its shares in the bank as collateral for or to guarantee loans from other banks. If a shareholder of a bank has a loan from such bank in excess of the audited net value of its shares in the bank for the immediately preceding year, the shareholder may not use its shares in the bank as collateral for borrowings at other banks unless certificates of deposit with a PRC bank or PRC government bonds are provided as additional collateral to the bank in which the shareholder holds its shares. In addition, PRC domestic legal person and its connected companies cannot hold in the aggregate more than 10% of our shares under the CBRC rules. See “Supervision and Regulation” in this prospectus for further details.

Investments in commercial banks in the PRC are subject to ownership restrictions that may materially and adversely affect the value of your investment.

Investments in commercial banks in the PRC are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in the PRC. If a shareholder of a commercial bank in the PRC increases its shareholding above the 5% threshold without obtaining the CBRC’s prior approval, the shareholder will be subject to CBRC sanctions, which include, among other things, correction of such misconduct, fines and confiscation of related earnings. Therefore, if one of your investment goals is to acquire a substantial equity interest in us, your goal may not be achieved unless you are able to obtain the prior approval of the CBRC. See “Supervision and Regulation — PRC Banking Supervision and Regulation — Ownership and Shareholder Restrictions — Restrictions on Shareholders” in this prospectus. In addition, future changes in ownership restrictions imposed by the PRC government may materially and adversely affect the value of your investment.

Further amendments to IAS 39 and interpretive guidance on its application may require us to change our loan provisioning practice.

We assess the impairment of our loans and investment assets under IAS 39. The determination of impairment requires our management to exercise significant judgment and discretion. Please refer to "Financial Information — Critical Accounting Estimates and Judgments" in this prospectus for the judgments and discretions used. IAS 39 has been amended during the past few years. The International Accounting Standards Board, or IASB, which has the responsibility for developing and revising accounting standards under IFRS, issued an exposure draft in November 2009 on amortized cost and impairment which, if adopted, will become effective on January 1, 2013 and result in the replacement of the incurred loss model under IAS 39 with an expected loss model. In addition, International Financial Reporting Interpretations Committee and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. We cannot assure you that these and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, will not require us to change our current provisioning practice, which may in turn materially affect our financial condition and results of operations.

Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

We classify our loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. When assessing our loans for impairment, we determine a level of allowance for impairment losses and recognize any related provisions made in a year using the five-category classification system. We perform such assessment, determination and recognition using the concept of impairment under IAS 39. For our corporate loans classified as substandard or lower, we make an assessment on an individual loan basis. For our performing corporate loans and for all of our retail loans, including our credit card balances, we make a collective assessment based on our historical loss experience. Our loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those that could be reported if we were incorporated in those countries or regions.

Our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected as a result of negative media coverage of China's banking industry and the county areas in China.

China's banking industry continues to be covered extensively and critically by various news media. Historically, incidents of fraud and issues relating to high levels of non-performing loans, loan quality, capital adequacy, solvency, internal controls and risk management have been reported by the media. In relation to our County Area Banking Business, China's county areas and its economic development as well as social problems are also often covered by the media. Negative coverage, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation and consequently may undermine depositor and investor confidence. Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected as a result.

We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government publications contained in this prospectus with respect to China, its economy or its banking industry.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as the PBOC, CBRC, World Bank or International Monetary Fund, or other public sources, which are generally believed to be reliable. However, we cannot guarantee the quality, comparability and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by us and may not be consistent with information available from other sources, and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics offered by other economies. As a result, you should not place undue reliance on such information.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.

All of our businesses, assets, operations and revenues are in or derived from our operations in the PRC, and as a result, our financial condition, results of operations and business prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a more market oriented economy. The PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, but a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the economic conditions of China, which in turn is influenced by the global economy. As a result of the recent financial crisis, recessionary conditions are present in many economies globally and such conditions may persist over the near to medium term. The deterioration in the global economy has added greater downward pressure to China's economic growth. China's 2009 GDP growth of 9.1% is already below its 2008 and 2007 levels, at 9.6% and 14.2%, respectively. Given the difficult global climate, the World Bank's estimates for China's 2010 and 2011 GDP growth are 9.5% and 8.5%, respectively. Many of our customers and counterparties in the ordinary course of our business are companies operating in industries that have been exposed to the impact of the downturns of the Chinese and global economies, such as real estate, natural resources and infrastructure related sectors. Our asset quality may deteriorate and our provisions for non-performing loans may have to be increased if our major customers or counterparties fail or are otherwise unable to meet their obligations. The value of the collateral or guarantees provided to us may be changed adversely and we may be unable to realize the full value of our collateral or guarantees.

We may also face difficulties in expanding our businesses due to the lack of confidence in the economic growth and the declines in investments and spending. Any of the above situations may have a material adverse affect on our business, results of operations and financial condition. The precise nature of all the risks and uncertainties that we face as a result of current economic conditions cannot be predicted accurately and many of these risks are outside our control.

The PRC legal system could limit the legal protections available to you.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations are relatively new and will continue to evolve, are subject to different interpretations and may not be uniformly enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to you and can adversely affect the value of your investment.

Our Articles of Association provide that disputes between holders of our H Shares and our Bank, or our Directors, Supervisors or officers, arising out of our Articles of Association or the Company Law and related regulations, concerning the affairs of our Bank, are to be resolved through arbitration by CIETAC or HKIAC, rather than by a court of law. Awards made by PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares issued by a PRC company to enforce an arbitral award. As a result, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. However, we cannot guarantee that you will have the same protections afforded to a minority shareholder by companies incorporated under the laws of the United States, certain member states of the European Union or Hong Kong or other countries.

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

We are a company incorporated under the laws of the PRC, and all of our assets are located in the PRC. In addition, most of our Directors and all of our officers reside within the PRC, and the assets of our Directors and officers are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

We are subject to PRC government controls on currency conversion, and the fluctuation of the Renminbi may materially and adversely affect our operations and our ability to pay dividends to holders of our H shares.

We receive all of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Under China’s existing foreign exchange regulations, following the completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends in foreign currencies without prior approval from the SAFE if we comply with the relevant procedural requirements. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in Chinese and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day’s inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made further adjustments to the exchange rate system. On June 19, 2010, the PBOC announced that China will further reform the Renminbi exchange rate regime and enhance the exchange rate flexibility. The PRC government may in the future make further adjustments to the exchange rate system. We currently only have minimal foreign currency exposure. However, as we undertake to expand into foreign currency business, any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. We are also currently required to obtain the approval of the SAFE before undertaking certain significant sums of capital account foreign currency exchange transactions. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Holders of H Shares may be subject to PRC taxation.

Under current PRC tax laws, regulations and rulings, dividends paid by our Bank to a non-PRC resident enterprise shareholder are subject to a 10% withholding tax while the dividends paid to an individual holder of H Shares outside the PRC are currently exempted from PRC income tax. In addition, gains realized by Non-PRC Resident Enterprise Shareholders upon sale or disposition of H Shares are subject to a 10% income tax, while gains realized by individual holders of H Shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, individual holders of H Shares may be required to pay PRC income tax, or we may be required to withhold such tax from dividend payments. Such PRC income tax or withholding tax on dividends would likely be imposed at the current rate of 20%, unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder of H Shares resides which reduces or exempts the relevant tax. See “Appendix VIII — Taxation and Foreign Exchange” to this prospectus.

Payment of dividends is subject to restrictions under PRC law.

Under the PRC law, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP), general reserve and discretionary surplus reserve (as approved by our shareholders’ meeting). As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our shareholders in the future, including with respect to periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or that has violated certain other PRC banking regulations. See “Supervision and Regulation — PRC Banking Supervision and Regulation — Supervision Over Capital Adequacy — CBRC Supervision of Capital Adequacy” in this prospectus.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS"), avian or H1N1 influenza, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect the economies and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our retail network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our sales, costs, overall financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the Global Offering, there was no public market for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our H Shares in the public market or the issuance of new shares, or the perception that such sales or issuances may occur.

Because the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering will experience immediate dilution upon such purchase.

The Offer Price of our H Shares is higher than our net tangible book value per share of the outstanding shares issued to our existing shareholders as of June 30, 2010. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value of HK$2.72 per H Share based on our net tangible book value per share as of June 30, 2010 (assuming an Offer Price of HK$5.25, which is the mid-point of our indicative Offer Price range, and assuming the Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There will be a five-business-day time gap between pricing and trading of our H Shares offered in the Global Offering, holders of our H Shares are subject to the risk that the trading prices of our H Shares could fall during the period before trading of our H Shares begins.

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

Dividends distributed in the past may not be indicative of our dividend policy in the future.

We declared a cash dividend of RMB360.0 million, RMB232.1 million and RMB110.8 million in 2010, 2009 and 2008 in respect of profits for the year ended December 31, 2009, 2008 and 2007, respectively, which were paid in full by us in June 2010, May 2009 and 2008, respectively. On November 26, 2010, we also declared a special dividend of RMB403.6 million in respect of the profits for the period from January 1, 2010 to the date immediately preceding the Listing Date. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size dividends will be paid in the future. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable. See "Financial Information — Dividend Policy" in this prospectus.

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the date of this prospectus, there has been press and media coverage regarding us and the Global Offering, particularly in the Hong Kong Economic Times, Apple Daily, Ming Pao Daily News, the Standard, Sing Pao, Wen Wei Po and Hong Kong Economic Journal, which included certain financial information, financial projections, valuations, future plans and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. Accordingly, you should not rely on any such information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors of the Bank collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules, the Companies Ordinance and the SFO for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC AND CBRC APPROVALS

We have received approval from the CSRC, and have obtained approval from the CBRC, for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange, on November 16, 2010 and August 6, 2010, respectively. In granting such approval, neither the CSRC nor the CBRC accepts any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Bookrunners. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about December 9, 2010, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed among us (on behalf of ourselves and the Selling Shareholders) and the Joint Bookrunners (on behalf of the Underwriters) by December 15, 2010, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, see "Underwriting — Underwriting Arrangements and Expenses" in this prospectus.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

Each person acquiring the Offer Shares will be required to confirm, or by his acquisition of the Offer Shares will be deemed to confirm, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or exemption therefrom. In particular, the Offer Shares have not been offered and sold, will not be offered or sold, directly or indirectly, in the PRC.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares including: any H Shares which may be issued by our Bank pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on December 16, 2010.

Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized securities approval authorities of the State Council and after satisfying certain procedural requirements.

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

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See “Appendix VIII — Taxation and Foreign Exchange” in this prospectus.

Dividends Payable to Holders of H Shares

Unless determined otherwise by our Bank, dividends payable in Hong Kong dollars in respect of H Shares will be paid to shareholders as recorded in our H Share register, and sent by ordinary post, at the shareholders’ own risk, to the registered address of each shareholder.

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that neither we nor the Joint Global Coordinators, the Joint Sponsors, the Underwriters, nor their respective directors, nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

Registration of Subscription, Purchase and Transfer of H Shares

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

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

(ii) agrees with us, each of our shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of Articles of Association" to this prospectus;

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

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

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates (as such term is defined in the Hong Kong Listing Rules) of any of the Directors of our Bank or an existing shareholder of our Bank or a nominee of any of the foregoing.

Procedure for Application for Hong Kong Offer Shares

The procedure for applying for Hong Kong Offer Shares is set out in the sections headed "How to Apply for Hong Kong Offer Shares" and "Further Terms and Conditions of the Hong Kong Public Offering" of this prospectus and the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" of this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the stabilization and the Over-allotment Option are set out in the section headed "Underwriting" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into HK dollars was made at the rate of RMB0.8577 to HK$1.00, the exchange prevailing on November 26, 2010, set by PBOC for foreign exchange transactions. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Further information on exchange rates is set forth in "Appendix VIII — Taxation and Foreign Exchange" to this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside China. We have reproduced the data and statistics extracted from such official government publications in a reasonably cautious manner.

WAIVER ON PUBLIC FLOAT REQUIREMENTS

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules to accept that the minimum percentage of our issued share capital from time to time to be held by the public in the form of H shares and listed upon the Hong Kong Stock Exchange to be reduced to such percentage of our share, which shall represent no less than 24% of our enlarged issued share capital immediately upon completion of the Global Offering, provided that the value of H shares in the public hands shall be no less than HK$1.5 billion. For further information, please refer to the section headed "Share Capital — Public Float Requirements" in this prospectus.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Hong Kong Listing Rules states that the information to be disclosed in respect of Rules 4.04 to 4.09 must be in accordance with the best practice which is at least that as required to be disclosed in respect of those specific matters in the accounts of a company under the Companies Ordinance and Hong Kong Financial Reporting Standards or IFRS and, in the case of banking companies, the "Financial Disclosure by Locally Incorporated Authorized Institutions" ("**FD-1**") from the Supervisory Policy Manual issued by the Hong Kong Monetary Authority ("**HKMA**").

The Banking Disclosure Rules issued by HKMA for the purpose of implementing the requirements of, among other things, the new Capital Adequacy Framework based on the New Capital Adequacy Framework under Basel II, replace, inter alia, FD-1 and are applicable to authorized institutions from the beginning of its first financial year commencing on or after January 1, 2007. Our Bank is engaged in banking activities and therefore, pursuant to Rule 4.10 of the Hong Kong Listing Rules, the financial information to be disclosed in this prospectus should include information that is required to be disclosed in respect of those specific matters under the Banking Disclosure Rules.

We are unable to provide certain disclosures required by the Banking Disclosure Rules as described below because such information is currently not available. We believe that the financial disclosures which we are currently unable to provide are immaterial to potential investors of the Global Offering. However, we will endeavour to collect the relevant information so that we will be in a position to provide such required disclosures under the Banking Disclosure Rules within a reasonable time in the future, as outlined below. Further, although the methodology and amount of allowance for impairment loss prepared under IFRS and PBOC's guidelines are different and not comparable, the Bank confirmed that the differences have not had any adverse effect on the Bank's operation, and its allowance adequacy ratio for loan impairment under both IFRS and PBOC's guidelines met the regulatory requirements as of June 30, 2010. On such premises, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 4.10 of the Hong Kong Listing Rules to the extent that our disclosure does not fully comply with the Banking Disclosure Rules and the Companies Ordinance. Looking ahead, the Bank expects to be able to make disclosure according to relevant requirements of the Banking Disclosure Rules for the year ending December 31, 2011.

Position of the Bank in relation to disclosures under the Banking Disclosure Rules

Section Number[1]	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
36	(3) An authorized institution shall disclose particulars of any movements in provisions for impaired loans and receivables (including provisions against trade bills if material) during the annual reporting period. (4) For the purposes of subsection (3), an authorized institution - (b) shall, in respect of the movements in provisions referred to in that subsection, disclose particulars of - (i) the amount of new provisions charged to the profit and loss in the annual reporting period for losses on impaired loans and receivables; (ii) the amount of provisions released back to the profit and loss in the annual reporting period;	The Bank did not segregate the amount of provisions released from the amount of new provisions charged to the income statement during the relevant periods.	The Bank proposes to disclose the amount of new provisions without deduction of reversals of provisions.	The Bank endeavours to upgrade the loan system so that the Bank will be in a position to provide such required disclosures under the Banking Disclosure Rules for the year ending December 31, 2011.

1 The relevant sections under the Banking Disclosure Rules which the Bank is currently unable to provide the required disclosures.

Section Number[1]	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
45 **51**	Capital structure and adequacy Liquidity Liquidity	As a financial institution incorporated and based in the PRC, the Bank maintained and compiled data on capital management and liquidity management in accordance with the requirements of the CBRC and PBOC which attempt to address similar disclosure purpose as the requirements of the Banking Disclosure Rules. Although the two regimes are slightly different, if the Bank was to attempt to comply with such items under the Banking Disclosure Rules in parallel with the CBRC or PBOC regulations, the Bank would be required to carry out unnecessary additional work to compile similar information already required and maintained in accordance with the CBRC and PBOC regulations, and produce duplicate data for the purposes of the requirements of the Banking Disclosure Rules.	Given that there are comparable CBRC and PBOC regulations covering the requirements of such items under the Banking Disclosure Rules, the Bank proposes to disclose information which complies with the CBRC and PBOC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules.	N/A

[1] The relevant sections under the Banking Disclosure Rules which the Bank is currently unable to provide the required disclosures.

Section Number[1]	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
46	(4) Where not less than 10% of an authorized institution's - (a) total operating income (net of interest expense); (b) profit or loss before taxation; (c) total assets; (d) total liabilities; or (e) contingent liabilities and commitments, is booked in a single country or geographical segment, the institution shall disclose, for the item specified in each of paragraphs (a), (b), (c), (d) and (e), the absolute amount in respect of the country or geographical segment, as the case requires.	The disclosure requirement is not applicable to the Bank as the Bank operates in Chongqing and Zhangjiagang, the PRC only. The operation in Zhangjiagang was launched in April 2010. The absolute amount of items specified in each of paragraphs (a), (b), (c), (d) and (e) of operation in Zhangjiagang are within 10% of those of the Bank's operation. The Bank did not identify it as a geographical segment.	N/A	N/A
46	(7) An authorized institution shall disclose a breakdown of its cross-border claims by major countries or geographical segments in accordance with - (a) the location of the counterparties; and (b) the types of counterparties, broken down into banks, public sector entities and others.	The disclosure requirement is not applicable to the Bank as the Bank operates in Chongqing and Zhangjiagang, the PRC only.	N/A	N/A

[1] The relevant sections under the Banking Disclosure Rules which the Bank is currently unable to provide the required disclosures.

Section Number[1]	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
46	(8) An authorized institution shall disclose the gross amount of loans and advances to customers by major countries or geographical segments in accordance with the location of the counterparties. (9) An authorized institution shall disclose the basis of the country or geographical segment classification used for the purposes of subsections (7) and (8). (10) An authorized institution shall disclose - (a) the amount of impaired loans and advances to customers which are individually determined to be impaired and, if available, overdue loans and advances to customers, disclosed separately broken down by major countries or geographical segments; (b) the amounts of specific provisions allocated in respect of the loans and advances referred to in paragraph (a); and (c) that portion of its collective provisions which is allocated to any country or geographical segment.	The disclosure requirement is not applicable to the Bank as the Bank operates in Chongqing and Zhangjiagang, the PRC only. The operation in Zhangjiagang was launched in April 2010. The absolute amount of items specified in each of paragraphs (8), (9), and (10) of operation in Zhangjiagang are within 10% of those of the Bank's operation. The Bank did not identify it as a geographical segment.	N/A	N/A

1 The relevant sections under the Banking Disclosure Rules which the Bank is currently unable to provide the required disclosures.

Section Number[1]	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
47	(1) An authorized institution shall disclose the gross amount of loans and advances to customers, broken down into - (a) loans and advances for use in Hong Kong	The disclosure requirement is not applicable to the Bank as the Bank operates in Chongqing and Zhangjiagang, the PRC only.	N/A	N/A
47	(2) An authorized institution shall disclose the extent to which loans and advances referred to in subsection (1) are covered by collateral or other security.	The Bank did not maintain updated fair value information for the collateral for loans which are neither overdue nor impaired.	The Bank proposes to make disclosure on fair value of collaterals for loans and advances which are overdue or impaired.	The Bank endeavours to collect the relevant information so that the Bank will be in a position to provide such required disclosures under the Banking Disclosure Rules for the year ending December 31, 2011.
47	(3) Where an authorized institution's total amount of loans and advances to a counterparty type, or to a sector which has been classified by the institution as an industry sector, constitutes not less than 10% of the institution's total amount of loans and advances, the institution shall, in respect of that counterparty type or industry sector, as the case may be, disclose - (c) the amount of new provisions charged to profit and loss, and the amount of impaired loans and advances written off during the annual reporting period.	The Bank did not segregate the amount of provisions released from the amount of new provisions charged to the income statement during the relevant period.	The Bank proposes to disclose the amount of new provisions without deduction of reversals of provisions.	The Bank endeavours to collect the relevant information so that the Bank will be in a position to provide such required disclosures under the Banking Disclosure Rules for the year ending December 31, 2011.

1 The relevant sections under the Banking Disclosure Rules which the Bank is currently unable to provide the required disclosures.

Paragraph 13(1)(g) of the Tenth Schedule to the Companies Ordinance requires separate disclosure of interest income from listed and unlisted investments. We did not segregate the amount of interest income as such, and in lieu of that, we disclosed the total amount of interest income from investment in Note VI.5 to the consolidated financial statements included in the Accountant's Reports in Appendix IA and Appendix IB to this prospectus. We expect to be able to make disclosure according to the separate categories for the year ending December 31, 2011.

Further to the above, as a financial institution incorporated and based in the PRC, we are required to comply with requirements laid down by the CBRC and the PBOC.

Certain provisions in the Banking Disclosure Rules require disclosure in respect of our capital base (in particular, relating to our capital adequacy/ shortfall), cross border claims, liquidity ratios, breakdown of loans to customers, PRC exposures to non-bank counterparties and credit risks. We have maintained and compiled data in such respects in accordance with the similar regulatory requirements of the CBRC and PBOC. While we believe that such CBRC and PBOC requirements attempt to address similar disclosure purpose as the requirements of the Banking Disclosure Rules, the two regimes are slightly different. If we were to attempt to comply with such items under the Banking Disclosure Rules in parallel with the CBRC or PBOC regulations, we would be required to carry out unnecessary additional work to compile similar information already required and maintained in accordance with the CBRC and PBOC regulations, and produce duplicate data for the purposes of the Banking Disclosure Rules' requirements.

In such circumstances, given that there are comparable CBRC and PBOC regulations covering the requirements of such items under the Banking Disclosure Rules, we propose to disclose information which complies with the CBRC and PBOC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules.

To enhance comparability of our financial information published in Hong Kong and the PRC, after the completion of the Global Offering, we will publish annual and semi-annual financial reports under IFRS and publish quarterly reports under PRC GAAP together with a reconciliation from PRC GAAP to IFRS.

WAIVER AND EXEMPTION FROM CERTAIN VALUATION REPORT REQUIREMENTS

According to the valuation report set out in Appendix V to this prospectus as at September 30, 2010, we owned 2,995 properties with an aggregate GFA of approximately 1,519,659.85 sq.m. in the PRC. We also owned 18 properties under construction and contracted to acquire 34 properties. In addition, we leased 323 properties with an aggregate lettable area of approximately 45,444.92 sq.m. in the PRC. Owing to the substantial number of properties involved, we have applied to the SFC for an exemption pursuant to section 342A of the Companies Ordinance from strict compliance with the requirements under section 342(1) in respect of Paragraph 34(2) of Part II of the Third Schedule to the Companies Ordinance, and to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements of Rules 5.01, 5.06, Paragraph 3(a) of Practice Note 16 and Rule 19A.27(4) of the Hong Kong Listing Rules, respectively, on the grounds that (i) it would be unduly burdensome to include a fully compliant valuation report in this prospectus due to the substantial number of properties involved as it is estimated by Jones Lang LaSalle Sallmanns Limited that the Valuation Report would run to over 3,000 pages of English text if the traditional format were to be adopted; and (ii) it would be irrelevant to potential investors to include excessive details on each property in this prospectus as we are a commercial bank. The Bank and the Joint Sponsors are of the view that the exemption from the SFC and the waiver from the Hong Kong Stock Exchange would not be prejudicial to the interests of the investors.

The exemption has been granted by the SFC under section 342A of the Companies Ordinance in respect of paragraph 34(2) of the Third Schedule and the waiver has been granted by the Hong Kong Stock Exchange from Rules 5.01, 5.06, Paragraph 3(a) of Practice Note 16 and Rule 19A.27(4) of the Hong Kong Listing Rules, subject to the following conditions:

(i) a full version of the valuation report in the Chinese language complying with all the requirements of Paragraph 34 of Part II of the Third Schedule to the Companies Ordinance will be made available for inspection in accordance with "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus;

(ii) the valuer's letter and the valuer's certificate containing a summary valuation of all property interests be included in the prospectus in the form set out in Appendix X to this prospectus; and

(iii) this prospectus shall set out the particulars of this exemption.

WAIVER ON MANAGEMENT PRESENCE IN HONG KONG

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. For further information, please refer to the paragraph headed "Directors, Supervisors and Senior Management — Waiver from Strict Compliance with Rule 8.12 and 19A.15 of the Hong Kong Listing Rules" in this prospectus.

WAIVER ON QUALIFICATION OF COMPANY SECRETARY

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements of Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules in respect of qualification of our company secretary. For further information, please refer to the paragraph headed "Directors, Supervisors and Senior Management — Waiver from Strict Compliance with Rule 8.17 and 19A.16 of the Hong Kong Listing Rules" in this prospectus.

WAIVER ON CLAWBACK MECHANISM

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, in the event of over-applications, the Joint Bookrunners of the Hong Kong Public Offering, after consultation with us, shall apply an alternative clawback mechanism to the provisions under Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules, following the closing of the application lists. For further information, please refer to the paragraph headed "Structure of the Global Offering — Hong Kong Public Offering — Reallocation" in this prospectus.

SELLING SHAREHOLDERS

Name	Address
Chongqing Yufu Assets Management Company Limited	No. 12 Hongshi Road Jiangbei District Chongqing China
Chongqing City Construction Investment Company	No. 128 Zhongshansan Road Yuzhong District Chongqing China
Chongqing Transport and Travel Investment Group Limited Company	No. 139 Xinpaifang 1st Road, Longxi Street Yubei District Chongqing China
Chongqing Water Conservancy Investment Group Co., Ltd.	No. 3 Xinnan Road, Longxizhen Street Yubei District Chongqing China
Chongqing Agriculture Holdings (Group) Company Limited	No. 121 Zhongshansan Road Yuzhong District Chongqing China
Chongqing Yulong Asset Management (Group) Company Limited	District A, 17 Zhigang Road, Yangjiaping Jiulongpo District Chongqing China
Chongqing Gaoke Group Co., Ltd.	Building 2, No. 19 Caifu Road Beibuxin District Chongqing China
Southwest Aluminium (Group) Co., Ltd.	Xipeng Town Jiulongpo District Chongqing China.
Chongqing City South Bank Asset Management Company Limited	Zhenglian Tower No. 199 Nancheng Road, Nanping Nan'an District Chongqing China
Chongqing Jiangnan City Asset Operation Management Limited Co., Ltd.	19th Floor, Zhenglian Tower No. 199 Nancheng Road Nan'an District Chongqing China

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. LIU Jianzhong (劉建忠), *Chairman*	No.3, 11/F, 13 Lin Hua Road, Yuzhong District, Chongqing	Chinese
Mr. TAN Yuansheng (譚遠勝), *President*	No.4-4, Unit 2, Block 11, Hua Yuan Er Cun, Nan An District, Chongqing	Chinese
Non-executive Directors		
Mr. TAO Jun (陶俊)	36-9, No. 4 Zuo Ying Street, Yuzhong District, Chongqing	Chinese
Mr. TU Jianhua (涂建華)	No.2 and 5, Shi Ping Qiao Heng Street, Jiu Long Po District, Chongqing	Chinese
Mr. WEN Honghai (溫洪海)	No.472, Si Ji Qing Huang Zhuang Cun, Haidian District, Beijing	Chinese
Mr. WANG Yongshu (王永樹)	No. 238 Ren Min Road, Yuzhong District, Chongqing	Chinese
Mr. GAO Xiaodong (高曉東)	4-1, No.43 Jian She Road, Yuzhong District, Chongqing	Chinese
Mr. WU Xiufeng (武秀峰)	6-2, No.54 Ren Min Road, Yuzhong District, Chongqing	Chinese
Independent Non-executive Directors		
Mr. XU Bin (許斌)	Flat B, 24/F, Tower 2, Robinson Place, 70 Robinson Road, Hong Kong	Hong Kong/ Chinese
Mr. PU Yongjian (蒲勇健)	10-4, No.63 Kuai Zi Street, Yuzhong District, Chongqing	Chinese
Ms. RAN Hua (冉華)	32-5, No. 4 Zuo Ying Street, Yuzhong District, Chongqing	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Ms. YANG Mingping (楊明萍), *chairman*	21-3, No.12 Da Xi Gou Street, Yuzhong District, Chongqing	Chinese
Mr. ZENG Jianwu (曾建武)	1, No.422 Si Ming Nan Road, Si Ming District, Xiamen, Fujian Province	Chinese
Ms. ZUO Ruilan (左瑞藍)	17-18-1, No.810 and No.4, Nan Hua Street, Jiu Long Po District, Chongqing	Chinese
Mr. CHEN Fangming (陳方明)	10-1, Unit 1, No.449 Xin Hua Road, Yuzhong District, Chongqing	Chinese
Mr. ZHANG Yiqiao (張一橋)	13-1, No.10 De Xing Li, Yuzhong District, Chongqing	Chinese
Mr. LIU Yu (劉昱)	No.238 and No.3, Ren Min Road, Yuzhong District, Chongqing	Chinese
Ms. DONG Yunling (董運玲)	6-4, Unit 2, Block 1, No.333 Xin Pai Fang San Road, Yubei District, Chongqing	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators, Joint Sponsors, Joint Bookrunners and Joint Lead Managers	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong Nomura International (Hong Kong) Limited 30th Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
Legal Advisors to the Bank	*as to Hong Kong and United States law:* Herbert Smith 23rd Floor, Gloucester Tower 15 Queen's Road Central Hong Kong *as to PRC law:* Junhe Law Offices 20th Floor, China Resources Building Beijing, China

Legal Advisors to the Joint Sponsors, the Hong Kong Underwriters and the International Underwriters	*as to Hong Kong and United States law:* Clifford Chance 28th Floor, Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* King & Wood 40th Floor, Office Tower A Fortune Plaza Beijing, China
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Property Valuer	Jones Lang LaSalle Sallmanns Limited 17th Floor, Dorset House, Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Receiving Bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered Address and Address of Head Office	No. 10 East Yanghe Road Jiangbei District Chongqing China
Principal Place of Business in Hong Kong	Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Website Address	www.cqrcb.com (The contents of the website do not form part of this prospectus)
Secretary to the Board and Joint Company Secretary	Mr. SUI Jun
Joint Company Secretary	Ms. CHENG Pik Yuk (FCIS, FCS (PE))
Board Committee	**Audit Committee** Mr. PU Yongjian *(Chairman)* Mr. TAO Jun Mr. WEN Honghai Mr. XU Bin Ms. RAN Hua **Nomination Committee** Ms. RAN Hua *(Chairman)* Mr. LIU Jianzhong, *Chairman of the Bank* Mr. TAN Yuansheng, *President of the Bank* Mr. GAO Xiaodong Mr. WU Xiufeng **Remuneration Committee** Mr. XU Bin *(Chairman)* Mr. TAN Yuansheng, *President of the Bank* Mr. TU Jianhua Mr. PU Yongjian Ms. RAN Hua
Authorized Representatives	Mr. TAN Yuansheng No. 4-4, Unit 2, Block 11, Hua Yuan Er Cun, Nan An District, Chongqing Mr. SUI Jun 5-1-304, 47 Peijiang Ave. Shunqing District, Nanchong Sichuan, PRC

Compliance Advisor	CMB International Capital Limited, Units 1803-04, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong

This section contains information and statistics on the industry in which our Bank operates. We have extracted and derived, in part, from data relating to our Group which were prepared in accordance with IFRS, and various official or publicly available sources derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards which may differ from IFRS in certain significant respects. In addition, the information provided by the various official or publicly available sources may not be consistent with the information compiled within or outside China by third parties.

We believe that the sources of this information are appropriate sources for such information. However, we make no representation as to the correctness or accuracy of government, official or publicly available information contained in this section. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholders, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon. We have, however, taken such care as we consider reasonable in the reproduction and extraction of such information.

OVERVIEW

China's Economy

China's economy has grown significantly over the past three decades largely as a result of the PRC government's extensive economic reforms. At the outset, these reforms focused on transforming China from a centrally planned economy to a more market-based economy. More recently, particularly following China's accession to the WTO in 2001, such economic reforms have also aimed, among other things, to enhance the competitiveness of Chinese enterprises. As a consequence of these reforms, China's nominal GDP grew at a CAGR of 13.2% between 2007 and 2009, according to the National Bureau of Statistics of China. Furthermore, as of December 31, 2009, China was the third largest economy in the world, with a GDP of RMB34,051 billion in 2009. Despite the adverse effects of the global financial crisis, the Chinese economy remained relatively stable in 2009. China's real GDP grew at an annual rate of 9.1% for the year ended December 31, 2009. The following table sets forth China's GDP and total import and export volume as well as the respective CAGRs from 2007 to 2009.

	As of and for the year ended December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
Nominal GDP (RMB billions)	18,494	21,631	26,581	31,405	34,051	13.2%
GDP per capita (RMB)	14,185	16,500	20,169	23,708	25,575	12.6%
Total import and export (US$ billions)	1,422	1,760	2,174	2,563	2,208	0.8%

Source: National Bureau of Statistics of China.

As an important component of the country's overall economic system, the Chinese financial system has also grown rapidly. According to the National Bureau of Statistics of China, M2 money supply of China grew at a CAGR of 22.6% from December 31, 2007 to December 31, 2009. The following table sets forth China's M2 money supply and its CAGR as of the dates indicated.

	As of December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
	(in billions of RMB, except percentages)					
M2 money supply	29,876	34,560	40,344	47,517	60,623	22.6%

Source: National Bureau of Statistics of China.

China's banking industry has experienced rapid growth, consistent with the overall economic development of the Chinese financial system. Banks have historically been, and are likely to remain, the principal providers of capital for corporations and the primary choice for domestic savings in China. Total RMB-denominated loans and RMB-denominated deposits of China's banking industry have increased at a CAGR of 23.6% and 23.9%, respectively, from December 31, 2007 to December 31, 2009. The following table sets forth total RMB-denominated loans, total RMB-denominated deposits, and the respective CAGR of banking institutions in China as of the dates indicated.

	As of December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
	(in billions of RMB, except percentages)					
Total RMB-denominated loans	19,469	22,529	26,169	30,340	39,969	23.6%
Total RMB-denominated deposits	28,717	33,543	38,937	46,620	59,774	23.9%

Source: National Bureau of Statistics of China.

Economy of Chongqing

Chongqing is the largest and the most populous municipality to hold provincial-level status in the PRC. Chongqing is the seventh largest city in China in terms of GDP, as of December 31, 2009, with a nominal GDP of RMB653 billion. It is the only municipality in Western China and one of the only four "directly controlled" municipalities of China with a population of over 32 million as of 2010. Among the four directly controlled municipalities, Beijing, Shanghai, Tianjin and Chongqing, Chongqing has the relatively balanced urban-to-county area population distribution. In 2009, Chongqing had a split of 51.6% and 48.4% between its urban and county area population while urban population accounted for 85.0%, 88.6% and 78.0% of the total population in Beijing, Shanghai and Tianjin, respectively. The following table sets forth the population of the urban areas and the county areas of the four directly controlled municipalities in 2009.

	Chongqing	Beijing	Shanghai	Tianjin
Urban population (millions)	14.8	14.9	17.0	9.6
% of total population	51.6%	85.0%	88.6%	78.0%
County area population (millions)	13.8	2.6	2.2	2.7
% of total population	48.4%	15.0%	11.4%	22.0%
Total population (millions)	28.6	17.6	19.2	12.3

Source: 2010 China Statistics Yearbook

Since 2000, the Go West Policy, the Development of New Rural Areas and the Coordinated Urban and Rural Development have resulted in improved infrastructure and accelerated economic growth to Chongqing. Rising income levels and robust foreign direct investment and trade flows underpin Chongqing's sustained economic growth, which has been faster than national average over the past few years. During 2007 to 2009, Chongqing's nominal GDP grew at a CAGR of 18.2%, while the CAGR of national nominal GDP for the same period were 16.0%. The following table sets forth Chongqing's GDP and fixed asset investments and the CAGR from 2007 to 2009.

	As of and for the year ended December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
Nominal GDP (RMB billions)	347	391	468	579	653	18.2%
GDP per capita (in RMB)	12,404	13,939	16,629	20,490	22,920	17.4%
Fixed asset investments (RMB billions)	201	245	316	405	532	29.8%

Source: 2010 Chongqing Statistics Yearbook.

Chongqing is an industrial hub of Western China and has a well-developed manufacturing industry base. In recent years, modern heavy industry including manufacture of automobile, construction equipment and power generation equipment, chemical and pharmaceutical industry and electronic and information technology products manufacturing are identified as the three major industry segments of Chongqing. According to the statistics complied by the PBOC Chongqing Operations Office, as of June 30, 2010, loans to (i) manufacturing, (ii) real estate, (iii) water, environmental and public utility management (iv) construction, (v) production and supply of electricity, gas and water, and (vi) retail and wholesale, sectors represented approximately 12.9%, 11.0%, 16.6%, 4.3%, 4.3% and 3.3% respectively of the total loans in Chongqing.

In recent years, the Chongqing Municipal Government has begun developing Chongqing into the economic and financial center of the upper reaches of the Yangtze River. From 2007 to 2009, Chongqing's banking sector expanded at a CAGR of 30.7% in terms of total loans and 28.9% in terms of total deposits, outgrowing the overall China market's growth rate of 23.6% for total loans and 23.9% for total deposits in the same period. According to a speech delivered by the mayor of Chongqing in August 2010, the Chongqing Municipal Government plans that by 2015, the financial industry would contribute up to 12% of Chongqing's GDP.

The following table sets forth total RMB-denominated deposits and loans, total foreign currency-denominated deposits and loans, and the respective CAGR of banking institutions in Chongqing and the respective figures for County Areas and Urban Areas of Chongqing as of the dates indicated.

	As of and for the year ended December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
	(in billions of RMB except percentages)					
Total RMB-denominated deposits	473	552	658	802	1,093	28.9%
- RMB-denominated deposits in County Areas	NA	NA	242	295	384	26.0%
- RMB-denominated deposits in Urban Areas	NA	NA	416	507	709	30.5%
Total RMB-denominated loans	372	439	513	632	877	30.7%
- RMB-denominated loans in County Areas	NA	NA	106	122	178	29.6%
- RMB-denominated loans in Urban Areas	NA	NA	407	510	699	31.1%
Total foreign currency-denominated deposits	6	7	9	8	15	29.1%
Total foreign currency-denominated loans	6	6	7	6	9	13.4%

Source: Data for 2005 — 2008 are taken from 2009 China Statistics Yearbook; data for 2009 are taken from Chongqing Statistics Bureau and National Bureau of Statistics of China Data for County / Urban Area are taken from statistics by PBOC Chongqing Operations Office.

Leveraging on its robust foreign direct investment and geographical advantages, the Chongqing Municipal Government plans to further open up Chongqing to the world. Chongqing is one of the few cities in China that operates direct flights to Taiwan. To reinforce the position of Chongqing as a transportation hub and to develop Chongqing into a cosmopolitan city, the State Council officially approved the establishment of a Special Tax-Free Port Area (保稅港區) in Lianglu (兩路) and Cuntan (寸灘) in Chongqing in November 2008. This is the first inland Special Tax-Free Port and the only "harbour + airport" tax-free port area in China. Enterprises operating within the Special Tax-Free Port Area enjoy preferential policies, such as special terms on leasing of warehouses and factories as well as exemptions such as value-added tax and consumer tax on raw materials and trade of their goods. Imports and exports of goods via the Special Tax-Free Port Area also enjoy favourable policies such as special terms relating to entry-exit inspection, quarantine and foreign exchange as well as exemptions from certain taxes, quotas and permits.

In June 2010, the Liangjiang Special Economic Zone (兩江新區) in Chongqing was formally established. This is the third sub-provincial special economic zone in China after Pudong in Shanghai and Binhai in Tianjin. With an area encompassing over 1,200 square kilometers, the Liangjiang Special Economic Zone is expected to fulfill functions such as serving as a base of operations for advanced manufacturing and modern services industries, the development into a financial center in the upper reaches of Yangtze River and the development into an important gateway for opening China to the world.

In 2009, Chongqing's banking penetration as measured by total loans over GDP stood at 135.7%, below Beijing's 261.7%, Shanghai's 199.2% and Tianjin's 148.7%. For the same year, banking penetration of County Areas and Urban Areas of Chongqing were 48.9% and 244.2%, respectively. The following table sets forth the banking penetration, the total loans and GDP of the four directly controlled municipalities and the respective figures for County Areas and Urban Areas of Chongqing in 2009.

	County Areas of Chongqing	Urban Areas of Chongqing	Chongqing	Beijing	Shanghai	Tianjin
Banking Penetration	48.9%	244.2%	135.7%	261.7%	199.2%	148.7%
Total Loans (RMB billions)	177.4	708.3	885.7	3,105.3	2,968.4	1,115.2
GDP (RMB billions)	362.8	290.2	652.9	1,186.6	1,490.1	750.1

Note: Loans for Urban Areas of Chongqing here also include all of the foreign currency-denominated loans of Chongqing

Source: 2009 Statistical Communique' of the four cities on the National Economic and Social Development Loan amount for County / Urban Area are taken from statistics by PBOC Chongqing Operations Office; GDP for County / Urban Area are taken from 2010 Chongqing Statistics Yearbook.

HISTORY AND DEVELOPMENT OF CHINA'S BANKING SECTOR

China's Banking Sector Overview

Between 1949 and the late 1970s, the PRC's banking industry operated primarily as a centrally controlled system in which the PBOC served as China's central bank with commercial banking business activities such as taking deposits, lending and settlements etc. Since the late 1970s, the banking industry underwent a significant transformation as many of the PBOC's commercial banking functions were separated from its central bank function. Some of the Large Commercial Banks, namely Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Agricultural Bank of China, assumed the role of state-operated specialized banks, while the PBOC retained the status as China's central bank and the principal regulator of the Chinese banking system.

In the mid-1980s, new commercial banks and non-bank financial institutions were established. Some of these commercial banks, known as the Other Joint Stock Commercial Banks, were permitted to offer nationwide commercial banking services, while others were permitted to have general operations only in local markets. Since the mid-1990s, the PRC government has taken a series of measures to reform the commercial banking sector, including the establishment of three policy banks in 1994 to undertake most policy lending functions. In 2003, the CBRC was established to serve as the primary banking industry regulator and assumed a majority of the regulatory functions previously held by the PBOC.

China's banking industry has historically been burdened with large portfolios of non-performing loans. Since the late 1990s, the PRC government undertook numerous initiatives to improve asset quality and strengthen the capital base of the Large Commercial Banks through the issuance of special government bonds, acquisition of non-performing loans and equity injections.

Meanwhile, many Other National Commercial Banks as well as a number of city commercial banks have also introduced strategic investors, raised capital from shareholders to strengthen their capital bases, and successfully listed their shares on domestic or overseas stock exchanges. Similar to some of the Large Commercial Banks, they have also adopted international management practices and improved their asset quality and profitability.

Banking Sector of the County Area of China

The banking sector of the County Area of China is covered mainly by four categories of financial institutions: Agricultural Bank of China, Agricultural Development Bank of China, Postal Savings Bank of China and rural financial institutions. Rural financial institutions play a major role in providing banking services to the county areas of China in terms of network coverage.

The rural credit cooperatives system was initiated during China's rural cooperative movement in the 1950s. Initially, rural credit cooperatives provided financial services to cooperative members, generally comprised of farmers and farming households. In 1997, the PBOC assumed the central management of the rural credit cooperatives.

In 2003, the State Council issued the Pilot Program for Deepening Rural Credit Cooperative Reform (深化農村信用社改革試點方案) to reform the fundamental structures of the rural credit cooperatives. The reform brought about financial restructuring of the rural credit cooperatives, restructuring of their ownership structures, transfers of their management to provincial level governments, and assigned the supervisory role to the CBRC. As part of financial restructuring, substantial funds were provided through PBOC to rural credit cooperatives to purchase and write off non-performing loans and to improve their capital base. As a result of the financial restructuring, the average non-performing loan ratio of rural credit cooperatives decreased to 9.3% in 2007 from 37.0% in 2002.

As part of the restructuring, some of the larger rural credit cooperatives were transformed into joint stock rural commercial banks and rural cooperative banks. Some rural credit cooperatives were consolidated to form credit unions at the county and provincial levels. Provincial level credit unions normally assumed responsibility for administering multiple institutions.

In December 2006, the CBRC introduced a series of policies and measures to promote the development of non-traditional rural financial institutions, which include village and township banks, loan companies, and rural mutual credit cooperatives. Preferential tax policies and other incentives were provided to encourage domestic and foreign firms to invest in these non-traditional rural financial institutions.

As of December 31, 2008, there were 4,965 rural credit cooperatives, 22 rural commercial banks, 163 rural cooperative banks, and 107 non-traditional rural financial institutions comprising 91 township banks, 6 loan companies and 10 rural mutual cooperatives. Of these non-traditional rural financial institutions, seven were established by foreign bank entities, such as HSBC Bank (China) Co. Ltd., Citibank (China) Co. Ltd. and Standard Chartered Bank (China) Ltd. By the end of 2013, it is estimated that 1,300 more non-traditional rural financial institutions will be established in China to serve county areas with low banking coverage.

CURRENT COMPETITIVE LANDSCAPE

China's banking institutions are generally divided into seven broad categories: the Large Commercial Banks, the Other National Commercial Banks, city commercial banks, urban credit cooperatives, rural financial institutions, foreign-invested banks and other banking institutions. The following table sets forth, as of December 31, 2009, certain information relating to the total assets, total shareholders' equity, and net profit of each category.

	As of December 31, 2009						
		Total assets		Total shareholders' equity		Net profit	
	Number of legal entity institutions	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except number of institutions and percentages)						
Large Commercial Banks	5	40,089	50.9%	2,186	49.3%	400	59.9%
Other National Commercial Banks	12	11,785	15.0	563	12.7	93	13.8
City commercial banks	143	5,680	7.2	359	8.1	50	7.4
Urban credit cooperatives	11	27	0.0	2	0.0	0	0.0
Rural financial institutions(1)	3,467	8,638	11.0	431	9.7	51	7.7
Foreign-invested banks(2)	37	1,349	1.7	167	3.8	6	1.0
Other banking institutions(3)	182	11,201	14.2	725	16.4	68	10.2
Total	**3,857**	**78,769**	**100.0%**	**4,434**	**100.0%**	**668**	**100.0%**

Sources: CBRC 2009 annual report.

(1) Rural financial institutions refer to rural credit cooperatives, rural commercial banks, rural cooperative banks, township banks, loan companies and rural mutual cooperatives. The data of total assets, shareholders' equity and net profit, along with the respective market shares of rural financial institutions in this table only include those of rural credit cooperatives, rural commercial banks and rural cooperative banks.

(2) Include the headquarters, branches, and subsidiaries of locally-incorporated foreign banks.

(3) Include policy banks, Postal Savings Bank of China and other non-bank financial institutions (including asset management companies, finance companies, trust and investment companies, financial leasing companies, money brokerage firms and automobile finance companies). The data of total assets, shareholders' equity and net profit, along with the respective market shares of other banking institutions in the table only include those of policy banks, trust companies, finance companies, financial leasing companies, automobile finance companies, money brokerage firms and Postal Savings Bank of China.

In Chongqing, banking institutions are generally divided into six broad categories: the Large Commercial Banks, the Other National Commercial Banks, city commercial banks, rural financial institutions, foreign-invested banks and other banking institutions. The following table sets forth, as of December 31, 2009, certain information relating to the total assets, total shareholders' equity, and net profit of each category.

	As of December 31, 2009						
		Total assets		Total shareholders' equity		Net profit	
	Number of legal entity institutions	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except number of institutions and percentages)						
Large Commercial Banks	5	610.0	42.8%	7.7	20.2%	8.5	48.7%
Other National Commercial Banks	9	289.0	20.2	5.1	13.3	3.3	19.0
City commercial banks	2	105.0	7.3	6.5	17.1	1.2	6.7
Our Bank	1	201.0	14.1	9.9	25.9	1.2	6.6
Other non-traditional rural financial institutions[1]	6	1.0	0.0	0.2	0.6	0.0	(0.1)
Foreign-invested banks[2]	8	8.0	0.5	1.0	2.6	0.0	0.3
Other banking institutions[3]	9	214.0	15.0	7.7	20.3	3.3	18.8
Total	**40**	**1,428.0**	**99.9%**	**38.1**	**100.0%**	**17.5**	**100.0%**

Source: CBRC Chongqing Bureau.

(1) Include township banks, loan companies and rural mutual cooperatives.

(2) Include the headquarters, branches and subsidiaries of locally-incorporated foreign banks.

(3) Include policy banks, Postal Savings Bank of China and other non-banking financial institutions, which include asset management companies, finance companies, trust and investment companies, financial leasing companies, currency brokerage firms, automobile finance companies, township banks, loan companies and rural mutual cooperatives. The data of total loans and deposits include the relevant data of policy banks, Postal Savings Bank of China, finance companies, trust and investment companies and financial leasing companies.

Large Commercial Banks

The Large Commercial Banks play a major role in China's banking market. All of them have undergone restructuring to become joint stock companies. Bank of Communications, China Construction Bank, Bank of China, Industrial and Commercial Bank of China and Agricultural Bank of China are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. As of December 31, 2009, the Large Commercial Banks accounted for 50.9% of the total assets, 49.3% of the total shareholders' equity and 59.9% of the net profit of all banking institutions in China, while they accounted for 42.8% of the total assets, 20.2% of the total shareholders' equity and 48.7% of the net profit of all banking institutions in Chongqing, which is 8.1%, 29.1% and 11.2% lower than their market shares in terms of total assets, total shareholders' entity and net profit, respectively, in China.

Other National Commercial Banks

As of December 31, 2009, there were 12 Other National Commercial Banks in China. These Other National Commercial Banks are licensed to engage in commercial banking activities nationwide and accounted for 15.0% of the total assets, 12.7% of the total shareholders' equity and 13.8% of the net profit of all banking institutions in China while they accounted for 20.2% of the total assets, 13.3% of the total shareholders' equity and 19.0% of the net profit of all banking institutions in Chongqing, which is 5.2%, 0.6% and 5.2% higher than their market shares in China.

City Commercial Banks

City commercial banks are permitted to engage in commercial banking activities, primarily within specific geographic areas. In recent years, some city commercial banks have undergone restructuring, introduced strategic investors and sought initial public offerings to further enhance capitalization and increase management capabilities. Bank of Nanjing and Bank of Beijing completed their listings on the Shanghai Stock Exchange in July 2007 and September 2007 respectively, while Bank of Ningbo also completed its listing on the Shenzhen Stock Exchange in July 2007. As of December 31, 2009, the city commercial banks accounted for 7.2% of the total assets, 8.1% of the total shareholders' equity and 7.4% of the net profit of all banking institutions in China while accounting for 7.3% of the total assets, 17.1% of the total shareholders' equity and 6.7% of the net profit of all banking institutions in Chongqing, which is 0.1% and 9.0% higher in terms of total assets and shareholders' equity and 0.7% lower in terms of net profit than their market shares in China.

Rural Financial Institutions

Rural financial institutions include rural commercial banks, rural cooperative banks, rural credit cooperatives, township banks, loan companies and rural mutual cooperatives. Historically, compared with Large Commercial Banks and Other National Commercial Banks, they provided a limited range of banking products and services, including personal deposit and lending and settlement services, to small enterprises and local residents in county areas of China. In 2003, certain qualified rural credit cooperatives were restructured to become rural commercial banks and rural cooperative banks, which provide a broad range of banking products and services to a wide customer base. At the end of 2006, the CBRC introduced a series of policies and measures to encourage the establishment of non-traditional rural financial institutions such as township banks, loan companies and rural mutual cooperatives in the county areas of China. As of December 31, 2009, there were 3,056 rural credit cooperatives, 43 rural commercial banks, 196 rural cooperative banks, 148 township banks, 8 loan companies and 16 rural mutual cooperatives. As of the same period, the rural financial institutions accounted for 11.0% of the total assets, 9.7% of the total shareholders' equity and 7.7% of the net profit of all banking institutions in China while accounting for 14.1% of the total assets, 26.5% of the total shareholders' equity and 6.5% of the net profit of all banking institutions in Chongqing, which is 3.1% and 16.8% higher in terms of total assets and total shareholders' equity and 1.2% lower in terms of net profit than their market shares in China. Among all financial institutions in Chongqing, our Bank accounted for 14.1%, 25.9% and 6.6% respectively in total assets, total shareholders' equity and net profit. As advised by Junhe Law Offices, our PRC legal advisors, our Bank is classified as a provincial level rural commercial bank and there is not any limitation for our Bank to expand and establish village banks in other provinces.

Foreign-Invested Banks

Foreign-invested banks include headquarters, branches and subsidiaries of locally incorporated foreign banks and foreign bank branches. As with other types of banking institutions in China, foreign-invested banks are subject to the supervision and regulation of the CBRC. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Regulation of Foreign-invested Banks in the PRC" in this prospectus. Pursuant to its commitments after its accession into the WTO, China has progressively opened RMB-denominated banking activities to foreign-invested banks. Effective from December 11, 2006, all restrictions on the geographic presence, customer base and operational licenses of foreign-invested banks have been lifted although some other restrictions continue to exist. As a result, there has been an increase in investments by foreign investors in Chinese commercial banks which has helped to strengthen the capital base of Chinese commercial banks in the past few years. As of December 31, 2009, 194 banks from 46 foreign jurisdictions had opened representative offices in China while 33 foreign-owned banks had incorporated in China. As of December 31, 2009, the foreign-invested banks accounted for 1.7% of the total assets, 3.8% of the total shareholders' equity and 1.0% of the net profit of all banking institutions in China while they accounted for 0.5% of the total assets, 2.6% of the total shareholders' equity and 0.3% of the net profit of all banking institutions in Chongqing, which is 1.2%, 1.2% and 0.7% lower than their market shares in China.

Other Banking Institutions

Other banking institutions include policy banks (i.e., PRC government-established banks focusing on policy lending, such as the China Development Bank, the China Export and Import Bank and the Agriculture Development Bank of China), the Postal Savings Bank of China and other non-bank financial institutions including asset management companies, finance companies, trust and investment companies, financial leasing companies, money brokerage firms, automobile finance companies, village or township banks, lending companies and rural mutual credit cooperatives. As of December 31, 2009, other banking institutions accounted for 14.2% of the total assets, 16.4% of the total shareholders' equity and 10.2% of the net profit of all banking institutions in China while they accounted for 15.0% of the total assets, 20.3% of the total shareholders' equity and 18.8% of the net profit of all banking institutions in Chongqing, which is 0.8%, 3.9% and 8.6% higher than their market shares in China.

INDUSTRY TRENDS

Increasing Role of Rural Financial Institutions in China's Banking Industry

The county areas in China's banking sector have experienced rapid growth over the past few years and experienced the highest growth rate of 21.0% by total assets from 2007 to 2008. According to the CBRC, by the end of 2008, the total outstanding loans of all financial institutions in county areas amounted to RMB5,997 billion representing 18.7% of the total loans of all banking institutions in China. The CAGR of the loans of county areas of China reached 16.0% between 2005 and 2008, exceeding the national rate of 15.7% during the same period. The rapid growth of the economy in China's county areas and the favorable policies implemented by the PRC government in recent years have spurred a fast-growing banking market in China's county areas. However, the penetration rate of the banking market in these areas still remains relatively low, representing significant growth potential. While the Large Commercial Banks have historically dominated the banking industry in China, their market share has declined over the past few years. The aggregate market share of the rural financial institutions, in terms of total assets, has increased from 10.5% in 2007 to 11.0% in 2009. Rural financial institutions generally focus their operations on the developing regions and areas at the county and township levels and have gained market share as a result of the industrialization and urbanization of these regions and areas. Since 2003, certain stronger rural financial institutions have been restructured into rural commercial banks and rural cooperative banks. Compared with the traditional rural financial institutions, these banks operate in both urban and county areas of China. Moreover, as compared with most other regional banking institutions, the rural financial institutions enjoy certain competitive advantages such as extensive local network coverage, local expertise and knowledge, and deep-rooted relationships with the local population and the local government.

Enhanced Regulation and Supervision

In recent years, the CBRC and other PRC regulatory authorities have promulgated a number of regulatory measures in an effort to enhance supervision in the banking industry. Such measures include the following:

- *Improving corporate governance.* The CBRC has encouraged banks to establish a corporate governance structure that includes a board with independent directors, auditors, compensation and other board committees, as well as a supervisory board. Additionally, banks have been instructed to create an independent internal audit function supported by clearly defined policies and procedures;

- *Enhancing risk management.* The CBRC has promulgated a series of risk management guidelines and measures to more closely monitor and enforce the adoption and implementation of the five-category loan classification system and the risk rating system, as well as compliance with due diligence requirements during the credit extension process, and enhanced market, liquidity, information technology, and operational risk management, in addition to credit risk management of banking institutions;

- *Strengthening supervision over capital adequacy.* The CBRC promulgated and amended the New Capital Adequacy Regulations on February 23, 2004 and July 3, 2007, respectively.

The CBRC has advised that the New Capital Adequacy Regulations are based on Basel I while taking into consideration certain aspects of Basel II. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (中國銀行業實施新資本協議指導意見), which require large commercial banks, which have set up active operational entities in other countries or regions (including Hong Kong and Macau) and have a significant international business, to implement Basel II by the end of 2010, or upon the CBRC's approval, no later than the end of 2013. (See details in "Supervision and Regulation — Supervision Over Capital Adequacy — Basel Accords"); and

- *Improving regulation of related-party transactions of commercial banks.* In April 2004, the CBRC promulgated Related Party Transactions Measures in order to control the risks represented by such transactions and to ensure the orderly operation of commercial banks.

Starting from 2008, the CBRC had undertook several regulatory measures in response to the global financial crisis, including the following:

- *Optimizing risk management for foreign currency assets.* Since August 2008, the CBRC has required banking institutions to closely monitor market movements by re-assessing losses generated through trading with high-risk international financial counterparties for each account and for each trade on a daily basis. The CBRC has also required banks to improve risk management over offshore correspondent banks and adjust their credit risk exposure to foreign currency bonds issuers. Banks are also required to adjust their portfolio structure of foreign currency bonds in a prompt manner;

- *Strengthening information disclosure.* The CBRC has required banking institutions to disclose to customers the performance of their QDII products and the impact of the global financial crisis on their operations and financial positions accurately and on a timely and ongoing basis; and

- *Implementing the PRC government's pro-growth policies.* The CBRC promulgated a series of measures including the Guidance of Risk Management on Merger and Acquisition Loans of Commercial Banks and the Guidance on Issues Relevant to Establishing Special Agencies for Small Business Lending by Banks to encourage banking institutions to implement the state's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities while effectively controlling risk.

See "Supervision and Regulation — PRC Banking Supervision and Regulation" for more information regarding PRC regulations affecting banking institutions. PRC regulatory authorities are expected to continue to promulgate new regulations in an effort to enhance the risk management capabilities of China's commercial banks and to ensure the healthy development of the Chinese banking industry.

Improved Assets Quality

Since 2003, the transformation of state-owned commercial banks into joint stock commercial banks has had a profound effect on the reform and development of China's banking industry. Ever since, the banking sector in China has witnessed significant improvements in corporate governance, risk management, capital strength, profitability, branding and market recognition. From 2005 to 2009, the total assets of the banking institutions in China increased by RMB41.3 trillion, representing a CAGR of 20.4%, while shareholders' equity increased by RMB2.8 trillion, representing a CAGR of 28.4%. Additionally, the asset quality of China's banking institutions also improved significantly. During the same period, non-performing loans decreased from RMB1,313 billion to RMB497 billion and the non-performing loans ratio decreased from 8.61% to 1.58%. As of December 31, 2009, the total amount of non-performing loans and the non-performing loans ratio of Chongqing was RMB 9.4 billion and 1.2%, respectively, while the total amount of non-performing loans and the non-performing loans ratio of China was RMB 497 billion and 1.58%, respectively. In the recent global financial crisis, China's banking sector was generally not adversely affected in material terms, and, as of the end of 2009, Industrial and Commercial Bank of China, China Construction Bank and Bank of China were ranked globally among the top banks in terms of market capitalization. The following tables set forth certain information regarding non-performing loans in China's banking industry as a whole, the Large Commercial Banks, Other National Commercial Banks, City Commercial Banks, Rural Commercial Banks and Foreign banks and the respective figures for the balance of non-performing loans and non-performing loans ratio of Chongqing as of December 31, 2009.

	Large Commercial Banks	**Other National Commercial Banks**	**City Commercial Banks**	**Rural Commercial Banks**	**Foreign Banks**	**Total**
	(in billions of RMB, except percentages)					
Outstanding balance of NPL	362.7	63.7	37.7	27.0	6.2	497.3
Substandard	144.8	24.3	20.6	11.0	2.4	203.1
Doubtful	177.9	23.7	12.3	15.4	2.1	231.4
Loss	40.0	15.8	4.8	0.6	1.7	62.8
NPL Ratio	1.8%	1.0%	1.3%	2.8%	0.9%	1.6%
Substandard	0.7	0.4	0.7	1.1	0.3	0.7
Doubtful	0.9	0.4	0.4	1.6	0.3	0.7
Loss	0.2	0.2	0.2	0.1	0.2	0.2

Source: CBRC 2009 Annual Report

	Large Commercial Banks	Other National Commercial Banks	City Commercial banks	Rural Commercial banks	Foreign Banks	Total
	(in billions of RMB, except percentages)					
Oustanding balance of NPL	4.6	0.9	0.2	3.7	0.0	9.4
NPL Ratio	1.1%	0.5%	0.5%	3.6%	0.3%	1.2%

Source: Chongqing's major economic and financial indicators (December 2009 monthly report)

Increasing Focus on SME Banking

Historically, SME banking activities were primarily the focus of city commercial banks and rural cooperative financial institutions. However, as a result of the gradual liberalization of interest rates and the increasing availability of alternative financing sources, the bargaining power of large corporate borrowers is growing. The Large Commercial Banks and the Other National Commercial Banks have put increasing focus on SME banking to diversify their corporate banking business. SME banking has grown rapidly in recent years and constitutes the majority of corporate lending business. As of December 31, 2008, RMB-denominated loans issued to SMEs amounted to RMB10,310.6 billion, accounting for 53.1% of all corporate loans in China. As of the same period, RMB-denominated loans issued to SMEs accounted for 33.1% of all loans in Chongqing, which increased to 36.3% as of December 31, 2009.

Increasing Demand for Retail Banking Products and Services

Although corporate banking continues to be the predominant source of business for most commercial banks in China, demand for retail banking products and services has grown significantly due to rising income levels and the resulting lifestyle improvement and consumption upgrade among China's households. The following table sets forth, for the periods indicated, key personal income data for China and their respective CAGR.

	For the year ended December 31,					CAGR
	2005	2006	2007	2008	2009	(2007-2009)
	(in RMB, except percentages)					
Per capita GDP	14,185	16,500	20,169	23,708	25,575	12.6%
Per capita annual disposable income of urban households	10,493	11,760	13,786	15,781	17,175	11.6%
Per capita annual net income of households in county areas of China	3,255	3,587	4,140	4,761	5,153	11.6%

Sources: National Bureau of Statistics of China.

The demand for retail banking products in China, especially wealth management services, is likely to continue as a result of the rapid increase in household wealth and expanding class of wealthy individuals. The number of relatively affluent individuals in China is expected to grow as a result of China's growing economy. Such trend is likely to increase the demand for more comprehensive and personalized wealth management advice in addition to traditional banking products and services.

Following the establishment of private banking businesses by several foreign banks, domestic commercial banks have also set up their own private banking departments and have started to increase their market penetration in private banking services to high net worth individuals.

Further Expansion of Fee and Commission-based Business

As the domestic PRC economy becomes increasingly sophisticated, Chinese commercial banks have increased their efforts to provide diversified financial products and services, especially fee and commission-based products and services.

Historically, commercial banks in China were restricted in their ability to provide fee and commission-based products and services. Since 2001, however, the PRC government has promulgated regulations permitting banks to charge for certain fee and commission-based products and services. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Pricing of Products and Services" in this prospectus. According to CBRC, fee and commission income accounted for approximately 12% of the total income of PRC banks in 2009, substantially lower than the ratio in more mature overseas banking markets despite the fact that the contribution from fee and commission income has significantly increased from 9.7% in 2008 and 9.4% in 2007. This ratio is expected to increase as domestic banks continue to expand their fee and commission based product and service offerings to meet the demand of increasingly sophisticated corporate and retail customers.

In respect of the competitive fronts which the Bank is facing, how the Bank compares with its major competitors, it is not practicable for the Bank to obtain statistics from authoritative source in terms of deposits, net interest margin, geographic coverage, product spectrum, brand recognition and operating environment of its major competitors (or, in the case of competitors with nationwide operation, their local presence in Chongqing) due to the confidential nature of such information.

PRC BANKING SUPERVISION AND REGULATION

Overview

The banking industry in the PRC is highly regulated. The principal regulatory authorities in the PRC banking industry include the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws and regulations relating to the PRC banking industry are the PRC Commercial Banking Law (中華人民共和國商業銀行法), the PRC PBOC Law (中華人民共和國中國人民銀行法) and the PRC Banking Regulatory Law (中華人民共和國銀行業監督管理法), and the rules and regulations promulgated thereunder.

History and Development of the Regulatory Framework

Established on December 1, 1948, the PBOC was initially the primary regulator of the financial industry in the PRC. In January 1986, the State Council promulgated the Interim Regulation of the PRC on the Supervision of Banks (中華人民共和國銀行管理暫行條例), which explicitly provided, for the first time, that the PBOC was the central bank of the PRC and the regulatory authority for the PRC financial industry.

The current regulatory framework of the PRC banking industry began to emerge in 1995 with the enactment of the PRC Commercial Banking Law and the PRC PBOC Law. The PRC Commercial Banking Law was promulgated in May 1995 and laid down the fundamental principles of operations for PRC commercial banks. The PRC PBOC Law, which was enacted in March 1995, provided for the scope of responsibilities and the organizational structure of the PBOC, and authorized the PBOC to administer the Renminbi, implement monetary policies and regulate and supervise the PRC financial industry.

Since then, the regulatory regime of the PRC banking industry has undergone further significant reform and development. The CBRC was established in April 2003 and took over from the PBOC its role as the primary regulator of the PRC banking industry. The CBRC was mandated to implement reforms, minimize overall risks, promote stability and development and enhance the international competitiveness of the PRC banking industry. In December 2003, the PRC Commercial Banking Law and the PRC PBOC Law were amended and, on February 1, 2004, the PRC Banking Supervision and Regulatory Law came into effect. The PRC Banking Supervision and Regulatory Law sets out the regulatory functions and responsibilities of the CBRC.

Principal Regulators

CBRC

Functions and Powers

The CBRC is the principal regulatory authority responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-banking financial institutions, such as asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions the establishment of which is subject to the CBRC's approval. The CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of the above-mentioned banking and non-banking financial institutions. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, the CBRC's primary regulatory responsibilities include:

- formulating and promulgating rules and regulations governing banking institutions and their activities;

- examining and approving the establishment, change and termination of banking institutions and their scope of business, as well as granting banking licenses to commercial banks and their branches;

- regulating the business activities of banking institutions, including their products and services offered;

- approving or overseeing qualification requirements for directors and senior management personnel of banking institutions;

- setting prudential guidelines and standards for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and liquidity requirements for banking institutions;

- conducting on-site examinations and off-site surveillance of the business activities and risk levels of banking institutions;

- imposing corrective and punitive measures for violations of applicable banking regulations; and

- drafting and publishing statistics and financial reports of national banking institutions.

Examination and Supervision

The CBRC, through its headquarters in Beijing and its bureaus throughout the PRC, monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a bank's business premises, interviewing its employees, and asking its senior management and directors to explain significant issues relating to its operations and risk management, as well as reviewing relevant documents and materials kept by the bank. Off-site surveillance generally includes reviewing various business reports, financial statements and other reports regularly submitted by banks to the CBRC.

If a banking institution is not in compliance with an applicable banking regulation, the CBRC is authorized to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, imposing restrictions on dividends and other forms of distributions and asset transfers, and suspending the opening of new branches. In extreme cases or when a commercial bank fails to take corrective action within the time period specified by the CBRC, the CBRC may order the banking institution to suspend operations and revoke its operating-business license. In the event of crisis or failure within a banking institution, the CBRC may assume management control over, or arrange for the restructuring of, such banking institution.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets. According to the PRC PBOC Law and relevant regulations, the PBOC is empowered to:

- promulgate and implement orders and regulations in relation to its duties;
- formulate and implement monetary policy in accordance with laws;
- issue Renminbi and administer its circulation;
- regulate the inter-bank money market and the inter-bank bond market;
- implement foreign exchange controls and regulate the inter-bank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the normal operation of payment and clearing systems;
- guide and orchestrate the financial industry in its anti-money laundering activities and take responsibility for monitoring capital in respect of anti-money laundering; and
- take responsibility for financial industry statistics, surveys, analyses and forecasts.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities, including the SAFE, the CSRC, the CIRC, the NAO and the SAT (including their provincial offices).

Licensing Requirements

Basic Requirements

The Commercial Banking Law and the Measures of CBRC for the Implementation of Administrative Licensing Matters Concerning Cooperative Financial Institution effective from February 1, 2006 set out the permitted scope of business, licensing standards and other requirements in respect of commercial banks. Our bank has to comply with the Implementation of Administrative Licensing Matters Concerning Rural Small and Medium Financial Institutions effective from June 27, 2008 as a rural commercial bank. The establishment of a rural commercial bank requires the CBRC's approval and issuance of an operating license. In general, the CBRC will not approve an application to establish a rural commercial bank unless certain conditions are satisfied, including, among others, that:

- the articles of association of the proposed rural commercial bank must comply with relevant requirements of the Commercial Banking Law and the Company Law, the proposed rural commercial bank shall be set up by means of promotion on the basic of merging the rural credit cooperatives and credit unions;
- the registered capital of the proposed rural commercial bank must meet the minimum requirement under the Commercial Banking Law, which is RMB50 million;
- the directors and senior management of the proposed rural commercial bank must possess the requisite qualifications, and the proposed rural commercial bank must have qualified practitioners who are familiar with the banking business;
- the organizational structure and management system of the proposed rural commercial bank must be properly established; and
- the safety and security of the business premises and other facilities of the proposed rural commercial bank, as well as their security measures must comply with relevant requirements.

Significant Changes

Rural commercial banks are required to obtain the CBRC or its branches' approval to undertake significant changes, including:

- change of name;
- change of registered capital;
- change of location of headquarters;
- change of business scope;

- change of forms of organization;
- purchase of an any equity interest in a rural commercial bank that results in the purchaser becoming a holder of 5% or more of the rural commercial bank's shares, and any change of shareholders holding 5% or more of the rural commercial bank's total capital or shares;
- amendment to the articles of association;
- merger or division; and
- dissolution and liquidation.

Establishment of Branches

Branches in the Registration Area

A rural commercial bank must apply to the CBRC or its provincial offices for approval and issuance of a business license and banking license to establish a branch within the scope of the registration area. To obtain such business license and banking license, the branch must have sufficient operating funds commensurate with its scale and must meet other operating requirements. A rural commercial bank is required to allocate a minimum amount of operating funds for each branch according to the CBRC requirements and the total of the operating funds provided to all branches of a rural commercial bank may not exceed 60% of its regulatory capital.

Branches Outside the Registration Area

The establishment of branches outside the registration area by a PRC rural commercial bank is subject to the approval of the provincial offices of CBRC. The applying bank must comply with several conditions stipulated by CSRC.

Scope of Business

Under the Commercial Banking Law, commercial banks in the PRC are permitted to engage in any or all of the following activities:

- taking deposits from the public;
- making short-term, medium-term and long-term loans;
- effecting domestic and overseas payment settlements;
- accepting and discounting instruments;
- issuing bonds;
- acting as agents to issue, honor and underwrite government bonds;

- trading government bonds and financial institution bonds;
- engaging in inter-bank lending;
- trading foreign exchange as principal or agent;
- engaging in bank card business;
- providing letters of credit and guarantee services;
- collecting and making payment as agents and acting as insurance agents;
- providing safe deposit box service; and
- other businesses approved by the CBRC.

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

Regulation of Principal Commercial Banking Activities

Lending

To control risks relating to credit extension, PRC banking regulations require that commercial banks should, among other things: (i) establish a strict and unified credit risk management system; (ii) establish standard operation procedures for each step in the extension of credit, including conducting due diligence investigations before granting credit facilities, monitoring borrowers' repayment ability and preparing credit assessment reports on a regular basis; and (iii) make arrangements to appoint qualified risk control personnel.

The CBRC has also issued guidelines and measures to control risks in connection with related party loans. See "— PRC Banking Supervision and Regulation — Corporate Governance and Internal Control — Transactions with Related Parties" in this prospectus.

On July 23, 2009, the CBRC issued the Interim Measures for the Administration of Fixed Asset Loans (固定資產貸款管理暫行辦法) to ensure that loans flow to efficient real economy and major projects, to prevent credit risk, optimize lending structure, improve lending management quality of banking institutions, avoid systematic risk in the banking industry as well as to promote risk management capabilities of banking institutions.

In addition, the CBRC has issued regulations concerning loans and credit granted to certain specific industries and customers in an effort to control the credit risk of PRC commercial banks. These mainly include:

- the Guidelines on the Management of Risks of Credit Granted by Commercial Banks to Group Borrowers (商業銀行集團客戶授信業務風險管理指引), which require commercial banks to establish a risk management system of credit granted to group borrowers and file with the CBRC. Under the circumstance that the credit exposure to a single group borrower of a commercial bank exceeds 15% of its regulatory capital, the commercial bank shall adopt measures, including syndicated loans, joint loans and transfer of loans, to disperse risks. In line with prudential supervision requirement, the CBRC may lower the ratio for credit exposure to a single group borrower;

- the Guidelines on the Management of Risks of Real Estate Credit Granted by Commercial Banks (商業銀行房地產貸款風險管理指引), which require commercial banks to establish real estate credit review and approval standards as well as a risk management and internal control system in connection with market risk, legal risk and operational risk to real estate credit. Commercial banks are not allowed to issue real estate development loans to borrowers without land use right certificates and relevant permissions. The CBRC conducts a periodic inspection of the implementation of the guidelines;

- the Automobile Loan Measures (汽車貸款管理辦法), which require commercial banks to establish a credit rating system and monitoring system in connection with automobile loans. The measures also set out certain conditions for automobile loans application. In addition, the amount of automobile loans shall not exceed 80% of the price of vehicles for self-use purpose, 70% of the price of vehicles for commercial purpose and 50% of the price of second-hand vehicles. Commercial banks shall also require borrowers to provide security over their vehicles or other types of security for automobile loans;

- the Interim Measures for the Administration of Working Capital Loans (流動資金貸款管理暫行辦法), which require commercial banks to establish effective internal control and risk management systems to monitor the use of working capital loans and get full access to customer information. Commercial banks shall take reasonable and prudential measures to compute actual demand of clients and determine the amount of loans which shall not exceed actual demand of clients. Commercial banks shall set out definitive and legitimate purpose for working capital loans. Such working capital loans shall not be used for fixed assets investment and equity investment or for fields or purposes as prohibited by laws;

- the Guidelines on the Management of Risks of Merger and Acquisition Credit Granted by Commercial Banks (商業銀行併購貸款風險管理指引), which require commercial banks to establish an operation flow and internal control system pursuant to the guidelines and launch their implementation following reporting to the CBRC. Commercial banks are allowed to operate merger and acquisition credit business if they meet the following requirements: (i) a sound risk management system and an effective internal control system are established; (ii) allowance adequacy ratio for loan impairment is not less than 100%; (iii) capital adequacy ratio is not less than 10%; (iv) general reserve is not less than 1% of the balance of loans for the same period; and (v) professional team for due diligence and risk evaluation is formed. The guidelines also set out certain requirements for risks evaluation and control in relation to merger and acquisition, including overall strategic risk, legal and compliance risk, consolidation risk, operational risk and financial risk;

- the Interim Measures for the Administration of Personal Loans (個人貸款管理暫行辦法), which require commercial banks to establish an effective full process management mechanism and risk limit management system in connection with personal loans. The measures also set out certain conditions for personal loans application. The use of personal loans should comply with relevant laws and policies. Commercial banks must specify the purpose for personal loans;

- the Guidelines on Project Financing Business (項目融資業務指引), which require banking institutions to establish a sound operation flow and risk management mechanism. Banking institutions shall fully identify and evaluate risks in association with project construction period and operation period, including policy risk, financing risk, completion risk, product market risk, over-budget risk, raw material risk, operational risk, exchange rate risk, environmental risk and other related risk. Banking institutions shall also focus on borrowers' repayment capability to evaluate risks on the aspects of technical and financial feasibility as well as repayment sources. In addition, banking institutions shall require borrowers to set up a designated account to receive all revenues from projects, monitor the account and take actions in case of unusual movements; and

- the notice on enhancing the regulation on local government funding vehicle《關於加强地方政府融資平台公司管理有關問題的通知》, which clarifies the definition of local government funding vehicle and the principles for categorizing different loans. In accordance with such notice, the Bank implemented re-evaluation of its loans to the local government funding vehicles as specified by CBRC. It was concluded that 99.11% of the total amount of the loans (totalling RMB19.22 billion) will be regarded and regulated as normal corporate loans. Only the remaining 0.89% of the total amount of the loans (totalling RMB172 million) will be regarded and regulated as local government funding vehicle loans. Of the RMB172 million local government funding vehicle loans, certain arrangements have been agreed between the Bank and its borrowers in respect of RMB18 million, according to which the Bank will receive repayments by the end of 2010. Such categorization and measures have been recognized by local regulators. With respect to RMB94.5 million of the RMB172 million local government funding vehicle loans, our Bank has also reached mutual understanding with the borrowers, with the coordination of the local government, according to which the borrowers will be making repayment in accordance with the repayment schedules which are already in place in the existing loan agreements which are legally binding, and the Bank expects that the repayments will be fully made in or before August, 2013. For the remaining RMB59.5 million, the Bank is of the view that the borrowers will not be able to make their repayments according to existing schedule (certain arrangements have been entered into during our financial restructuring in respect of the remaining RMB59.5 million, which is off-balance sheet). However, as such debts are secured debts and within the statute of limitation, the Bank is still confident of the repayments or recovery by way of enforcing the security. Based on such facts, the Bank is of the view that the issuance of the notice on enhancing the regulation on local government funding vehicle will have limited impact on its operation and results.

We adopt certain rules and measures to comply with the above regulations issued by the CBRC. We also further enhance our risk management and internal control capabilities in respect of loans and credit granted to certain specific industries and customers.

In addition, in order to curb the excessively rapid increases in some of the urban housing prices and resolve the housing problems for township residents, the State Council published the Notice of Resolutely Restraining Excessive Growth of Housing Price in Some Cities《關於堅决遏制部分城市房價過快上漲的通知》on April 17, 2010, under which major regulatory policies included:

— Implementation of more stringent credit policies on mortgage loans. Any family (including the borrower, his/her spouse and son or daughter below the full adult age, the same hereinafter) that buys a flat of over 90 sq.m. in gross floor area for the first time for self-occupation, the down payment ratio must not be less than 30%; any family that buys a second home with loans, the down payment ratio of loans must not be less than 50%, and the lending rate must not be less than 1.1 times of the benchmark lending rate; for borrowers of loans to purchase the third home or above, the down payment ratio of loans and the lending rate should be increased significantly, specific terms will be determined at the discretion of the commercial bank in accordance with risk management principles.

— Commercial banks were granted the right to suspend the disbursement of housing loans. In areas where the prices of commodity housing were too high, were growing too fast or where supply was tight, commercial banks may, according to the risk conditions, suspend loan disbursements for the purchase of the third house or above; and may suspend loan disbursements for home purchases by non-local residents who fail to provide evidence of local tax payment or social insurance premium payment for more than one year.

— More stringent regulation on the financing activities carried out by property development enterprises. Commercial banks are required to be more stringent on pre-disbursement approval process and post disbursement management of loans for property development enterprises. Commercial banks shall not disburse new loans for development projects if the property development enterprise was involved in idle land and land speculative activities, the securities supervision authority shall suspend approval for its listing, re-financing and significant asset restructuring activities.

— Increase the supply of residential land. Idle residential land must be disposed of as soon as possible. Recovered idle land should be given priority and arranged to be used for the construction of ordinary housing. While upholding and improving the tender-bidding-listing system for land sales, transfer methods by “consolidated bid appraisal”, “one-time bids” and “two-way bids”, etc. should be explored to curb irrational rises in the transfer prices of residential land.

Although being regulated by State policies, our retail loans, including residential mortgage and personal commercial mortgage loans, still recorded significant growth. As of June 2010, the balance of our personal loans was RMB33.6 billion, increased by RMB5.498 billion as compared to the beginning of the year, the balance of personal mortgage loans was RMB16.94 billion, increased by RMB4.61 billion as compared to the beginning of the year. As of September 2010, the balance of our personal loans was RMB37.876 billion, which topped all financial institutions in Chongqing. The balance of personal residential property (including commercial) loans was RMB19.836 billion, increased by RMB7.502 billion as compared to the beginning of the year.

On analyzing the reasons for growth, external reasons include: (i) With the acceleration of economic development and urbanization, demand for home purchase from retail customers kept increasing; (ii) Prior to the official implementation of the new State policy on housing loans, there was robust investment demand in view of inflation concerns and the expectation of rising housing prices, many people tried to preserve and enhance value through purchasing real property as their choice of investment. Regarding internal reasons of our bank, (i) we had formulated specific business appraisal indicators for mortgage loans and communicated to all our branches in 2010; (ii) an incentive system based on a certain percentage of the loan amount granted was formulated for marketing mortgage loans. The above measures contributed to a certain extent to the development of the mortgage loan business. In addition, we have also conducted an analysis on the impact of the Central government's control of the real estate market to property prices, in accordance with guidelines issued by CBRC. Reflected by a stress testing on real estate loans conducted in March 2010, the mortgage rate of the Bank's residential mortgage loan was within 60% to 80%, i.e., the down payment of a mortgage loan was 20% to 40%. Under the circumstances of the fall of property prices by 30%, the balance of non-performing loans of residential mortgage loan amounted to RMB1.13614 billion (data as at March 2010), which represented an increase of RMB1.0744 billion over the then existing non performing loans. The ratio of non-performing loan to total bank loan was 1.07%, which represented an increase of 1.01% over then current NPL ratios. From the above, the fact that residential property price dropped 30% does not have a material impact on the quality of mortgage assets. On the above premises, the Bank is of the view that our operation and results have not, and will not be significantly affected by such notice.

Our Bank, as a rural commercial bank, is required to comply with the following regulations in relation to lending activities:

- The Guidelines on Risk-based Credit Assets Classification for Rural Cooperative Financial Institutions (農村合作金融機構信貸資產風險分類指引), which require the rural cooperative financial institutions such as rural commercial banks to classify on-balance sheet credit assets, including RMB-and-foreign-currency-denominated loans, loans under import and export trading financing, discounts, bank card overdrafts and credit advances etc, and off-balance sheet credit assets, including letters of credit, bank acceptance bills, letters of guarantee and loan commitments etc, under a five-category classification system (being normal, special mention, substandard, doubtful and loss), and specify the principles, methods and standards for the five-category classification. The guidelines also require the rural cooperative financial institutions to establish a credit files management system and a credit assets information management system, and specify the institutions responsible for the five-category classification determination and the relevant procedures.

- The Guidelines on Rural Cross-guaranteed Loans for Rural Credit Cooperatives (農村信用合作社農戶聯保貸款指引), which impose certain conditions on the establishment of cross-guarantee groups by borrowers and stipulate that the cross-guaranteed loans shall be granted on the basis of personal application, cross-guarantee, circulatory use, joint and several liabilities and payment in instalments.

- The Guidelines on Small Enterprises Credit Loans and Cross-guaranteed Loans for Rural Credit Cooperatives (農村信用社小企業信用貸款和聯保貸款指引), which require the rural commercial banks to establish a separate internal control system in respect of small enterprises credit loans and cross-guaranteed loans, impose certain conditions on applications for small enterprises credit loans and cross-guaranteed loans. The guidelines also state that the credit facilities for credit loans granted to a single borrower may not exceed 20% of the lending limit in respect of such borrower and the credit facilities for cross-guaranteed loans granted to a single borrower may not exceed 25% of the lending limit in respect of such borrower. Credit loans represent loans granted based on the creditworthiness of small enterprises. Cross-guaranteed loans comprise normal cross-guaranteed loans and special cross-guaranteed loans. Normal cross-guaranteed loans represent loans granted to multiple small enterprises which have established a cross-guarantee group and have entered into agreements whereby the members of the cross-guarantee group shall be jointly and severally liable to the loans in the event that the borrowers fail to perform payment obligations. Special cross-guaranteed loans represent loans granted to multiple small enterprises which have contributed to establish a risk fund, thereby stipulating payment obligations and loss risk-based compensation mechanics.

- The Guidelines on Joint Loans for Rural Cooperative Financial Institutions (農村合作金融機構社團貸款指引), which state that the borrowers, use and term in respect of joint loans for rural cooperative financial institutions shall be in compliance with statutory conditions, specify the preparation, organization and post-disbursement management of joint loans, and require the rural cooperative financial institutions to establish a joint loans risk management system and an internal control system.

- The Guiding Opinions of the CBRC on Developing Small Amount Loans by Banking Financial Institutions (中國銀監會關於銀行業金融機構大力發展農村小額貸款業務的指導意見), which stipulate that the banking financial institutions may extend the grant of small amount loans, expand the uses of small amount loans, raise the limits of small amount loans, determine reasonable terms of and interests rates of small amount loans, simplify the procedures for the grant of small amount loans, strengthen the dynamic credit facilities management, improve the small amount loans services and the small amount loans incentive and restraining mechanics, and cultivate rural credit cultures. The opinions also require the banking financial institutions to enhance their risk control of rural small amount loans.

Foreign Exchange Business

Commercial banks are required to obtain approvals from the CBRC and the SAFE to conduct foreign exchange businesses. Under the PRC's anti-money laundering laws and regulations, PRC financial institutions are required to report to the SAFE on a timely basis any large or suspicious foreign exchange transactions which they encounter.

Securities and Asset Management Businesses

Commercial banks in the PRC are generally prohibited from trading and underwriting equity securities. Commercial banks in the PRC are permitted to:

- underwrite and deal in PRC government bonds, financial institution bonds and commercial bonds issued by qualified non-financial institutions;

- act as agents in transactions involving securities, including bonds issued by the PRC government, financial institutions and other corporate entities;

- provide institutional and individual investors with comprehensive asset management advisory services;

- act as financial advisors in connection with large infrastructure projects, mergers and acquisitions and bankruptcy reorganizations; and

- act as custodians for funds, including securities investment funds and corporate annuity funds.

Under the Administrative Measures on Qualifications for Securities Investment Fund Custodianship (證券投資基金託管資格管理辦法) promulgated jointly by the CSRC and the CBRC on November 29, 2004 and effective on January 1, 2005, a commercial bank is permitted to apply for the qualification to engage in the securities investment fund custodian business, if, among other requirements, such commercial bank had net assets at the year-end of not less than RMB2 billion for each of the latest three fiscal years and its capital adequacy ratio fulfills the relevant regulatory requirements. The fund custodian must ensure the separation of its custodian business from its other businesses, as well as the segregation of its fund assets. The CSRC and the CBRC are jointly responsible for examining and approving the qualifications and supervising the activities of fund custodians. In addition, senior managers of a commercial bank's fund custody department must have certain qualifications and their appointments must obtain approval by the CSRC. According to the Interim Measures for the Administration of Corporate Annuity Funds (企業年金基金管理試行辦法) promulgated jointly by the Ministry of Labor and Social Security, the CBRC and other authorities on February 23, 2004 and effective on May 1, 2004, commercial banks are required to file with the CBRC to act as custodian for corporate annuity funds and establish a specialized funds custodian department.

Insurance

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by the CIRC. Pursuant to the Interim Measures on the Administration of Ancillary Agency Insurance Business (保險兼業代理管理暫行辦法) promulgated by the CIRC on August 4, 2000, commercial banks are required to obtain licenses from the CIRC before conducting insurance agency business. Pursuant to the Notice Regarding Standardization of Insurance Agency Business Conducted by Banks (關於規範銀行代理保險業務的通知) issued jointly by the CIRC and the CBRC on June 15, 2006, such licenses are required for all main branches of commercial banks conducting such business.

On January 13, 2010, the CIRC and the CBRC jointly promulgated the Circular on Strengthening Restructuring and Improving the Healthy Development of Banks' Life Insurance Agency Services (關於加強銀行代理壽險業務結構調整促進銀行代理壽險業務健康發展的通知) which enhanced supervision over life insurance agency licenses. The circular requires all commercial banks to obtain a license issued by the CIRC before engaging in life insurance agency business through their outlets.

Personal Wealth Management Services

In September 2005, the CBRC issued the Provisional Administrative Measures on the Personal Wealth Management Business of Commercial Banks (商業銀行個人理財業務管理暫行辦法). Under these measures, commercial banks are required to obtain CBRC approval to provide certain wealth management services whereas in respect of certain other wealth management services, they are only required to submit a report to the CBRC. Commercial banks are also subject to certain restrictions on offering products under personal wealth management plans. In addition, under the Guidelines on Risk Management Regarding Personal Wealth Management Services of Commercial Banks (商業銀行個人理財業務風險管理指引) issued by the CBRC in September 2005, commercial banks are required to establish an auditing and reporting system in respect of their wealth management services and to report to the relevant authorities any material risk management problems. Thereafter, the CBRC issued a series of documents in an effort to further improve the reporting mechanism and risk control for personal wealth management services provided by commercial banks.

In addition to domestic wealth management business, the PBOC, the CBRC, and the SAFE jointly promulgated the Provisional Measures for Overseas Wealth Management by Commercial Banks (商業銀行開辦代客境外理財業務管理暫行辦法) which came into effect on April 17, 2006 and permit duly licensed commercial banks to make overseas investments in pre-approved financial products on behalf of domestic institutions and individuals.

Electronic Banking

In January 2006, the CBRC issued the Administrative Measures Regulating Electronic Banking Business (電子銀行業務管理辦法) and Security Evaluation Guidelines on Electronic Banking (電子銀行安全評估指引) in an effort to enhance risk management and security standards in this sector. All banking institutions applying to establish an e-banking business are required to have sound internal control and risk management systems and should not have any major incidents relating to their primary information management and operations processing systems in the year immediately prior to the application. In addition, all banking institutions conducting e-banking business must adopt security measures to maintain information confidentiality and prevent the unauthorized use of e-banking accounts.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than in debt instruments issued by the PRC government and financial institutions, short-term commercial papers, medium term notes and corporate bonds issued by qualified non-financial institutions, and certain derivative products. Unless approved by the PRC government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, investing in real property (other than for their own use) or investing in non-banking financial institutions and enterprises.

Derivatives

On February 4, 2004, the CBRC issued the Provisional Administrative Measures on Derivative Business of Financial Institutions (金融機構衍生產品交易業務管理暫行辦法), which set out, among other things, detailed regulations on market access and risk management for the derivative business conducted by financial institutions. In accordance with the provisional measures, commercial banks in the PRC seeking to conduct derivative business must meet relevant qualification requirements and obtain prior approval from the CBRC. On March 22, 2005, the CBRC issued the Circular on Risk Alert Regarding Trading of Derivative Products by Domestic Banks (關於對中資銀行衍生產品交易業務進行風險提示的通知) (repealed on July 3, 2007), amended the Provisional Administrative Measures on Derivative Business of Financial Institutions (金融機構衍生產品交易業務管理暫行辦法) on December 28, 2006 (effective from July 3, 2007), and issued the Notice to Further Strengthen Risk Management of Derivative Product Transactions between Banking Institutions and Institutional Customers (關於進一步加強銀行業金融機構與機構客戶交易衍生產品風險管理的通知) on July 31, 2009 in an effort to further strengthen the risk management of derivative business conducted by commercial banks in the PRC.

Support for, and Encouragement of, Financial Innovation by PRC Commercial Banks

In December 2006, the CBRC promulgated the Guidelines on Financial Innovation of Commercial Banks (商業銀行金融創新指引), the purpose of which is to encourage PRC commercial banks to engage prudently in financial innovation-related activities, including developing new businesses and products and improving existing businesses and products, expanding their scope of business, improving cost efficiency and profitability, and reducing their reliance on lending business for profits. To facilitate financial innovation by PRC commercial banks, the CBRC has indicated that it will streamline the examination and approval procedures for new products and increase the efficiency of the examination and approval process.

Supervision and Regulation of Agriculture-related Financial Services

The PRC regulatory authorities have issued a number of rules and policies to regulate and encourage agriculture-related financial services.

In December 2006, the CBRC issued the Guidelines on Adjustment to and Relaxation of Rural Area Banking Business Entry Policy and Better Support for Development of New Rural Areas (關於調整放寬農村地區銀行業金融機構准入政策更好支持社會主義新農村建設的若干意見) which, under the principle of maintaining sustainable business, adjust and relax policy regarding business entry to rural areas by banking institutions and lower the entry threshold.

In January 2007, the CBRC issued the Practice Guidelines on Approval for Establishment of Township Banks (村鎮銀行組建審批工作指引) and the Provisional Rules on Village and Township Bank Management (村鎮銀行管理暫行規定), which set out standards for establishment and management of township banks.

In August 2007, the CBRC released the Guidelines on Promotion of Rural Small Loans by Banking Institutions (關於銀行業金融機構大力發展農村小額貸款業務的指導意見), which allow all banking institutions to issue small loans to rural borrowers. Pursuant to such guidelines, rural borrowers eligible for such loans include traditional rural households and various small businesses; such small loans are targeted at important areas and key sectors which are conducive to Sannong; the limit for such small loans is raised to the range of RMB100,000 to RMB300,000 in developed areas and RMB10,000 to RMB50,000 in less developed areas; jointly secured loan limits can be duly increased based on credit limits; and the maturities of the loans can be extended up to three years.

In April 2008, the PBOC and the CBRC jointly issued the Notice on Certain Policies Regarding Township Banks, Loan Companies, Rural Mutual Cooperatives and Small Loan Companies (關於村鎮銀行、貸款公司、農村資金互助社、小額貸款公司有關政策的通知), which sets out certain supervision measures, including measures regarding deposit reserve, interest rates for loan and deposit, payment and settlement and accounting management, to guide and boost sustainable development of such institutions.

In October 2008, the PBOC and the CBRC jointly promulgated the Guidelines on Acceleration of Innovation of Rural Financial Products and Services (關於加快農村金融產品和服務方式創新的意見), which allow pilot innovation programs for promoting rural financial product and service innovations in certain counties and municipalities located in the six provinces of Central China and the three provinces of Northeastern China which are main crop production areas or have solid bases for County Area economic development.

In December 2008, the General Office of the State Council issued Several Opinions on Promotion of Economic Development with Financial Policies (關於當前金融促進經濟發展的若干意見), which enhance policy support for rural finance and direct more loans to rural areas.

In January 2009, the CBRC issued the Notice on Adjustment to Certain Loan Supervision Policy and Promotion of Stable Economic Development (關於當前調整部分信貸監管政策促進經濟穩健發展的通知), which makes proper adjustment to relevant loan supervision rules and requirements, emphasizes differentiating loan management and review policy for agriculture-related loans and strengthens issuance of agriculture-related loans.

In June 2009, the CBRC issued the Provisional Rules on Conversion of Small Loan Companies into Township Banks (小額貸款公司改制設立村鎮銀行暫行規定), which require banking institutions to promote the conversion of small loan companies into township banks to develop the financial market in the County Areas and enhance support for Sannong and SMEs.

In July 2009, the CBRC released the Notice on Relevant Issues to Implement Non-traditional Rural Financial Institutions Overall Work Arrangement for 2009-2011 (中國銀監會關於做好<新型農村金融機構2009年-2011年總體工作安排>有關事項的通知) to foster the development of new rural financial institutions.

In April 2010, the CBRC and the CIRC jointly promulgated the Guidelines on Enhancing Cooperation Between Agriculture-related Loans and Agriculture-related Insurance (關於加強涉農信貸與涉農保險合作的意見), which introduce mechanisms for agriculture-related insurance to disperse agriculture-related loan risks, improve loan availability for rural borrowers and further resolve the credit availability problem in rural areas.

In April 2010, the CBRC issued the Notice on Enhancing the Diversion of Credit Originating from Small and Medium Financial Institutions in Rural Areas to the Funding of Regulated and Guaranteed Agriculture-related Loans by the General Office of the CBRC (中國銀監會辦公廳關於加強農村中小金融機構信貸投向監管保證涉農信貸資金供應的通知), pursuant to which small and medium financial institutions in rural areas, including us, are required to ensure that the increase in the number, amount and percentage of agriculture-related loans shall be higher than that of the previous year. From 2010, the CBRC Chongqing Bureau will regulate, monitor and test and review the relevant regulatory data and reports of small and medium financial institutions in rural areas for this purpose. For institutions failing such requirements, the CBRC Chongqing Bureau will raise their capital adequacy ratio and restrict their non-agricultural developments.

We will adopt certain measures to comply with the requirements under the guidelines, including: (i) endeavoring to boost the implementation of our County Area Banking Business development plan; (ii) promoting the implementation of our County Area Banking Business division reform to further improve our managerial system and operational mechanism; (iii) strengthening performance evaluation and improving our operational efficiency in our County Area Banking Business; (iv) increasing our County Area market penetration and granting of loans to the County Areas and improving our services and competitiveness; and (v) further building our risk management system in respect of our County Area Banking Business to maintain its risk indicators in a reasonable range. We will endeavor to comply with the relevant requirements of the aforesaid guideline.

Pricing of Products and Services

Interest Rates for Loans and Deposits

Interest rates for RMB-denominated loans and deposits were historically set by the PBOC. In accordance with the PRC Commercial Banking Law, each commercial bank is required to determine its loan rate in accordance with the minimum limit of loan rate and its deposit rate in accordance with the maximum limit of deposit rate set by the PBOC, respectively. In recent years, the PBOC has gradually liberalized its regulation of interest rates, allowing banks more discretion to determine the interest rates for RMB-denominated loans and deposits. The following table sets forth, for the periods indicated, the permitted range of interest rates for RMB-denominated loans and deposits.

	Loans		Deposits	
	Between January 1, 2004 and October 28, 2004[(1)]	Since October 29, 2004[(2)]	Between January 1, 2004 and October 28, 2004	Since October 29, 2004[(3)]
Maximum interest rates	Up to 170% of the PBOC benchmark rate (up to 200% for rural credit cooperatives)	No cap (up to 230% of the PBOC benchmark rate for rural and urban credit cooperatives)	PBOC benchmark rate, except for negotiated deposits	PBOC benchmark rate, except for negotiated deposits
Minimum interest rates	Not lower than 90% of the PBOC benchmark rate	Not lower than 90% of the PBOC benchmark rate	PBOC benchmark rate, except for negotiated deposits	No minimum

(1) Interest rates for residential mortgage loans, public assistance loans, policy loans and certain other loans specified by the State Council may not exceed the PBOC benchmark rate.

(2) From March 17, 2005 to August 18, 2006, interest rates for residential mortgage loans were regulated in the same way as most other types of loans. Since October 27, 2008, the minimum interest rates for personal residential mortgage loans have been changed to 70% of the PBOC loan benchmark rate. On April 17, 2010, the minimum mortgage rates for a second residential property shall not be lower than 110% of the PBOC benchmark lending rate according to a notice issued by the State Council. Out of business considerations, we adjusted our minimum mortgage rate for first time home buyers to 35% of the PBOC benchmark lending rate on November 2, 2010.

(3) Beginning on October 29, 2004, commercial banks in the PRC are permitted to set their own interest rates on Renminbi deposits so long as such interest rates are not higher than the relevant PBOC benchmark rates. However, these restrictions do not apply to interest rates on negotiated deposits, which are deposits by domestic insurance companies in amounts of RMB30 million or more or deposits by the SSF in amounts of RMB500 million or more, both with a term longer than five years, or deposits by China Postal Savings Bank in amounts of RMB30 million or more with a term longer than three years.

From August 19, 2006 to October 20, 2010, the PBOC adjusted the RMB loan benchmark interest rate and RMB deposit benchmark interest rate by 13 instances and 12 instances respectively. Since then and up till the Latest Practicable Date, the PBOC has not adjusted the RMB loan benchmark interest rate or the RMB deposit benchmark interest rate.

The following table sets forth the PBOC benchmark rates for RMB loans since August 19, 2006.

						Residential Mortgage Loans	
Date of adjustment	Six months or less	Six months to one year (inclusive of one year)	One to three years (inclusive of three years)	Three to five years (inclusive of five years)	More than five years	Five years or less	More than five years
			(Interest rate per annum %)				
August 19, 2006	5.58	6.12	6.30	6.48	6.84	6.48	6.84
March 18, 2007	5.67	6.39	6.57	6.75	7.11	6.75	7.11
May 19, 2007	5.85	6.57	6.75	6.93	7.20	6.93	7.20
July 21, 2007	6.03	6.84	7.02	7.20	7.38	7.20	7.38
August 22, 2007	6.21	7.02	7.20	7.38	7.56	7.38	7.56
September 15, 2007	6.48	7.29	7.47	7.65	7.83	7.65	7.83
December 21, 2007	6.57	7.47	7.56	7.74	7.83	7.74	7.83
September 16, 2008	6.21	7.20	7.29	7.56	7.74	7.56	7.74
October 9, 2008	6.12	6.93	7.02	7.29	7.47	7.29	7.47
October 30, 2008	6.03	6.66	6.75	7.02	7.20	7.02	7.20
November 27, 2008	5.04	5.58	5.67	5.94	6.12	5.94	6.12
December 23, 2008	4.86	5.31	5.40	5.76	5.94	5.76	5.94
October 20, 2010	5.10	5.56	5.60	5.96	6.14	5.96	6.14

The following table sets forth the PBOC benchmark rates for Renminbi deposits since August 19, 2006.

		Time deposits					
Date of adjustment	Demand deposits	Three months	Six months	One year	Two years	Three years	Five years
				(Interest rate per annum %)			
August 19, 2006	0.72	1.80	2.25	2.52	3.06	3.69	4.14
March 18, 2007	0.72	1.98	2.43	2.79	3.33	3.96	4.41
May 19, 2007	0.72	2.07	2.61	3.06	3.69	4.41	4.95
July 21, 2007	0.81	2.34	2.88	3.33	3.96	4.68	5.22
August 22, 2007	0.81	2.61	3.15	3.60	4.23	4.95	5.49
September 15, 2007	0.81	2.88	3.42	3.87	4.50	5.22	5.76
December 21, 2007	0.72	3.33	3.78	4.14	4.68	5.40	5.85
October 9, 2008	0.72	3.15	3.51	3.87	4.41	5.13	5.58
October 30, 2008	0.72	2.88	3.24	3.60	4.14	4.77	5.13
November 27, 2008	0.36	1.98	2.25	2.52	3.06	3.60	3.87
December 23, 2008	0.36	1.71	1.98	2.25	2.79	3.33	3.60
October 20, 2010	0.36	1.91	2.20	2.50	3.25	3.85	4.20

The PBOC generally does not regulate interest rates for foreign currency-denominated loans or deposits, except for US dollar-, Hong Kong dollar-, Japanese Yen- and Euro-denominated deposits of less than US$3 million (or the equivalent) and with a term of one year or less, the maximum interest rates on which may not exceed the PBOC benchmark rates for small foreign currency deposits.

Commercial banks may determine the discount rate based on the rediscount rate set by the PBOC provided that the discount rate is not in excess of the PBOC benchmark rates of the same period for Renminbi loans. On March 25, 2004, the PBOC set the rediscount rate to commercial banks at 3.24% per annum, which was raised to 4.32% on January 1, 2008, lowered to 2.97% on November 27, 2008 and then further lowered to 1.80% on December 23, 2008.

Pricing for Fee and Commission-based Products and Services

Under the Tentative Administrative Measures on Pricing of Commercial Banking Services (商業銀行服務價格管理暫行辦法) jointly promulgated by the CBRC and the NDRC on June 26, 2003 and effective on October 1, 2003, services which are subject to governmental pricing guidelines include basic RMB settlement services, such as bank drafts, bank acceptance drafts, promissory notes, checks, remittances and entrusted collection, and other services specified by the CBRC and the NDRC. Fees for other products and services are determined based on market conditions. Commercial banks are also required to report to the CBRC at least 15 business days prior to the implementation of any new fee schedules and to post such fee schedules at their business premises at least ten business days prior to such implementation.

Required Deposit Reserve and Surplus Deposit Reserve

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBOC to ensure they have sufficient liquidity to meet customer withdrawals. Currently, the Rural Commercial Banks are required to maintain a deposit reserve equal to 15.5% of their total outstanding Renminbi deposits according to the relevant requirements of the PBOC.

Our Bank was established in June, 2008 as a rural commercial bank. According to the relevant requirements of the PBOC, different deposit reserve ratios are applied to rural credit cooperatives and rural commercial banks. Considering that there is a discrepancy, to a certain extent, in the reserve ratios before and after the establishment of the rural commercial bank, the Chongqing Business Management Department of the PBOC gradually adjusted our reserve ratio, requiring an upward adjustment of 0.5 percentage point on the fifth day of the first month of each quarter since July 11, 2008 and until the standard of a nationalized rural commercial bank deposit reserve ratio is satisfied. In the meantime, if there is an adjustment to the reserve ratio, an equivalent adjustment will also be made to our Bank's reserve ratio correspondingly. Based on the above requirement, our Bank's deposit reserve ratio was adjusted four times on October 5, 2008, January 3, 2009, April 5, 2009 and July 5, 2009, respectively, and reached the required ratio applicable to rural commercial banks at the last adjustment during the same period.

The following table sets forth the historical values of the RMB statutory reserve ratios applicable to our bank for recent years. Save as disclosed in the sections headed "Business — Legal proceedings and compliance — Administrative Penalties" and "Business — Legal proceedings and compliance — Findings of Regulatory Examinations — PBOC" of this prospectus, throughout the Track Record Period and as of November 16, 2010, we have complied with the relevant requirements of the PBOC. There has been no adjustment to the statutory reserve ratio from November 16, 2010 up to the Latest Practicable Date.

Date of adjustment	Deposit reserve ratios
January 15, 2007	7.0
October 25, 2007	10.5
November 26, 2007	11.0
December 25, 2007	12.0
February 25, 2007	7.5
April 16, 2007	8.0
May 15, 2007	8.5
June 5, 2007	9.0
August 15, 2007	9.5
September 25, 2007	10.0
January 25, 2008	12.5
March 25, 2008	13.0
April 25, 2008	13.5
May 20, 2008	14.0
June 15, 2008	14.5
June 25, 2008	15.5
September 25, 2008	14.5
October 5, 2008	15.0
October 15, 2008	14.5
December 5, 2008	12.5
December 25, 2008	12.0
January 5, 2009	12.5
April 5, 2009	13.0
July 5, 2009	13.5
January 18, 2010	14.0
February 25, 2010	14.5
May 10, 2010	15.0
November 16, 2010	15.5

Supervision Over Capital Adequacy

Capital Adequacy Guidelines

Prior to March 1, 2004, commercial banks were required to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%, calculated based on the following formulae under PRC GAAP:

$$\text{Capital adequacy ratio} = \frac{\text{Capital - capital deductions}}{\text{On- and off-balance sheet risk weighted assets}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital - core capital deductions}}{\text{On- and off-balance sheet risk weighted assets}} \times 100\%$$

On February 23, 2004, the CBRC promulgated the New Capital Adequacy Regulations, which became effective on March 1, 2004 and was amended on July 3, 2007. While the New Capital Adequacy Regulations did not change the pre-existing requirements of an 8% capital adequacy ratio and a 4% core capital adequacy ratio, it amended the risk weighting for various assets, adjusted the components of capital and included a capital charge for market risk in the calculation of capital adequacy ratios. In addition, the New Capital Adequacy Regulations require commercial banks to make adequate allowance for various impairment losses, including those associated with loans, before calculating their capital adequacy ratios. These changes resulted in a more stringent capital adequacy requirement.

In accordance with the New Capital Adequacy Regulations, capital adequacy ratio and core capital adequacy ratio are calculated based on the following formulae under PRC GAAP:

$$\text{Capital adequacy ratio} = \frac{\text{Capital - capital deductions}}{\text{Risk-weighted assets + 12.5 x capital charge for market risk}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital - core capital deductions}}{\text{Risk-weighted assets + 12.5 x capital charge for market risk}} \times 100\%$$

Components of Capital

Regulatory capital is composed of core capital and supplementary capital after subtracting relevant capital deductions. Supplementary capital may not exceed core capital. Core capital includes the following:

- paid-in capital or common shares;
- capital reserves;
- surplus and general reserves;
- retained earnings; and

- minority interests.

Supplementary capital includes the following:

- up to 70% of the revaluation reserve;
- the general allowance for impairment losses under the CBRC's requirements. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Loan Classification, Allowances and Write-offs — Loan Classification" and "— PRC Banking Supervision and Regulation — Loan Classification, Allowances and Write-offs — Loan Allowances" in this prospectus;
- preferred shares;
- qualifying bonds convertible into common shares;
- qualifying subordinated debt, which may not exceed 25% of core capital for national commercial banks;
- hybrid capital bonds; and
- changes in fair value (the positive change, but no more than 50%, to the fair value of available-for-sale bonds that have been calculated as part of the owners' equity interests may be calculated into supplementary capital; and the negative change to the fair value shall be deducted from supplementary capital. When a commercial bank calculates the capital adequacy ratio, it shall transfer the fair value of available-for-sale bonds that have been calculated into the capital reserves from the core capital into the supplementary capital).

Capital deductions consist of the following:

- goodwill;
- equity investments in non-consolidated financial institutions; and
- capital investments in real estate not used for the bank's own operations or equity investments in non-banking financial institutions and enterprises.

Core capital deductions consist of the following:

- goodwill;
- 50% of equity investments in non-consolidated financial institutions; and
- 50% of capital investments in real estate not used for the bank's own operations or equity investments in non-banking financial institutions and enterprises.

Risk-weighted Assets

The New Capital Adequacy Regulations provide that, for on-balance sheet items, risk-weighted assets should be calculated by deducting any allowance for impairment losses and then multiplying the amount by their corresponding risk weighting (after taking into account risk mitigating factors). For off-balance sheet items, including foreign exchange contracts, interest rate contracts and other derivative contracts, the nominal principal amount should be first converted to balance sheet credit equivalent amounts by multiplying such amount by a credit conversion factor. In addition, assets secured by certain types of pledges or guarantees are allocated the risk weighting applicable to the pledges or guarantors. Partially pledged or guaranteed loans receive such lower risk weighting only on the portion of the loan that is pledged or guaranteed. The following table sets forth risk weightings for different assets.

Risk Weighting	Assets
0%	• cash on hand
	• gold
	• claims on PRC incorporated commercial banks with an original maturity of four months or less
	• claims on the PRC central government or deposits at the PBOC
	• claims on the PBOC
	• claims on PRC policy banks
	• bonds issued by PRC financial asset management companies for the purpose of acquiring non-performing loans from state-owned banks
	• claims on non-PRC central governments or central banks in countries or regions where the sovereign or region is rated AA- or above[(1)]
	• claims on multilateral development banks
20%	• claims on PRC incorporated commercial banks with an original maturity of more than four months
	• claims on non-PRC commercial banks and securities companies incorporated in other countries or regions where the sovereign or region is rated AA - or above[(1)]
50%	• personal residential mortgages
	• claims on PRC public-sector entities invested by the PRC central government
	• claims on non-PRC public-sector entities invested by governments of countries or regions where the sovereign or region is rated AA - or above[(1)]
100%	• all other assets

(1) These ratings refer to credit ratings of Standard & Poor's or the equivalent thereof.

Market Risk Capital

Market risk capital refers to the capital that a bank is required to maintain for the market risks relating to its assets. Market risk refers to the risk of losses in on- and off-balance sheet asset value arising from movements in market prices and includes risks relating to interest rate-sensitive financial instruments and securities under trading accounts, exchange rate risk and commercial banking product related risks. Since the first quarter of 2005, domestic banks with total trading books position greater than the lower of RMB8.5 billion and 10% of the bank's total on- and off-balance sheet assets are required to take into consideration market risk arising from trading activities when determining capital adequacy.

Issuance of Subordinated Debt and Subordinated Bonds

Since June 17, 2004, PRC commercial banks have been permitted to issue bonds which are subordinated to the banks' other liabilities but are senior to the banks' equity capital, according to the Measures for Administration on Issuance of Subordinated Bonds of Commercial Banks (商業銀行次級債券發行管理辦法) jointly issued by the PBOC and the CBRC. PRC commercial banks may, upon approval by the CBRC, include such subordinated bonds in the banks' supplementary capital. Subordinated bonds can be issued either in a public offering in the inter-bank bond market or in a private placement. PRC commercial banks may not hold an aggregate amount of subordinated debt issued by other banks in excess of 20% of their core capital. The issuance of subordinated debt by PRC commercial banks is subject to the approval of the CBRC. The PBOC regulates the issuance and trading of subordinated bonds in the inter-bank bond market.

On December 12, 2005, the CBRC issued the Notice Regarding the Issuance of Hybrid Capital Bonds by Commercial Banks for the Replenishment of Supplementary Capital (關於商業銀行發行混合資本債券補充附屬資本有關問題的通知), permitting eligible commercial banks to issue hybrid capital bonds in the inter-bank market and include such bonds in their supplementary capital. The introduction of hybrid capital bonds in the PRC has opened a new channel for commercial banks to replenish their supplementary capital and improve their capital adequacy ratio.

On October 18, 2009, the CBRC issued the Notice on Improving the Mechanism for Capital Replenishment of Commercial Banks (關於完善商業銀行資本補充機制的通知) which requires major commercial banks and other banks to maintain a core capital adequacy ratio of no less than 7% and 5%, respectively, if they seek to issue long-term subordinated debt for the replenishment of supplementary capital. The major commercial banks and other banks should not issue long-term subordinated debt which constitutes more than 25% and 30% of their respective core capital. In the calculation of the capital adequacy ratio, after October 18, 2009, banks should fully deduct any long term subordinated debt issued by other banks which they acquired after July 1, 2009.

CBRC's Supervision of Capital Adequacy

The CBRC is responsible for supervising the capital adequacy of banking institutions in the PRC. It reviews and evaluates banking institutions' capital adequacy through both on-site examination and off-site surveillance. Commercial banks are required to report to the CBRC their period-end unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis. Commercial banks are classified into three categories based on their capital adequacy ratios as follows:

Category	Capital adequacy ratio		Core capital adequacy ratio
Adequately capitalized banks	not less than 8%	and	not less than 4%
Undercapitalized banks	less than 8%	or	less than 4%
Significantly undercapitalized banks	less than 4%	or	less than 2%

If a bank is not in compliance with the capital adequacy requirements, depending on the degree of its under capitalization, the CBRC may take various actions, including:

- issuing a supervisory notice;
- requiring the bank to submit and implement an acceptable capital replenishment plan within two months;
- restricting asset growth;
- reducing higher-risk assets;
- restricting the purchase of fixed assets; and
- restricting dividends and other forms of distributions.

In addition, depending on the risk level of the bank and its implementation of a capital replenishment plan, the CBRC may prohibit such bank from establishing new branches or launching new services or suspend the bank's entire business (except for low-risk activities).

The CBRC may require significantly undercapitalized banks to take further actions, including changes to senior management, transfer of control, restructuring of operations, or, in the most severe case, closure in accordance with relevant laws and regulations.

Basel Accords

The Basel Capital Accord, or Basel I, was introduced by the Basel Committee on Banking Supervision, or the Basel Committee, in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital standard of 8%. Since 1998, the Basel Committee has issued certain proposals for the New Capital Accord, or Basel II, to replace Basel I. Basel II retains the key elements of Basel I, including the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, but seeks to improve the capital framework in various key respects, including (i) establishment of the "three pillars" framework, namely the first pillar "minimum capital standard," the second pillar "supervision and regulation by regulatory authorities" and the third pillar "information disclosure"; and (ii) introducing material changes to the calculation of capital adequacy and adopting simple to complicated and diversified approaches.

The CBRC promulgated and amended the New Capital Adequacy Regulations on February 23, 2004 and July 3, 2007, respectively. The CBRC has advised that the New Capital Adequacy Regulations are based on Basel I while taking into consideration certain aspects of Basel II. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (中國銀行業實施新資本協議指導意見), which require large commercial banks, which have set up active operational entities in other countries or regions (including Hong Kong and Macau) and have a significant international business, to implement Basel II by the end of 2010, or upon the CBRC's approval, no later than the end of 2013. However, the Bank is of the view that such guidelines would not have direct impact on the Bank's operation and results on the basis that the Bank's business is concentrating in certain areas in the PRC, and the Bank does not have any plan to expand its business to other countries or regions in foreseeable future. To facilitate preparations for the implementation of Basel II, the CBRC adopted the first series of supervision guidelines in respect of the implementation of Basel II in September 2008, including the Guidelines on Classification of Commercial Bank Account Credit Risks Exposure (商業銀行銀行賬戶信用風險暴露分類指引), the Guidelines on Supervision of Commercial Bank Internal Rating Based System for Credit Risks (商業銀行信用風險內部評級體系監管指引), the Guidelines on Computation of Commercial Bank Specialized Loan Regulatory Capital (商業銀行專業貸款監管資本計量指引), the Guidelines on Computation of Commercial Bank Credit Risks Cushion Regulatory Capital (商業銀行信用風險緩釋監管資本計量指引), and the Guidelines on Computation of Commercial Bank Operational Risks Regulatory Capital (商業銀行操作風險監管資本計量指引). In March 2009, China officially joined the Basel Committee and participated in the establishment of international standards for banking supervision, which is conducive to the upgrading of supervision techniques and supervision levels in China's banking industry.

Since November 2009, the CBRC has issued the following five regulatory guidelines to implement Basel II: the Guidelines on Disclosure of Capital Adequacy Ratio (商業銀行資本充足率信息披露指引), the Guidelines on Verification of Advanced Approaches for Capital Measurement (商業銀行資本計量高級方法驗證指引), the Guidelines on Risk Management of Interest Rates of Commercial Bank Account (商業銀行銀行賬戶利率風險管理指引), the Guidelines on Supervision and Review on Capital Adequacy Ratio (商業銀行資本充足率監督檢查指引), and the Guidelines on Measurement of Risk Exposure Relating to Assets Securitization (商業銀行資產證券化風險暴露監管資本計量指引). These five regulatory guidelines facilitate the implementation of Basel II, among which, the Guidelines on Risk Management of Interest Rates of Commercial Bank Account also apply to those banks which are not yet implementing Basel II.

As of December 31, 2009, our Bank had a capital adequacy ratio of 10.23% and a core capital adequacy ratio of 8.14%, while we had capital adequacy ratio of 9.32% and a core capital adequacy ratio of 9.31% as of December 31, 2008. Given the steady growth of our Bank's assets during the Track Record Period, our Bank has adopted the following capital management measures: (1) the issuance by Our Bank of 10-year subordinated bonds with an aggregate principal amount of RMB2.3 billion in December 2009, for details of which please refer to the section headed "Our History, Restructuring and Operational Reform — Our Financial Restructuring — Issuance of Subordinated Bonds" in this prospectus; (2) the issuance of 1 billion Shares to original state-owned enterprises in March 2010 whereby our registered capital increased by RMB1 billion and our total capital increased by RMB1.91 billion, for details of which please refer to the section headed "Our History, Restructuring and Operational Reform — Our Financial Restructuring — Increase in Registered Capital" in this prospectus; (3) our further increased focus on risk-based assets return and further adjustments to our business structure and risk-based assets portfolio; and (4) increasing the revenue from intermediary businesses, such as fee and commission-based business that requires on capital appropriation, as a percentage of our total revenue.

Loan Classification, Allowances and Write-offs

Loan Classification

Banks in the PRC are currently required to classify loans under a five-category loan classification system based on the estimated likelihood of repayment of principal and interest according to Guidelines of Risk-based Classification of Loans. The primary factors for evaluating the likelihood of repayment include the borrower's cash flow, financial conditions and credit history.

Loan Allowances

According to the Guidelines of Risk-based Classification of Loans, a loan classified as substandard, doubtful or loss is considered to be non-performing, and commercial banks are required to make provisions based on a reasonable estimate of the probable loss on a prudent and timely basis. Allowance for impairment losses consists of general allowance, specific allowance and special allowance. General allowance refers to the allowance for all unidentified but possible losses, which are made based on certain percentages of the balance of total outstanding loans; specific allowance refers to the allowance made for specific losses in connection with an individual loan based on its categorization under the Guidelines of Risk-based Classification of Loans; and special allowance refers to the allowance made for the risks specifically related to certain countries, regions, industries, or certain types of loans.

Under the Guidelines on Loan Loss Provisions (貸款損失準備計提指引) (the "***Provisioning Guideline***"), commercial banks are required to make provisions for impairment losses on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of December 31 of any year. These guidelines further provide guidance on the level of specific provisions as a percentage of the outstanding amount of loans for each loan category: 2% for special mention loans; 20%-30% for substandard loans; 40%-60% for doubtful loans and 100% for loss loans. Commercial banks may make special provisions in accordance with special risk factors (including risks in association with certain industries and countries), probability of losses and historical experience.

CBRC's Supervision of Loan Classification and Loan Allowances

Commercial banks are required to formulate detailed internal procedures that clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and related matters. In addition, beginning in 2002, commercial banks have been required to submit quarterly and annual reports to the CBRC on the classification of their loan portfolios and their allowances for loan losses. Based on a review of these reports, the CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or may carry out further inspections.

Loan Write-offs

Under the regulations issued by the CBRC and the MOF, commercial banks are required to establish a strict audit and approval process to write off loan losses. In order to be written off, a loan needs to meet the standards set by the MOF. Losses realized upon writing off loans are deductible for tax purposes, but such deduction is subject to the review and approval of the tax authorities as to whether the loans written off were in compliance with the MOF's standards.

Allowance and Statutory General Reserve for Impairment Losses

Pursuant to the Administrative Measures for the Provisioning for Non-performing Assets of Financial Institutions (金融企業呆賬準備提取管理辦法) and the subsequent Notice on Relevant Issues Concerning the Provisioning for Non-performing Assets (關於呆賬準備提取有關問題的通知), both issued by the MOF, financial institutions in the PRC are required to maintain adequate allowance for impairment losses. In addition, financial institutions are also required to set up a statutory general reserve to cover potential impairment losses that have yet to be identified. Financial institutions are required to assess the risk profile of their assets in determining the statutory general reserve level. In principle, such level shall not be less than 1% of the aggregate amount of each financial institution's risk-bearing assets before allowance for impairment losses at the balance sheet date. Financial institutions are not allowed to make profit distributions to shareholders until adequate allowance for impairment losses and statutory general reserve has been made. Financial institutions which could not meet these requirements in 2005 were required to take necessary steps to ensure that they could fulfill such requirements within approximately three years, but in any case by no later than five years, from 2005.

Other Operational and Risk Management Ratios

The Core Indicators for the Risk Management of Commercial Banks (for Trial Implementation) ("***Core Indicators (Provisional)***") (商業銀行風險監管核心指標(試行)) promulgated by the CBRC became effective on January 1, 2006.

The following table sets forth the required ratios as provided in the Core Indicators (Provisional) and our Bank's ratios as of June 30, 2010, calculated under PRC GAAP.

				Ratios of our Bank (%)			
			Requirement	as of December 31,			as of June 30,
Risk level	Primary indicators	Secondary Indicators	(%)	2007	2008	2009	2010
Risk Level							
Liquidity risk	Liquidity ratio(1)	RMB	≥25	47.89	60.21	54.12	32.40
		Foreign Currency		N/A***	N/A***	N/A***	61.93
	Core liabilities ratio(2)		≥60	38.5*	55.98*	52.55*	48.38*
	Liquidity gap ratio(3)		≥-10	2.69	26.62	27.18	13.76
Credit risk	Non-performing asset ratio(4)		≤4	10.25*	4.87*	2.55	1.78
		Non-performing loan ratio(5)	≤5	13.22*	8.68*	3.88	2.99
	Credit concentration to a single group customer(6)		≤15	N/A**	28.73*	8.19	8.76
		Loan concentration to a single customer(7)	≤10	N/A**	28.73*	8.10	9.15
	Overall credit exposure to related parties(8)		≤50	N/A**	58.08*	21.95	27.83
Market risk	Cumulative foreign currency exposure ratio(9)		≤20	N/A***	N/A***	0.38	0.78
Risk Cushion							
Profitability	Cost to income ratio(10)		≤45	38.16	40.67	47.55*	37.25
	Return on assets(11)		≥0.6	2.02	1.41	1.05	1.46
	Return on capital(12)		≥11	N/A**	56.59	23.78	31.85
Allowance adequacy	Allowance adequacy ratio for asset impairment(13)		≥100	134.96	172.42	234.35	269.70
		Allowance adequacy ratio for loan impairment(14)	≥100	153.21	174.74	239.38	274.76
Capital adequacy	Capital adequacy ratio(15)		≥8	N/A**	9.32	10.23	10.50
		Core capital adequacy ratio(16)	≥4	N/A**	9.31	8.14	8.84

Calculated as follows:

(1) Liquidity ratio = Current assets/Current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and financial institutions with maturities of one month or less, interest receivable and other receivables due within one month, qualified loans with maturities of one month or less, investment in debt securities with maturities of one month or less, debt securities that can be liquidated in the international secondary

market at any time and other liquid assets with maturities of one month or less (excluding the non-performing portion of such assets). Current liabilities include demand deposits (excluding policy deposits), time deposits with remaining maturities of one month or less (excluding policy deposits), net placements and deposits from banks and financial institutions due within one month, issued debt securities with maturities of one month or less, interest payable and other payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(2) Core liabilities ratio = Amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued debt securities and 50% of demand deposits. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

(3) Liquidity gap ratio = Liquidity gap/Amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of 90 days or less minus the amount of on- or off-balance sheet liabilities with maturities of 90 days or less.

(4) Non-performing asset ratio = Amount of non-performing assets subject to credit risk/Amount of assets subject to credit risk x 100%. Non-performing assets include non-performing loans and other assets categorized as non-performing. The categorization of non-loan assets is in accordance with relevant CBRC regulations.

(5) Non-performing loan ratio = Amount of non-performing loans/Amount of total loans x 100%. Non-performing loans refer to loans in the substandard, doubtful and loss categories according to the PBOC and CBRC's five category loan classification system.

(6) Credit exposure to a single group borrower = Total credit granted to the largest group borrower/Regulatory capital x 100%. Largest group borrower refers to the single group borrower granted the highest credit limit at the end of the period.

(7) Loan exposure to a single borrower = Total loans to the largest borrower/Regulatory capital x 100%. Largest borrower refers to the borrower with the highest amount of loans outstanding at the end of the period.

(8) Overall credit exposure to related parties = Total granted credit limit to all related parties/Regulatory capital x 100%. Related parties refer to parties defined in the Related Party Transactions Measures. Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and PRC government bonds.

(9) Cumulative foreign currency exposure ratio = Amount of cumulative foreign currency exposure/Regulatory capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by exchange rate sensitive foreign currency liabilities.

(10) Cost-to-income ratio = Operating and management expenses/Operating income x 100%.

(11) Return on assets = Net profit/Average balance of total assets for the period x 100%.

(12) Return on capital = Net profit/Average balance of shareholders' equity for the period x 100%.

(13) Allowance adequacy ratio for asset impairment = Actual amount of allowance for assets subject to credit risk/Required amount of allowance for assets subject to credit risk x 100%.

(14) Allowance adequacy ratio for loan impairment = Actual amount of allowance for loans/Required amount of allowance for loans x 100%. The required amount of allowance for loans is calculated based on the methodology under the PBOC guidelines as described under "— Loan Classification, Allowance and Write-offs — Loan Allowance." Although the methodology and amount of allowance for impairment loss prepared under IFRS and PBOC's guidelines are different and not comparable, the Bank confirmed that the differences have not had any adverse effect on the Bank's operation, and its allowance adequacy ratio for loan impairment under both IFRS and PBOC's guidelines met the regulatory requirements as of June 30, 2010.

(15) Capital adequacy ratio = (Capital - capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB360 million declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from regulatory capital in calculating the above capital adequacy ratio at December 31, 2009. Our capital adequacy ratio would have been 9.90% at December 31, 2009 if such cash dividend were deducted from regulatory capital at that date.

(16) Core capital adequacy ratio = (Core capital - core capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB360 million declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from the core capital in calculating the above core capital adequacy ratio at December 31, 2009. Our core capital adequacy ratio would have been 7.81% at December 31, 2009 if such cash dividend were deducted from core capital at that date.

* Non-compliance with relevant regulatory requirement.

** In 2007, our Business was conducted by 39 Rural Credit Unions, who separately complies with relevant core indicator ratio requirements. On such premise, our directors are of the view that it is unnecessary or even misleading to present those core indicators on consolidated basis.

*** The Bank did not conduct any foreign currency businesses during 2007 and 2008.

As of December 31, 2009 and June 30, 2010, we did not comply with certain ratios of the Core Indicators (Provisional).

- We did not comply with the regulatory requirement for cost-to-income ratio of the Indicators for the risk management of commercial banks in 2009, mainly due to the significant increase in expenses resulted from the increased introduction of good talents, the compliance input for security facility and publicity measures taken after the establishment of the Bank. We have been adopting appropriate measures to lower the cost-to-income ratio and comply with applicable regulation requirement, including (1) developing business and increasing the operational revenue; (2) further improving financial management system, enhancing the level of fine management; (3) establishing an expense-shared centre to realise the centralized reimbursement management of the whole bank step-by-step; and (4) enhancing the assessment and stimulation of fees, matching the use of expenses with operation results. By adopting such measures, we met the relevant regulatory requirement as of June 30, 2010, and we expect that we would remain in compliance with the relevant regulatory requirement by the end of 2010.

- We did not comply with core liabilities ratio because it used inter-bank money market and capital market, instead of time deposit, to finance its funding requirements in the past, but it expects to improve the core liabilities ratio by the first quarter of 2011. We will take appropriate measures to comply with the applicable regulatory requirement, including: (1) utilizing our extensive branches and outlets network to attract the mid-term and long-term time deposit, so that our amount of core liabilities will increase accordingly; (2) gradually reducing the amount of sale of repurchased financial assets and inter-bank deposit and loans to reduce our short-term non-core liabilities, so that our amount of total liabilities will decrease accordingly; and (3) closely monitoring our core liabilities ratio by enhancing our management of assets and liabilities. CBRC Chongqing Bureau has not requested the Bank to rectify the non-compliance of the core liabilities ratio during its latest ad-hoc inspection during November 2, 2010 to November 12, 2010.

According to the Core Indicators (Provisional) regulations, the CBRC may issue risk alerts to banks based on their analysis of data submitted by commercial banks. In addition, the Core Indicators (Provisional) defined certain other ratios without providing the regulatory requirement for those ratios, including ratios relating to interest rate risk sensitivity, operational risk and loan migration. The CBRC may provide the regulatory requirement for those ratios in the future.

As indicated in the table above, we did not comply with certain ratio requirements as provided by the Core Indicators (Provisional) during the Track Record Period. However, such non-compliances have not yet resulted in any administrative actions or penalties to our Bank by any regulatory bodies. As advised by Junhe Law Offices, our PRC legal advisor, in accordance with the Core Indicators (Provisional), the CBRC may hold admonitory talks with the Bank[Note 2] and give risk alerts to the Bank in cases of failure of complying with such requirement, but such failure alone shall not form the basis of any administrative penalties.

Our Directors believe that the above non-compliance is not significant and does not have any material adverse impact on the business and financials of the Bank.

Corporate Governance and Internal Controls

Corporate Governance

The Company Law of the People's Republic of China (中華人民共和國公司法), the Commercial Banking Law of the People's Republic of China (中華人民共和國商業銀行法) and other laws, regulations and regulatory documents provided for specific requirements for corporate governance, of which the Guidelines on Corporate Governance of Joint Stock Commercial Banks (股份制商業銀行公司治理指引) provide for the best practice of corporate governance for PRC joint stock companies. Under the Guidelines on Corporate Governance of Other National Commercial Banks, Other National Commercial Banks should establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly divided among the board, the supervisory board and the senior management. In addition, the Guidelines on Independent Directors and External Supervisor of Joint Stock Commercial Banks (股份制商業銀行獨立董事及外部監事指引) recommend that the board of directors of a commercial bank should have at least two independent directors, and the supervisory board should have at least two external supervisors. The Guiding Opinions on the Establishment of Independent Director Systems by Listed Companies (關於在上市公司建立獨立董事制度的指導意見) requires that at least one-third of the board members of a PRC listed company should be independent directors, while the Guidelines on Corporate Governance of Joint Stock Commercial Banks recommend that senior management should comprise at least one-quarter but not more than one-third of the board of directors.

Note 2: As advised by Junhe Law Offices, our PRC legal advisor, such admonitory talk is not a form of administrative penalty under the Administrative Penalty Rules of the PRC.

Internal Controls

Under the Internal Control Guidelines for Commercial Banks (商業銀行內部控制指引) issued by the PBOC and the CBRC in 2002 and 2007 respectively, commercial banks are required to establish internal controls to ensure effective risk management for their business activities. PRC commercial banks are also required to establish a risk management department that formulates and implements risk management policies and procedures. In addition, PRC banks are required to establish an internal audit department that can independently supervise and evaluate all aspects of their operations.

On December 25, 2004, the CBRC published the Interim Measures for the Evaluation of the Internal Control Systems of Commercial Banks (商業銀行內部控制評價試行辦法) which set forth the procedures, measures and ranking standards for the CBRC's internal control evaluation of commercial banks. The CBRC can, based on its evaluation of the performance of PRC commercial banks' internal control system, take various supervisory measures, such as interviewing the person in charge of internal controls or the chairman of the board, issuing warnings, and increasing the scope and frequency of on-site examinations. In the event of non-compliance with the Interim Measures for the Evaluation of Internal Controls Systems of Commercial Banks, the CBRC may impose sanctions including, among others, requesting a change of the bank's senior management, suspending the bank's business, revoking the practice license of persons involved, or delaying approval or not accepting applications for the establishment of new branch outlets or new business. Since February 2005, the CBRC has been conducting such evaluations periodically and has taken regulatory actions based on the results of its evaluations.

On June 27, 2006, the CBRC issued the Guidelines on Internal Audit for Banking Financial Institutions (銀行業金融機構內部審計指引) which became effective on July 1, 2006. Pursuant to the guidelines, banks are required to establish an audit committee of the board with at least three members, a majority of whom must be non-executive directors. Banks are also required to have an internal audit department with employees who meet certain qualifications, which shall in principle represent 1% of the bank's total number of employees. The guidelines set forth the required scope of the internal audit. Banks are required to evaluate the risk of each business unit at least once per year and conduct internal audit of each business unit at least once every two years. The number of employees responsible for our internal auditing function is based on our risk management demand. As of December 31, 2009, we had 283 internal audit employees, representing 2.25% of our total number of employees. On May 22, 2008, the Basic Rules on Enterprise Internal Control (企業內部控制基本規範) were issued jointly by the MOF, the CBRC, the NAO, the CSRC and the CIRC and became effective on July 1, 2009. The Rules require enterprises to establish and implement internal control systems, utilize information technology to strengthen internal control, and establish information systems addressing their operational and management needs, among other matters.

In respect of the number of independent directors, according to the *Guiding Opinions on the Establishment of Independent Director Systems by Listed Companies* (關於在上市公司建立獨立董事制度的指導意見), at least one-third of the board members of a PRC listed company should be independent directors. The Bank is not a domestic listed company and the aforesaid CSRC provision is not applicable to the Bank. According to the *Guidelines on the Duties of the Board of Directors of*

Joint Stock Commercial Banks (Provisional) (股份制商業銀行董事會盡職指引(試行)) promulgated by CBRC, commercial banks with registered capital over RMB1 billion shall have at least three independent directors. Currently, the Bank has three independent directors, which is in compliance with the requirement of the relevant laws and regulations of the PRC.

In respect of the proportion of senior management officers sitting on the Board of Directors, the *Guidelines on Corporate Governance of Joint Stock Commercial Banks* (股份制商業銀行公司治理指引) promulgated by the PBOC on May 23, 2002, stipulated that "the number of directors in the Board who are also members of the senior management shall not be less than one quarter of the total number of the Board members, but shall not exceed one-third of the total number of the Board members". On September 5, 2005, CBRC promulgated the *Guidelines on the Duties of the Board of Directors of Joint Stock Commercial Banks (Provisional)* (股份制商業銀行董事會盡職指引(試行)), providing comprehensive rules for the Board of Directors of commercial banks under which the requirement on the proportion of senior management members sitting on the Board was not mentioned. The constitution of the Board of Directors of the Bank was approved by the CBRC in June 2008, and there was no requirement in respect of the proportion of senior management members sitting on the Board.

Information Disclosure Requirements

On July 3, 2007, the CBRC issued the Measures for the Information Disclosure of Commercial Banks (商業銀行信息披露辦法) which became effective on the same day. Under the measures, a PRC commercial bank is required to publish an audited annual report within four months after the end of each financial year, disclosing its financial position and operational results.

Transactions with Related Parties

Apart from the general rules regarding related party transactions issued by the CSRC and the relevant stock exchanges, the CBRC promulgated Related Party Transactions Measures (商業銀行與內部人和股東關聯交易管理辦法) in April 2004, which provided more stringent and detailed requirements on related party transactions of PRC commercial banks. The measures require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties. Under PRC laws and regulations, related party transactions of commercial banks shall be based on normal commercial principles and no more favourable than similar transactions with non-related parties.

The measures also set out detailed provisions on the definition of a related party, the form and content of a related party transaction as well as the procedures and principles which must be followed for related party transactions.

Pursuant to the measures, commercial banks must submit to the CBRC, on a quarterly basis, status reports regarding their related party transactions, as well as disclose matters relating to related parties and related party transactions in their financial statements. Furthermore, the board of directors is required to report related party transactions and the implementation of mechanisms to monitor and approve such transactions annually at shareholder meetings. The CBRC has the power to request the rectification of transactions that violate the measures and to impose sanctions on the bank and/or the related parties.

We have established the Related Party Transaction Supervision Committee under our Board and have adopted approval procedures for related party transactions in accordance with the measures and other applicable laws and regulations. In addition, we have adopted a tiered system for the approval of related party transactions by setting out in our Articles of Association the relevant approval requirements in accordance with the applicable laws and regulations.

Risk Management

Since its inception, the CBRC has published numerous risk management guidelines and rules in an effort to improve risk management of PRC commercial banks, including credit risk management, operational risk management, market risk management, compliance risk management and risk rating system, in addition to guidelines concerning loan and credit to certain specific industries and customers and guidelines in respect of the implementation of Basel II, see "Supervision and Regulation — Regulation of Principal Commercial Banking Activities — Lending" and "Supervision and Regulation — Supervision over Capital Adequacy — Basel Accords" in this prospectus. The CBRC also promulgated the Core Indicators (Provisional) as a basis of supervising the risk management of PRC commercial banks. The CBRC established requirements for certain ratios relating to risk levels and risk provisions in the Core Indicators (Provisional) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Other Operational and Risk Management Ratios" in this prospectus. The CBRC periodically collects data through off-site surveillance to analyze such indicators and evaluate and issue early warnings of the risks on a timely basis.

Operational Risk Management

On March 22, 2005, the CBRC issued the Circular on Strengthening Control of Operational Risk (關於加大防範操作風險工作力度的通知) to further strengthen PRC commercial banks' ability to identify, manage and control operational risks. Under this circular, commercial banks are required to establish internal policies and procedures specifically for the management and control of operational risks. A bank's internal audit department and business operations department are required to conduct independent and ad hoc reviews and examinations of the bank's business operations from time to time, and ongoing reviews and examinations for business areas involving a greater degree of operational risks. Moreover, a commercial bank's headquarter is required to assess the implementation of, and compliance with, its internal policies and procedures on operational risks.

In addition, the circular sets out detailed requirements relating to, among other things, establishing a system under which branch officers responsible for business operations are required to rotate on a regular basis; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances between PRC commercial banks and their customers; improving the timely checking of the banks' internal accounting; segregating persons responsible for book-keeping from those responsible for account reconciliation; and establishing a system to strictly control and manage the use and keeping of chops, specimen signatures and evidential vouchers.

Furthermore, on May 14, 2007, the CBRC issued the Guidelines on Operational Risk Management of Commercial Banks (商業銀行操作風險管理指引) to enhance risk management abilities of the PRC commercial banks. These guidelines mainly address, among other things, the supervision and controls of the board of directors, responsibilities of senior management, proper organizational structure, and policies, approaches and procedures for operational risk management. Those policies and procedures shall be submitted to the CBRC for filing. If a commercial bank incurs a significant operational incident and fails to adopt effective corrective measures within a required period, the CBRC shall take relevant regulatory measures.

Market Risk Management

On December 29, 2004, the CBRC promulgated the Guidelines on the Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), which became effective on March 1, 2005, to strengthen the market risk management of PRC commercial banks. These guidelines mainly address, among other things, (i) the responsibilities of the board of directors and the senior management in supervising market risk management, (ii) the policies and procedures for market risk management, (iii) the detection, quantification, monitoring and control of market risk, and (iv) the responsibilities for internal control and conducting external audits.

Compliance Risk Management

In order to strengthen the compliance risk management of commercial banks and maintain the safety and stability of the operations of PRC commercial banks, the CBRC promulgated the Guidelines on Compliance Risk Management of Commercial Banks (商業銀行合規風險管理指引) on October 20, 2006. These guidelines have clarified the responsibilities of the board of directors and the senior management of a PRC commercial bank with respect to compliance risk management, standardized the organizational structure for compliance risk management and set out the regulatory mechanisms for a bank's risk management.

To meet the regulatory requirements in respect of compliance risk management, we established a compliance department to manage all our compliance issues to prevent the occurrence of any material compliance risks.

Risk Rating System

Joint stock commercial banks in the PRC are subject to evaluation by the CBRC based on a provisional risk rating system. Under this system, the capital adequacy, asset quality, management quality, profitability, liquidity and exposure to market risk of PRC joint stock commercial banks are evaluated and scored by the CBRC on a continuous basis. Each bank is classified into one of five risk rating categories based on the scores. The CBRC's supervisory activities in respect of a certain bank, including the frequency and scope of its on-site examinations, depend on such bank's risk rating category. Such risk rating also forms the basis for the CBRC's evaluation of a bank's applications for new business licenses and the evaluation of its senior management. These risk ratings are currently not publicly available.

Ownership and Shareholder Restrictions

Regulations on Equity Investment in Banks

Any natural or legal person intending to acquire 5% or more of the total equity interest of a rural commercial bank is required to obtain prior approval by the provincial offices of CBRC. If any existing shareholder of a commercial bank increases its shareholding in excess of the 5% threshold without obtaining the CBRC's prior approval, that shareholder will be subject to CBRC sanctions, which include, among others, rescission of the acquisition and disgorgement of profits by that shareholder, if any, and fines.

Under the Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions (境外金融機構投資入股中資金融機構管理辦法), certain foreign financial institutions may make equity investments in PRC domestic commercial banks, subject to the CBRC's approval. However, no single foreign financial institution may own 20% or more of the equity of such a bank. In addition, if foreign investment in the aggregate exceeds 25% of the total equity interest in a non-listed PRC domestic commercial bank, such bank will be regulated as a foreign- invested bank. A listed PRC domestic commercial bank is regulated as a PRC domestic bank even if foreign investment in the aggregate exceeds 25% of its total equity interest.

Restrictions on Shareholders

The Guidelines on Corporate Governance of Joint Stock Commercial Banks impose certain additional requirements on shareholders of PRC joint stock commercial banks. For example:

- in the event that a PRC commercial bank encounters liquidity problems, its shareholders are required to immediately repay outstanding loans due and repay in advance outstanding loans not yet due from the bank;

- if a PRC commercial bank fails to meet the required capital adequacy ratios, its shareholders are obligated to support measures determined by the bank's board of directors that are aimed at increasing the capital adequacy level; and

- if shareholders of a PRC commercial bank fail to repay outstanding loans when due, their voting rights will be restricted for the period during which the relevant loan is overdue.

In addition, the Company Law and relevant CBRC rules and regulations impose certain restrictions on the ability of a commercial bank's shareholders to pledge their shares. For example, a Other National Commercial Bank may not accept its own shares as collateral. According to the Guidelines on Corporate Governance of Joint Stock Commercial Banks, (i) any shareholder of a joint stock commercial bank must give prior notice to the board of directors of the bank if it wishes to pledge its shares as collateral, and (ii) if the outstanding amount of the bank's loans to a shareholder exceeds the audited value of such shareholder's equity in the bank for the immediately preceding year, and such shareholder does not pledge any government bonds or bank deposit certificates as collateral, the shareholder may not pledge its shares.

Anti-money Laundering Regulation

The PRC Anti-money Laundering Law (中華人民共和國反洗錢法), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including participating in the formulation of the rules and regulations regarding anti-money laundering activities of the financial institutions which they regulate and requiring financial institutions to establish sound internal control systems regarding anti-money laundering. To facilitate the implementation of the PRC Anti-money Laundering Law, the PBOC promulgated the Anti-money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) which became effective on January 1, 2007. According to those regulations, PRC commercial banks are required to establish an internal anti-money laundering procedure and either establish an independent anti-money laundering department or designate a relevant department to implement their anti-money laundering procedures. PRC commercial banks are required to establish a customer identification system in accordance with the Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) promulgated jointly by the PBOC, CBRC, CSRC and CIRC which became effective on August 1, 2007. PRC commercial banks are also required to record the identities of all customers and the information relating to each transaction, and keep retail transaction documents and books. In accordance with the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions (金融機構大額交易和可疑交易報告管理辦法) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any suspicious transactions or transactions involving large amounts, PRC commercial banks are required to report the transactions to the PBOC or the SAFE, as applicable. Where necessary and pursuant to appropriate judicial proceedings, PRC commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. The PBOC supervises and conducts on-site examinations of PRC commercial banks' compliance with its anti-money laundering regulations, and may impose penalties for any violations thereof in accordance with the PRC Anti-money Laundering Law.

REGULATION OF FOREIGN-INVESTED BANKS IN THE PRC

Effective from December 11, 2006, the PRC government has lifted the restrictions regarding the geographic presence, customer base and operational license for RMB-denominated businesses carried out by foreign-invested banks. Pursuant to the relevant provisions of the Regulations on the Administration of Foreign-invested Banks (外資銀行管理條例) promulgated by the State Council and the related implementation rules, foreign-invested banks may extend their RMB-denominated businesses to PRC citizens and there shall be no restriction on the geographic presence of foreign-invested banks operating in the PRC in respect of RMB-denominated businesses. The branches of foreign banks in the PRC are only allowed to take RMB-denominated deposits from PRC citizens with each transaction of no less than RMB1 million. The PRC government allows foreign banks to submit applications for the establishment of wholly foreign-owned banks and Sino-foreign joint venture banks, as well as the establishment of their branches and representative offices in the PRC subject to the satisfaction of statutory conditions. Upon their establishment, any such institutions may conduct financial business in accordance with applicable laws and regulations and subject to the CBRC's supervision and inspection in accordance with the law.

Other Requirements

Use of Funds

Under the PRC Commercial Banking Law, commercial banks are not permitted to engage in trust investment or securities investment business, or invest in real property other than for their own use, or invest in non-banking financial institutions and enterprises, unless otherwise approved by the relevant government authorities. The use of funds by commercial banks is limited to the following:

- short-term, medium-term and long-term loans;
- discounts on negotiable instruments;
- inter-bank loans;
- trading of government bonds;
- trading of bonds from financial institutions;
- investment in banking institutions; and
- other uses as may be approved by the relevant government authorities.

Periodic reporting requirements

According to The Notice of China Banking Regulatory Commission on the Official Operation of Off-site Regulatory Information System in 2007 (《關於非現場監管信息系統2007年正式運行的通知》) issued by CBRC, rural commercial banks are required to regularly submit to the banking regulatory authorities relevant statements, including basic financial information, credit risk, liquidity risk, capital adequacy ratio and others pursuant to the requirements therein. In the statements submitted, the statistical statement of balance sheet items, the checklist of liquidity ratio and so on should be submitted monthly; the table of financial derivative business, the income statement and so on, quarterly; the table of interest rate repricing, semi-annually; the statement of profit distribution and the table of credit quality migration and so on, annually.

Although the Bank will continue to submit such periodic reports to relevant regulatory bodies, given the fact that (i) the financial information contained in such reports will not be shared with the public, and (ii) such financial information would be unaudited, the Bank does not plan to disclose the information contained in the reports by way of announcement after the Global Offering.

Certain pre-conditions and requirements to set up branches or establish township banks in other provinces and to establish financial leasing company in Chongqing

According to the provisions of the Implementation of Administrative Licensing Matters Concerning Rural Small and Medium Financial Institutions (農村中小金融機構行政許可事項實施辦法), rural commercial banks which establish branches in counties (or cities) outside the administrative areas of its place of incorporation shall comply with the following conditions:

— Good corporate governance, healthy and effective internal control system, no occurrence of material breach of laws or regulations in the latest year;

— Attain regulatory ranking of above Grade 2 level;

— Capable of making payments for operating capital and the amount of operating capital payment shall not be less than RMB1 million, the amount of payments for operating capital for all branches shall not exceed 60% of the total capital of the rural commercial bank;

— Quality assets and the ratio of non-performing loans is less than 5%;

— Capital adequacy ratio is not less than 8%, core capital adequacy ratio is not less than 4%;

— Availability of senior management officers with competent qualifications and qualified staff who are familiar with the banking business;

— Availability of qualified business premises, safety and precautionary measures and other facilities relating to business operations;

— Total assets must not be less than RMB5 billion;

— Registered capital must not be less than RMB500 million;

— Sufficient provisions for doubtful debts have been charged in accordance with regulations;

— Profitable for the latest three consecutive financial years, assets to profit ratio (or return on assets) must not be less than 0.6%, equity to profit ratio (or return on equity) must not be less than 11%; and

— Other prudent conditions required by CBRC.

According to the provisions of the Implementation of Administrative Licensing Matters Concerning Rural Small and Medium Financial Institutions (農村中小金融機構行政許可事項實施辦法), the establishment of village and township banks shall comply with the following conditions:

— Memorandum and Articles of Association are in compliance with the provisions of the Company Law of the PRC, the Commercial Banking Law of the PRC and the regulations of CBRC;

— Promoter or contributor of capital shall comply with stipulated conditions and there is at least one financial institution in the banking industry among the promoters or contributors of capital;

— Registered capital must be paid-up capital, for establishments in county (or city), the minimum limit is RMB3 million; for establishments in villages (or townships), the minimum limit is RMB1 million;

— Availability of directors and senior management officers with competent qualifications and qualified staff who are familiar with the banking business;

— Established with the necessary organizational structure and management systems;

— Availability of qualified business premises, safety and precautionary measures and other facilities relating to business operations; and

— Other prudent conditions required by CBRC.

According to the provisions of the Implementation of Administrative Licensing Matters Concerning Non-Bank Financial Institutions (非銀行金融機構行政許可事項實施辦法), the establishment of finance lease companies shall comply with the following conditions:

— Memorandum and Articles of Association are in compliance with the provisions of the Company Law of the PRC and the regulations of CBRC;

— Contributor(s) of capital is(are) in compliance with the required conditions;

— Registered capital is paid-up in cash in one lump sum, the minimum limit is RMB100 million or its equivalent in freely convertible currencies;

— Availability of directors and senior management officers with competent qualifications and qualified staff who are familiar with the banking business;

— Established with comprehensive systems of corporate governance, internal control, business operations and risk management, etc.;

— Availability of business premises, safety and precautionary measures and other facilities compatible with business operations; and

— Other prudent conditions required by CBRC.

PRC legal opinion

As advised by Junhe Law Offices, our PRC legal advisor, the Bank has obtained all relevant permits and licenses for its operations and fully complies with all the relevant regulatory requirements and guidelines. Further, our PRC legal advisor is of the view that none of its current legal non-compliances will result in administrative penalties. For details of our legal non-compliances, please refer to the section headed "Business - Legal Proceedings and Compliance" of this prospectus.

On-going compliance

To avoid legal or regulatory sanctions, financial loss or reputational damage resulting from failure to comply with applicable laws, regulations, rules or other regulatory requirements, we have adopted a series of measures to ensure ongoing legal compliance. Our Board of Directors devises our compliance system and the related policies and has ultimate responsibility for compliance matters of our Bank's business operation. Our Board of Supervisors is responsible for supervising our compliance condition. The senior management is responsible for implementation and execution of the compliance policies. Our Compliance Department supervises the implementation of compliance risk management policies, oversees compliance matters and carries out the function independently. Under our Articles of Association, the head of our Compliance Department is a member of the senior management. Each operational department at our headquarters and at each branch and local branch outlet has at least one compliance position. The key measures include using standardized contracts, conducting regular inspection on legal matters, having legal consultation from time to time internally or with assistance from external counsel, and conducting bank-wide compliance training to promote a culture of compliance, including conducting specific training for new staff and units, skills training for professional teams and general bank-wide training. In adopting these measures, the Bank is confident that it will continue to be in compliance with the relevant regulatory requirements or any new regulatory regime that might become applicable to the Bank, after the Global Offering. In addition, the Bank and its Directors are of the view that, in view of the Bank's current development strategy and expansion plan, the Bank does not have existing timetable to expand its operation to any country or region outside the PRC, thus the Bank is not, and would not likely be subject to Basel II Accords in foreseeable future. The Bank will adopt appropriate measures to ensure its compliance with Basel II Accords should its directors foresee any plans in connection with operations outside the PRC.

OUR HISTORY

We have nearly 60 years of operational history, formerly the Chongqing Rural Credit Cooperative (重慶市農村信用合作社). The Chongqing Rural Credit Cooperative consisted of various rural credit cooperatives at village and township level, rural credit cooperative unions at county level and rural credit cooperative unions at municipality level established at different times. Of these cooperatives and unions, the first rural credit cooperative in Chongqing at village and township level, Bi Shan County Shi Zi Village Rural Credit Cooperative (璧山縣獅子鄉信用社), was established in September 1951. In July 1984, the first rural credit cooperative union at county level in Chongqing, Fu Ling Rural Credit Cooperative Union (涪陵市信用合作社聯合社) was established. In August 1999, Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) was established and approved by the Chongqing Municipal Government to assume the responsibility of managing all rural credit cooperatives and rural credit cooperative unions in Chongqing. The State Council reassigned rural credit cooperatives under the administration of Agricultural Bank of China in 1979. In 1996, the Chongqing Rural Credit Cooperative became independent of Agricultural Bank of China.

In 2003, as one of the test grounds for the nationwide rural credit cooperatives reform, the rural credit cooperatives and rural credit cooperative unions in Chongqing underwent a reform pursuant to which the various rural cooperatives and unions at village and township level and at county level were consolidated into 39 newly established legal entities at county level, the 39 Rural Credit Unions. Chongqing Rural Credit Cooperative Union was renamed to Chongqing Rural Credit Union (重慶市農市農村信用社聯合社). In October 2005, one of the 39 Rural Credit Unions, Wulong County Rural Credit Cooperative Union, completed its restructuring and became Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行).

In October 2007, Chongqing Rural Credit Union (重慶市農村信用社聯合社, the "CRCU"), 38 rural credit cooperative unions at county level and Chongqing Wulong Rural Cooperative Bank commenced preparation of establishment of Chongqing Rural Commercial Bank Co., Ltd., a joint stock limited company, pursuant to Chongqing Municipal Government's approval.

In June 2008, we obtained the approval from CBRC and obtained a business license from the Chongqing Administration for Industry and Commerce to register and commence operation as a joint stock limited company. We began to conduct commercial banking business in the PRC. At the time of our incorporation, we had registered capital of RMB6 billion.

OUR FINANCIAL RESTRUCTURING

Since 2004, we have undergone a series of financial restructuring, including: (i) writing off and disposing of non-performing assets since 2004; (ii) government grants by the Chongqing Municipal Government; (iii) capital injection by the promoters; (iv) issuance of subordinated bonds; (v) increase in registered capital.

Disposal and Write-off of Non-performing Assets

The PBOC Special Notes

As part of the PRC government's plan to promote reform of rural credit cooperatives, the PBOC issued special notes to rural credit cooperatives in China in exchange for the non-performing assets of rural credit cooperatives pursuant to the Notice Regarding Pilot Program for Deepening Rural Credit Cooperatives Reform《關於印發深化農村信用社改革試點方案的通知》promulgated by the State Council in 2003. As a testing ground for national rural credit cooperative reforms at that time, we were able to benefit from this program.

In 2004, the PBOC issued to our Bank a special two-year non-transferrable notes in an aggregate principal amount of approximately RMB2,419 million with interest rate of 1.89% per annum in exchange for our non-performing loans of RMB2,291 million at their book value, before allowance for impairment losses. The remaining RMB128 million of the notes was used by us to settle our retained loss.

Under the arrangement between the PBOC and us, the PBOC entrusted certain of our credit cooperative members with full power to manage and collect the non-performing assets, and we were entitled to the cash collected on such assets if we satisfied certain specified conditions, such as achieving the required capital adequacy ratio and NPL ratio and maintaining a sound internal control system. We consider that we were entrusted with the collection because we had the network and resources to carry out such collection and we were more familiar with the condition of the non-performing loans and the customers. The term of the notes was renewable for another two years if we failed to satisfy the conditions. We failed to satisfy the conditions on some of the notes when the notes first matured in 2006. However, we have thereafter satisfied these conditions and received payment of principal and interest in full under the special PBOC notes by 2009. From 2004 to 2009, we collected RMB54.7 million, RMB35.7 million, RMB65.3 million, RMB50.6 million, RMB31.0 million and RMB137.5 million, in each of the respective years on the non-performing loans. We applied the funds recovered from the written-off non-performing loans to reverse our allowance for impairment losses for loans. With respect to the funds recovered from other written-off non-performing assets, if any, they were accounted for as other income in the relevant years.

Chongqing Municipal Government Special Loan Arrangement

In June 2007, the PBOC granted special loan in the principal amount of RMB743 million to Chongqing Municipal Government to compensate the Three Gorges Dam Rural Credit Cooperative Unions located in the Three Gorges Dam area (the "**Relevant Credit Cooperatives**") which suffered loss due to the relocation of local residents as a result of the flooding in that area. The term of the special loan is 13 years and the interest rate is 2.25% per annum. The Chongqing Municipal Government transferred the special loan to Chongqing Yufu Assets Management Company Limited. In connection with this special loan, Chongqing Yufu Assets Management Company Limited entered into an asset purchase agreement with Three Gorges Dam Rural Credit Cooperative Unions on June 15, 2007 to purchase their non-performing assets (65.7% of which were non-performing loans) at their book value, before allowance for impairment losses), for RMB743 million cash. However, the purchase of the non-performing assets of RMB 743 million by Chongqing Yufu Assets Management

Company Limited pursuant to the asset purchase agreement on June 15, 2007 did not satisfy the financial assets derecognition criteria set out in IAS 39 because the Relevant Credit Cooperatives did not substantially transfer all the risks and rewards of ownership in the non-performing assets as a result of various subsequent arrangements. Therefore, these non-performing assets remained on the balance sheet of the Relevant Credit Cooperatives (and subsequently the Bank's) until 2009 when such risks and rewards were transferred pursuant to a series of arrangements described below.

Subsequently on June 26, 2007, such non-performing assets were injected into a trust managed by Chongqing ITIC (重慶國際信托投資公司) pursuant to a trust agreement. According to the arrangement, Chongqing Yufu Assets Management Company Limited entered into a trust agreement with Chongqing ITIC pursuant to which a trust was established for the benefit of Chongqing Yufu Assets Management Company Limited, and Chongqing ITIC was appointed as the trustee. The trust consists of, among others, the non-performing assets Chongqing Yufu Assets Management Company Limited acquired from the Relevant Credit Cooperatives in the amount of RMB743 million. The term of the trust agreement is 13 years from June 26, 2007 to June 25, 2020. At the same time, pursuant to a trust interest transfer agreement, the Relevant Credit Cooperatives purchased from Chongqing Yufu Assets Management Company Limited its priority beneficial interest in the relevant trust assets (which include the injected non-performing assets) for a cash consideration of RMB743 million.

To protect our priority beneficial interest in the trust assets, at the same date of the aforesaid injection, each of the Relevant Credit Cooperatives entered into an asset management agreement with Chongqing ITIC, pursuant to which each of the Relevant Credit Cooperatives was authorized to manage, collect or otherwise dispose of the RMB743 million trust assets. The reason for the entrustment arrangement is also because of our network, resources as well as our familiarity with the non-performing loans and the customers. Hence, the Relevant Credit Cooperatives continued to retain substantial risks and rewards of the non-performing assets through their beneficial interests in the trust. After the business of our predecessor was transferred to our Bank in June 2008 upon our incorporation, the above arrangements were also transferred to our Bank. We undertook to collect at least RMB431 million during the five years from 2007 to 2011 and make up any shortfall under the asset management agreement. By December 31, 2009, we had recovered a total of RMB417.5 million. As we had almost met the requirement of collecting RMB431 million and we believed that the recoverability of the remaining RMB325.5 million of these RMB743 million of trust assets was very low, we added RMB13.3 million from our other assets to the collected amounts and paid this RMB431 million to Chongqing ITIC pursuant to the asset management agreement. Chongqing ITIC then distributed these amounts to us under the trust agreement and we used this RMB431 million to write down the book value of the relevant loans. With respect to the remaining RMB325.5 million non-performing assets, we provided an allowance for doubtful debits in full for such assets. These assets were finally written-off as at December 31, 2009 due to their remote recoverability. We have no outstanding obligations under this agreement after such write-off.

To ensure we obtained the benefit of the PBOC special loan, Chongqing Yufu Assets Management Company Limited undertook to pay, during the term of the trust agreement, to the trustee a minimum of an aggregate of RMB339.3 million in cash, representing the interest difference between the 2.25% interest rate on the PBOC special loan and the then prevailing benchmark rate for loans with five-year or longer term, which was 7.2% on June 26, 2007, adjusted annually to reflect the new rate on June 26 of each year during the term of the agreement. The interest, after deduction of the trustee fees (such trustee fees amount to RMB2,229,000 for the first year, RMB1,145,900 per year for the second to the fifth year, and RMB402,900 per year for the sixth to the last year of the 13 year period) are payable every year in accordance with a specified schedule. As a result of the trust interest transfer agreement, Chongqing ITIC was obligated to distribute the annual payment it received from Chongqing Yufu Assets Management Company Limited to us. During the three years ended December 31, 2009, we received a total of RMB82.7 million with the remaining RMB257 million payable by Chongqing Yufu Assets Management Company Limited in installment annually until 2020.

Grant by the Chongqing Municipal Government

In November 2007, as part of Chongqing Municipal Government's initiatives to further reform rural cooperatives, we received RMB1.0 billion from Chongqing Yufu Assets Management Company Limited as government grant in exchange for our non-performing assets categorised at their book value, before allowance for impairment losses.

Under the arrangement with Chongqing Municipal Government, we were entrusted with the right to manage and collect the non-performing assets for the benefit of Chongqing Yufu Assets Management Company Limited and any amounts we recover will be accounted for as other payable because we were not entitled to these amount under the arrangement. The reason for the entrustment arrangement is also because of our network, resources as well as our familiarity with the non-performing loans and the customers. However, due to the remote recoverability of these assets, we have not been able to collect any meaningful amount on such assets.

Capital Injection by the Promoters

In connection with our restructuring into a joint stock limited company, the subscription price for the newly issued shares of the joint stock limited company was fixed at RMB1.60 per share in 2007, of which RMB0.60 per share represented a premium on capital to be used to write off our non-performing assets. The new promoter shareholders subscribed and paid for the new shares at RMB1.60 per Share in 2007. The then existing shareholders (other than the employee shareholders and the individual shareholders who could not be located at that time) paid the premium of such additional RMB0.60 per share when subscribing for the new shares, while the employee shareholders and the individual shareholders who could not be located exchanged their old shares for new shares in the ratio of 1.6:1, resulting in a dilution of their shareholding accordingly. As a result, we received a total of RMB3.6 billion in 2007 as additional capital to write off non-performing loans of RMB3,415 million in 2007 and non-performing assets of RMB185 million in the subsequent periods, in each case at their book value, before allowance for impairment losses.

Under the promoters' agreement of the joint stock limited company, we are entrusted by the Promoters to collect and dispose of the non-performing assets and other non-performing non-credit assets that were written-off and are entitled to the amount collected. The reason for the entrustment arrangement is also because of our network, resources as well as our familiarity with the non-performing loans and the customers. For the three years ended December 31, 2009, we have collected RMB45 million in 2007, RMB260 million in 2008 and RMB313 million in 2009, or a total of RMB618 million funds and applied such funds in full to allowance for impairment losses.

Issuance of Subordinated Bonds

On December 29, 2009, we issued 10-year subordinated bonds with an aggregate principal amount of RMB2.3 billion in accordance with approvals issued by the PBOC and the CBRC. These subordinated bonds were offered to members of the interbank bonds market including insurance companies and traded on the interbank bonds market. In accordance with the terms of the subordinated bonds, we have the right to buy back the subordinated bonds at the end of the fifth year. Pursuant to the applicable laws and regulations and approvals from the relevant authorities, proceeds from these subordinated bonds are considered supplementary capital for the strengthening of our capital base and enhancement of our capital adequacy.

Increase in Registered Capital

Pursuant to the approval issued by CBRC Chongqing Bureau, in March 2010 our registered capital increased by RMB1 billion to a total of RMB 7 billion at RMB1.91 per Share contributed by three of the existing state-owned shareholders. The increase in our registered capital was contributed as to RMB629 million by Chongqing City Construction Investment Company, RMB271 million by Chongqing Transport and Travel Investment Group Limited Company and RMB100 million by Chongqing Yufu Assets Management Company Limited ("**Capital Injection**"), all of which are state-owned shareholders. As a result of the Capital Injection, City Investment Chongqing City Construction Investment Company, Chongqing Transport and Travel Investment Group Limited Company and Chongqing Yufu Assets Management Company Limited hold RMB669 million representing 9.56%, RMB471 million representing 6.73% and RMB700 million representing 10.00%, respectively in our outstanding shares immediately prior to the Global Offering. Proceeds from the Capital Injection are used to strengthen our capital base and support the growth of our business.

OUR SHAREHOLDING AND GROUP STRUCTURE

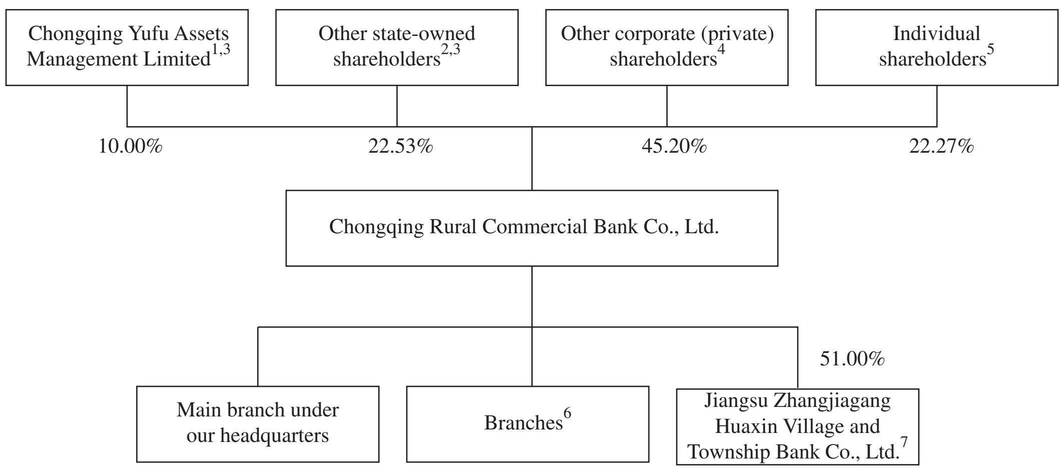
Immediately prior to the Global Offering and as of the Latest Practicable Date, we had 176 corporate shareholders and 80,855 individual shareholders who in aggregate held 77.73% and 22.27% respectively of our outstanding shares. Amongst our 176 corporate shareholders, 13 of them were state-owned shareholders, who in aggregate held 32.53% of our outstanding shares immediately prior to the Global Offering. Chongqing Yufu Assets Management Company Limited, an entity owned by the Chongqing government, is one of the state-owned shareholders and our single largest shareholder, who holds 10.00% of our outstanding shares immediately prior to the Global Offering. The remaining 175 corporate shareholders in aggregate held 67.73% of our outstanding shares.

Among the 80,855 individual shareholders, 9,706 are employee shareholders, 71,149 are other individual shareholders (including non-employee shareholders and shareholders whom we were unable to contact) who in aggregate held 2.14% and 20.13% respectively of our outstanding shares immediately prior to the Global Offering. As at the Last Practicable Date, there were 2,090 individual shareholders, whom we were unable to contact, in aggregate held less than 0.02% of our outstanding shares. None of the individual shareholders holds more than 0.15% of our outstanding shares as of the Latest Practicable Date.

Pursuant to the Company Law promulgated on October 27, 2005 which came into force on January 1, 2006, the maximum number of promoters a joint stock limited company may have is 200. The number of our Promoters exceeds the limit prescribed under the relevant legislation. Nevertheless our establishment complies with the Working Guidelines of Approvals for the Establishment of Rural Commercial Banks and Rural Cooperative Banks《農村商業銀行, 農村合作銀行組建審批工作指引》 in relation to establishment requirements of rural commercial banks. In addition, we have received approval from CBRC and duly completed industrial and commercial registration for the establishment of our Bank.

Prior to the Global Offering

The following chart sets out our shareholding and group structure, to the best knowledge of the Directors, prior to the Global Offering:



1 Chongqing Yufu Assets Management Limited, an entity owned by the Chongqing Municipal Government, is one of our 13 state-owned shareholders and the single largest shareholder, who holds 10.00% of our outstanding shares.

2 The other 12 state-owned shareholders in aggregate hold 22.53% of our outstanding shares. They have been our shareholders since establishment of the Bank. The shareholding percentages of these shareholders in our Bank range from 0.01% to 9.56%.

3 Chongqing Yufu Assets Management Company Limited together with the other 12 state-owned shareholders in aggregate hold 32.53% of our outstanding shares.

4 The 163 corporate (private) shareholders are engaged in, among other tings, manufacturing, real estate, infrastructure and investment businesses, whose shareholding percentages in our Bank range from 0.0001% to 8.14%.

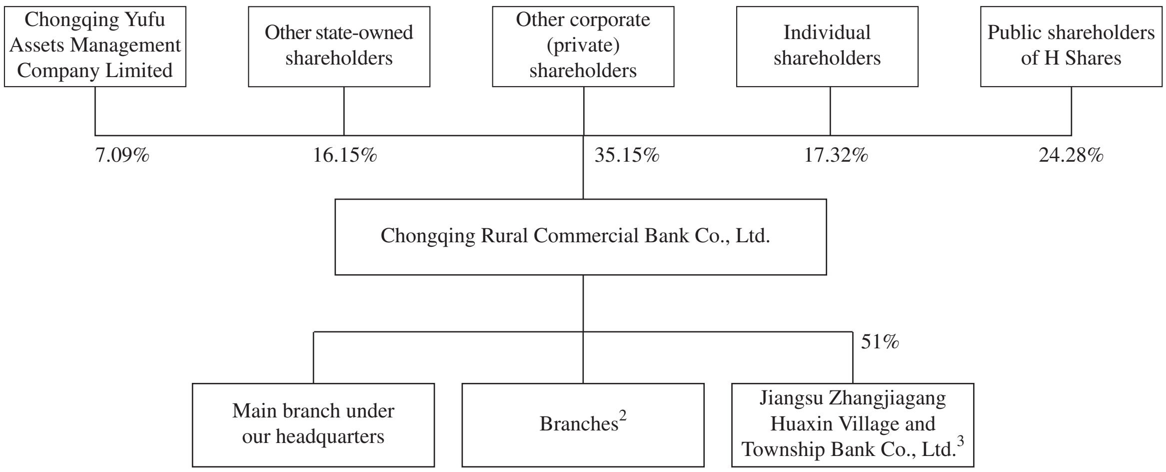
5 Among the 80,855 individual shareholders, 9,706 are employee shareholders, 71,149 are other individual shareholders. In addition, 2,090 are individual shareholders whom we are unable to contact as of the Latest Practicable Date.

6 As of June 30, 2010, we have 42 branches, all of which are non-legal entities.

7 Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. established in April 2010 is our 51% held subsidiary and a separate legal entity.

Immediately Following Completion of the Global Offering

The following chart sets out our shareholding structure, to the best knowledge of our Directors, immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of the shareholders listed below subsequent to the Latest Practicable Date[1]:



1 For information regarding our equity and share capital immediately following completion of the Global Offering before or after exercising the Over-allotment Option, please refer to the section headed "Share Capital" in this prospectus.

2 As of June 30, 2010, we have 42 branches, all of which are non-legal entities.

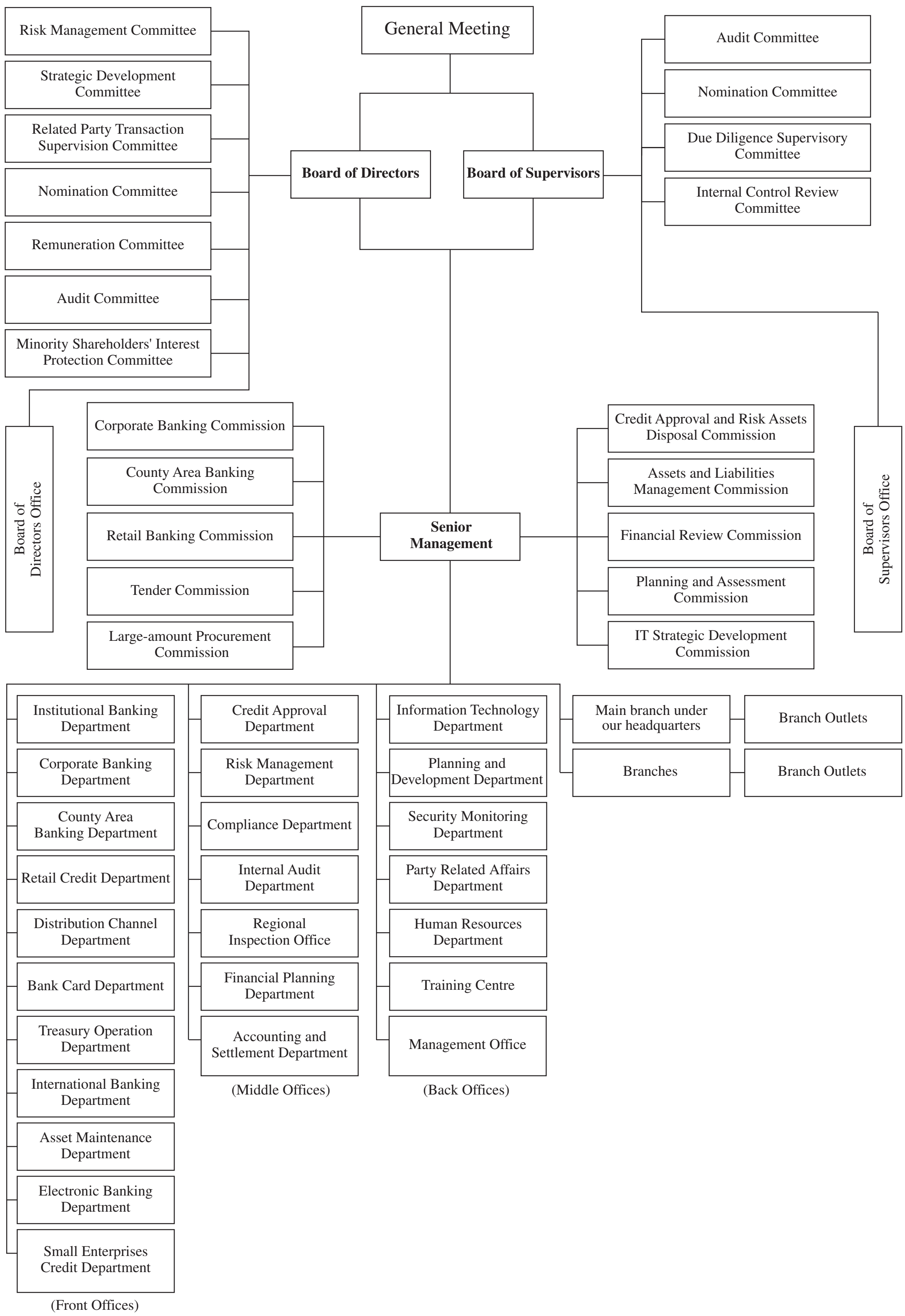
3 Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd, established in April, 2010 is our 51% held subsidiary and a separate legal entity. Five corporate shareholders and one individual shareholder, namely, Panhua Group Co.,Ltd. (攀華集團有限公司) (10% of the total shareholding), Zhangjiagang Free Trade Zone Jianglian International Trading Co., Ltd. (張家港保稅區江聯國際貿易有限公司) (10% of the total shareholding), Zhangjiagang Baoliwei Metal Materials Co., Ltd. (張家港市寶利威金屬材料有限公司) (10% of the total shareholding), Chongqing Welluck Trading Co., Ltd. (重慶華力克貿易有限公司) (9% of the total shareholding), Jiangsu Huaerda International Trading Co., Ltd. (江蘇華爾達國際貿易有限公司) (5% of the total shareholding), and Mr. Duolun Feng (馮多倫) (5% of the total shareholding), collectively hold the remaining 49% shareholding. Apart from Panhua Group Co., Ltd., which holds 1.43% shareholding of our Bank, all other shareholders are independent third parties.

OUR ORGANIZATION STRUCTURE AND OPERATIONAL REFORM

Since our incorporation as a commercial bank in June 2008, we have formulated clear corporate missions and long-term development strategies and devoted tremendous efforts in corporate restructuring, operational procedures, drived business transformation and optimized management structure. In order to continue our business development, promote sustainable growth and consolidate our internal resources, our current primary focus is to enhance our corporate governance, streamline operational procedures, upgrade IT platform and accumulate a pool of talents.

The following chart sets forth our current principal organizational and management structure as at the Latest Practicable Date:

Organization Chart



Corporate Governance

We have been developing and reforming our organizational structure to promote functional specialization and centralization of management since the establishment of the Bank in June 2008. We believe such reform will streamline our operations, eliminate functional overlaps between our departments and those functions in the branches, enhance our overall risk management capability and satisfy our growth business needs. At the Board level, Risk Management Committee, Strategic Development Committee, Related Party Transaction Supervision Committee, Nomination Committee, Remuneration Committee, Audit Committee, Minority Shareholders' Interest Protection Committee; and at the Board of Supervisors level, Due Diligence Supervisory Committee, Internal Control Review Committee, Nomination Committee and Audit Committee have been established to fortify our internal control and corporate governance.

We recognize the importance of internal control and risk management to our overall operation. We seek to improve our internal control and risk management through the implementation of unified and standardized policies and procedures across all business activities and branch network. We have compiled standardized internal operation manuals for our departments which set out in detail the respective scope, internal procedures and guidelines for the relevant business functions. These internal operation manuals are accessible via our intranet, which is an important channel to monitor and identify potential risk management and internal control issues and progress of any rectification measures to identify operational risks in relation to loan management, teller management and security management for us. We have also an inspection committee in place under the Internal Audit Department which carries out ad hoc inspection at our branch networks. To ensure our internal control and risk management measures are effectively enforced across our organization, we have rolled out a stringent accountability system for any incidents of non-compliance.

In 2007, before we were incorporated into a joint stock limited company, our business was carried out by CRCCU, our predecessor bank, and the 38 rural credit cooperative unions and Wu Long rural cooperative bank comprising our predecessor Bank at the time. Each of the credit cooperative unions and cooperative bank was separately regulated by regulatory authorities and the regulators examined the capital adequacy ratio and the core capital adequacy ratio of each of the credit cooperative unions and cooperative bank individually. Therefore, we believe it is not meaningful to disclose the capital adequacy ratio and the core capital adequacy ratio for 2007 on a consolidated basis. Before the incorporation of our Bank, 5 out of the 39 Rural Credit Unions had complied with both capital adequacy ratio and core capital adequacy ratio requirements, 22 met the core capital adequacy ratio requirement, while 12 failed to meet the requirements of both indicators. This was primarily because before the Restructuring, the 39 Rural Credit Unions had limited risk control, low level of capital management, imperfect capital control and capital replenishment mechanism as well as inadequate risks resistant capacity under the original mechanism. After the incorporation of our Bank, our corporate governance had improved, and we had been able to maintain capital adequacy ratio and core capital adequacy ratio at a level higher than regulatory standards. As of June 30, 2010, we have not been subject to any regulatory sanctions as a result of such non-compliance.

Operational Reform

Various commissions have been established directly under our senior management, we believe these commissions are strategically important for our business development. Since our establishment, we have been continuously carrying out operational reforms, which we intensified in February 2010 (the "**Operational Reform**"), at the operational level, a commission was created for each of our core business segments, namely corporate, retail and County Area business, to strengthen the management and strategic planning for these core business segments. As a result of the Operational Reform, we currently have ten commissions at operation level, which include Corporate Banking Commission, County Area Banking Commission, Retail Banking Commission, Tender Commission, Financial Review Commission, Large-amount Procurement Commission, Credit Approval and Risk Asset Disposal Commission, Assets and Liability Management Commission, Planning and Assessment Commission and IT Strategic Development Commission. These commissions enable us to take advantages of the knowledge and experience of our management and other resources more effectively and efficiently, to better facilitate the implementation of our management strategy.

At the department level, the Operational Reform restructured the business department set-up under our senior management to enhance functional specialization. From the original horizontal structure with various individual departments, the Operational Reform segregated the departments into three categories according to their respective functions namely, the front office, the middle office and the back office. The front office includes our business departments, the middle office includes departments which carry out compliance and audit functions, the back office includes information technology and administration departments. The departments under each category are required to report to both the senior management and the relevant commissions. The functional segregation enables us to customize our strategies for the different business segments. It also enhances the effectiveness of our implementation of strategies and policies and enables us to monitor the implementation progress and end results more efficiently.

For our core business segments, we have re-aligned the scope and function of these business segments, in particular the corporate banking, retail banking and County Area banking. For each of these core segments, we have formulated specialized marketing and relationship management strategies. Special loan centers are established for each of the core segments, namely, the Small Enterprise Loan Centers under corporate banking, retail loan centers under our retail banking and the County Area household loan centers under County Area banking. These loan centers are equipped with customarily trained relationship managers for the specific segments. We believe through re-aligning of our core business segments, we will be able to more accurately identify business opportunities and enhance our service offerings to our customers.

IT Reform

The rapid development of IT technology is an important means of the Bank to improve financial innovation and strengthen the core competitiveness. We commenced rolling out our integrated business system in 2002. The integrated business system is a bank-wide integrated information system with a centralized database, which consolidates the processing of the majority of our customer transactions and generates our general ledger. The system has been implemented in all of our outlets to centralize our network, support accounting treatment and payment and settlement service. This system equips us with a comprehensive access to our customer and transaction database across all branches on a real-time basis, and therefore assists us in reducing operational risk, enhancing operation efficiency, and improving our decision-making process.

Since incorporation in June 2008, the Bank began to invest greater efforts in building the in-house information system and further expanding the basic functions of the existing system which includes expanding key customer account information, expanding channels of information, improving the functional support on Group customer accounts, and actively building a new generation of self-service platform for achieving 24-hour service to support various emerging electronic channels of access including the credit card system, telephone banking and online banking. The Bank has also established various information systems for financial management, human resources management, international business, credit management and customer relationship management purposes, to provide cutting edge technical support for the development of the Bank.

Development of Human Resources

We continue to reform human resources management system through a comprehensive reform plan. To achieve this, we introduced the reform on employee compensation scheme in 2009 and invested substantive amount of resources in staff training. We have established a market standard incentive system. Our staff remuneration packages are composed of four elements, namely basic salary, performance salary, bonus and other benefits. Our basic salary and benefits are awarded on a fair and equality basis, whereas our performance salary and bonus are awarded based on individual performance and operation result of their respective departments. We have also established an annual recruitment plan for hiring fresh university graduates and encourage early voluntary retirement of less skilled or less qualified employees.

We have also re-engineered our staff training system and established a three-year staff training plan and annual training targets. We work closely with tertiary education institutions and external training centers to provide training for our employees. We also organize cross departmental and inter-branch internal training. In conjunction with our onsite internal training programs and external seminars, we have developed an on-line training module to provide comprehensive and regular training to our employees. With our market standard incentive scheme and comprehensive training system, we are able to motivate our employees, improve the knowledge and skills of our employees and attract talents.

OVERVIEW

According to statistics provided by CBRC Chongqing Bureau, we are the largest bank in terms of total assets and total deposits in Chongqing. As of June 30, 2010, we had RMB261.6 billion in total assets and RMB185.4 billion in total deposits. Our total deposits represent approximately 14.6% of total deposits of all banking institutions in Chongqing. As of June 30, 2010, we were the fourth largest bank in terms of total loans in Chongqing with RMB114.5 billion in total loans, representing approximately 11.6% of total loans of all banking institutions in Chongqing. For the six months ended June 30, 2010, we had RMB1.7 billion of net profit.

We were the first provincial level rural commercial bank[*(Note 1)*] established in Western China (in June, 2008) and the third provincial level rural commercial bank estabished in the PRC after those in Beijing and Shanghai in October 2005 and August 2005, respectively. Based on the data of the Bankers' Almanac as of September 2010, we are also the third largest rural commercial bank in the PRC, and the 21st largest bank in China in terms of total assets [*(Note 2)*]. Our predecessors were the rural credit cooperatives in Chongqing. With nearly 60 years' operating history in Chongqing, we underwent a series of corporate reorganizations to become a joint stock limited company and a commercial bank in June 2008.

We are headquartered in Chongqing, the largest municipality in China by size and population and the only municipality in Western China. As one of the four municipalities directly supervised by the PRC central government, Chongqing has been established as the key area for the Go West Policy (西部大開發) since 2000 and the pilot area for China's Coordinated Urban Rural Development Comprehensive Reform (城鄉統籌改革). Chongqing's development was also escalated to be one of China's national development strategies in 2009. With a series of policies and initiatives at the central government and local levels to boost the development of Chongqing's industry, agriculture and infrastructure, Chongqing has been experiencing strong economic growth and rapid urbanization. From 2007 to 2009, Chongqing's GDP grew at a CAGR of 18.2%, which was higher than the CAGR of national GDP of 13.2% for the same period. Over the same time period, its urbanization rate increased by 6.3% to reach 51.6%, while the urbanization rate of Beijing, Tianjin and Shanghai increased only by 1.4%, 2.9% and decreased by 0.5% respectively. For details of the development strategies of Chongqing, see "Banking Industry in the PRC — *Economy of Chongqing*" in this

Notes:

1. *As advised by Junhe Law Offices, our PRC legal advisors, our Bank is classified as a provincial level rural commercial bank. Under current regulatory regime, there is no limitation for such a provincial level rural commercial bank to expand and establish township banks in other provinces.*

2. *According to the Bankers' Almanac, the ranking was based on the year-end total assets figures as shown in the balance sheets submitted by banks on a voluntary basis. While we have submitted our total assets figure as at December 31, 2009, we understand that some other banks have not yet submitted their 2009 financial figures and thus some 2008 financial figures were used for the purpose of the ranking. Bankers' Almanac is a source of intelligent reference data for payments, compliance and risk assessment. Source: http://www.bankersalmanac.com/addcon/products/home.aspx.*

prospectus. Leveraging on its geo-economic advantage, Chongqing Municipal Government, with the support of the PRC central government, has been developing Chongqing as the economic and financial center of the upper reaches of Yangtze River and the Western China, paving the way for Chongqing's long term growth.

As a leading bank in Chongqing, we have benefited from Chongqing's strong economic growth. From December 31, 2007 to December 31, 2009, our total loans and total deposits grew rapidly at a CAGR of 16.2% and 26.3% respectively.

According to statistics provided by PBOC Chongqing Operations Office, as of June 30, 2010, we had the largest market share in each of County Areas deposits, County Areas loans and SME loans, accounting for 27.6%, 25.5% and 16.6% market share in Chongqing respectively. We have the most extensive distribution network in Chongqing covering a broad and diversified customer base. As of June 30, 2010, we had a distribution network of 1,763 outlets, comprising our headquarters, one main branch under the headquarters, 42 branches, 1,719 branch outlets and deposit taking outlets, and 672 ATMs. Our network of branches covers all the 40 administrative districts and counties in Chongqing. We have the largest distribution network in the County Areas with 1,457 distribution outlets covering 1,244 townships and villages in Chongqing. We have established the largest branch network in the Urban Areas with 306 outlets. Our customer base included approximately 62,000 corporate customers and 17.47 million retail customers as of June 30, 2010. On the above premises, we are regarded as a market leader in various banking service segments in Chongqing.

Expanding our operation to areas outside Chongqing is one of our key growth strategies. We established our first village and township bank, Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd., our 51% owned subsidiary, in Zhangjiagang, Jiangsu province (江蘇省張家港市) in April 2010. Two more village banks are expected to be established in areas outside Chongqing by the end of 2010. As of September 30, 2010, we have entered the final stage of construction work of these two township banks. A total of seven branches are planned to be established in Jiangsu, Zhejiang, Sichuan, Yunnan, Hubei, Hunan, and Guangdong provinces outside Chongqing by the end of 2012.

Despite our plan to continue expanding our business rapidly after our Global Offering, we are not planning to conduct A share listing in the near future.

With our long standing presence and extensive brand recognition amongst households, SMEs, large corporations and local governments in the County Areas and Urban Areas of Chongqing, we have cultivated a unique corporate culture of focusing on personalized banking services with local characteristics that distinguishes us from many other banks operating in Chongqing. In recent years, we have received a number of honors and awards for our outstanding performance and service excellence. For example:

— we were ranked No. 11 among the "Chongqing Top 100 Enterprises" (重慶市百強企業) and No. 5 among the "Chongqing Top 50 Service Enterprises" (重慶市服務企業50強) by Chongqing Enterprises Confederation (重慶市企業聯合會) and Chongqing Entrepreneur Association (重慶市企業家協會) in 2010;

— we were ranked No. 446 among the "Top 500 Enterprises of China" and No.135 among the "Top 500 Service Enterprises of China" by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家聯合會) in 2010;

— we were ranked No. 26 in the category of banks with total assets between USD 10 billion and USD 40 billion in Asia in the "Asian Bank Competitiveness Rankings of Year 2009" ("2009年亞洲銀行競爭力排名研究報告") by the 21st Century Business Herald;

— we were awarded the "Service Excellence Award for Chongqing Rural Worker Bank Card" ("重慶市農民工銀行卡特色服務獎") by the PBOC Chongqing Operations Office in 2009;

— we were awarded "The 2009 State-owned Enterprise Contribution Award" ("2009年度國企貢獻獎") by the Chongqing SASAC recognising our good products and quality services and strong performance; and

— we were named one of the "China (West) Top Ten Growth Enterprises" ("CCTV - 2008年新財富年會西部論壇中國(西部)十大成長企業") in the 2008 New Fortune Annual Conference of CCTV (China Central Television) (中國中央電視台2008年新財富年會).

OUR STRENGTHS

Our principal strengths include:

Uniquely positioned to benefit from the rapid development of Chongqing, the economic center in Western China

With our long operating history of nearly 60 years, our extensive distribution networks and established position as a market leader in Chongqing's various banking service segments, we enjoy a unique competitive advantage over other commercial banks. We have the largest market share in Chongqing's various banking service segments and enjoy a leading position in Chongqing's Urban Areas and County Areas. We benefit continuously and significantly from Chongqing's rapid economic development. Chongqing is the largest and the most populous municipality in China. With a population of over 32 million, it is also the only municipality in Western China among the four municipalities directly supervised by the PRC central government. As Chongqing is the testground for China's Coordinated Urban Rural Development Comprehensive Reform, the key area for the Go West Policy, the central government incorporated Chongqing's development into one of China's national development strategies in 2009. In February 2010, Chongqing was determined by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) as one of the five central cities of China. In June 2010, the central government approved the establishment of the Liangjiang New Zone (兩江新區) in Chongqing, the third sub-provincial development economic zone in China after those in Pudong New Zone of Shanghai and Binhai New Zone of Tianjin. Moreover, the central government has also established China's first inland free trade zone in Chongqing. From 2007 to 2009, Chongqing's GDP grew at a CAGR of 18.2%, which was higher than the CAGR of national GDP of 13.2% for the same period. Fixed asset investments in Chongqing grew at an even faster pace of 27.6% CAGR for the same period. The Chongqing Municipal Government plans to develop Chongqing as the economic and financial center in the upper reaches of Yangtze River and in Western China by 2020.

We believe that through our deep penetration in the Chongqing region, we are able to develop unique customer insight and hence capture the opportunities arising from Chongqing's strong economic growth. As of June 30, 2010, we were the largest bank in Chongqing with total assets of RMB261.6 billion and 1,763 outlets. Our loans and deposits totalled RMB114.5 billion and RMB185.4 billion, representing 11.6% and 14.6% market share of Chongqing respectively. From December 31, 2007 to December 31, 2009, our total assets, deposits and loans grew with a CAGR of 29.3%, 26.3%, and 16.2% respectively. Our fee- and commission-based intermediary operation, formally launched after the Restructuring, grew at a very fast pace at a CAGR of 50.2% from 2007 to 2009, generating net fee and commission income of RMB123.1 million for the six months ended June 30, 2010.

The most extensive distribution network in Chongqing with solid local connection

We are ranked No. 1 among the commercial banks in Chongqing in terms of the number of distribution outlets, and we have the most extensive distribution network covering the Urban Areas and the County Areas. As of June 30, 2010, we had a total of 1,763 outlets, comprising our headquarters, one main branch under the headquarters, 42 branches, 1,719 branch outlets and deposit taking outlets, and 672 ATMs, covering all the 40 districts and counties in Chongqing. Our total number of operating branches in Chongqing represents more than 35% of the total branches of commercial banks in Chongqing and is ranked No. 1 in both the County Areas with 1,457 outlets and in the Urban Areas with 306 outlets.

We have also set up a multi-channel electronic banking services system, which consists of ATMs, telephone banking, internet banking, POS devices and other electronic banking systems. We also have a 24-hour customer service center to provide customers with services including enquiries, payments, and value-added services, such as air ticket booking. Our bank cards are part of the China UnionPay settlement network, within which money withdrawal and card spending can be made in China, as well as overseas that are covered by the China UnionPay network. We have developed electronic banking as an important supplement and extension to our sales networks. In the second quarter of 2010, our bank card interbank POS spending and transactions via ATMs were ranked the fourth and the second respectively in Chongqing. We also have the largest service team in the banking industry in Chongqing with a total of 12,423 local employees as of June 30, 2010 and we continuously strive to improve the quality of our service. Through our distribution network and service team, we provide customers with convenient, high quality and comprehensive banking services.

We have established a close relationship with the local governments in Chongqing. With our leading position in the banking industry, we are able to secure banking businesses ahead of our competitors. Our Bank has reached strategic cooperation intents with 18 district and county governments in Chongqing, which gives us the competitive advantage to provide financial services in the regions. Pursuant to the strategic intents, the local district (county) governments intend to enter into various co-operation arrangements with our Bank such as to place financial deposits in the relevant local branches and branch outlets of our Bank based on our market share in loans extended to businesses in the local districts (counties); to incorporate such loans into our credit management system in order to reduce the credit risk to an acceptable level under the relevant CBRC standards; for certain types of our SME loans and agriculture related loans, to recommend to our Bank reputable credit guarantee providers in order to reduce our credit risk; and to introduce and provide us with information on high quality enterprises in the local districts and counties within their jurisdiction.

Leveraging on our relationship with these local governments, we are able to establish banking relationship with 17 businesses in industrial parks such as the Xiyong Micro-electronic Park (西永微電子科技園區) and Changshou Chemical Industry Park (長壽化工園區). As a result, we were able to extend RMB5.25 billion of loans to enterprises settled in the industrial parks. Our Bank is the only handling bank of the new Rural Social Pension Insurance. We are also one of the major banks that handles the new Rural Medical Cooperative Scheme, known as "Xinnonghe" ("新農合"), as well as a number of government subsidized programs in the County Areas. We believe we have the competitive strength in securing large-scale projects as we have close access to the enterprises participating in these projects through our well established connections with the local governments. We gain early access to enterprises who may be the potential participants of these projects through opening accounts for them with our Bank, and providing them with our settlement and lending products and services. Our outstanding track record in implementing such projects has gained trust of the local governments, which further strengthens our competitiveness in securing similar projects in the future. For example, in July 2010, we became the first commercial bank to provide credit services to the infrastructure construction project of the newly established Liangjiang New Zone.

With our extensive distribution network, electronic banking system, largest team of dedicated staff and close local connections, we have unique competitive advantages over other banks, enabling us to enhance our long term leadership in commercial banking in Chongqing.

Strong deposit base providing access to stable sources of funding

Our vast distribution network has provided us with an extensive customer reach, which enables us to maintain a large and high quality corporate and retail customer base, and build one of the strongest deposit bases in Chongqing. As of June 30, 2010, we had approximately 62,000 corporate customers and 17.47 million retail customers. Our deposits amounted to RMB185.4 billion, representing a market share of 14.6% which was the highest in Chongqing. The deposits in our Bank have experienced a rapid growth in recent years. From December 31, 2007 to December 31, 2009, our total deposits grew at a CAGR of 26.3%, higher than the average CAGR of the other Hong Kong-listed Chinese commercial banks.

As of June 30, 2010, deposits from the County Areas account for 67.0% of our total deposits. County Area deposits are predominatly savings as these households rely mainly on their savings for their retirement needs and children's education. The retail deposits in the County Areas provide us with a stable source of funds, supporting the growth of our loans and the overall performance of our Bank. We have built a stable customer base in the County Areas through our comprehensive regional coverage, quality service and long operating history. New businesses such as acting as the handling bank of the Rural Social Pension Insurance will also provide us with a source of stable customer growth. We have the largest total deposits in the County Areas among the commercial banks in Chongqing, accounting for 27.6% market share of the County Areas. Our market share of deposits in the Urban Areas has also grown. From 2007 to June 30, 2010, our deposits in the Urban Areas grew significantly at a CAGR of 43.1%, market share increasing from 6.0% in 2007 to 7.5% as of June 30, 2010.

Our strong deposit base provides us with stable source of funding for our lending business, while maintaining a reasonable loan to deposit ratio. In addition, we intend to further expand our net interest income by investing the excess liquidity from our strong deposit growth in high quality investment securities. In 2009, while the net interest income of the other Hong Kong-listed Chinese commercial banks fell by 4.7% on average, we recorded a growth of 5.6% in net interest income.

Leading financial services provider for SMEs in Chongqing

SMEs have played an important role in the economic development and industrialization of Chongqing. In 2008, SMEs contributed to 37.3% of Chongqing's total GDP, and 40.6% of Chongqing's GDP growth. We believe that SMEs will continue to benefit from the rapid economic growth of Chongqing. As a major focus of our Bank, we have developed an extensive market coverage for our SME banking business and achieved rapid business growth. SME banking business has consistently accounted for the majority of our corporate loan business. As of June 30, 2010, our total SME loans accounted for 85.1% of our total corporate loans. We operate the largest SME banking business in Chongqing by loan size representing 16.6% market share as at June 30, 2010.

To enhance our service to SMEs, we were the first amongst rural small and medium financial institutions in China to establish Small Enterprise Loan Centers in April 2009, which specifically serve our SME customers. As of June 30, 2010, we had a total of 11 Small Enterprise Loan Centers. Through our Small Enterprise Loan Centers, we have developed a credit management model specially for risk assessments of the SMEs, which enables us to provide SME customers with tailor-made loan products and financial services. As our Small Enterprise Loan Centers communicate directly with our headquarters, eligible SMEs can obtain loan approval within seven working days of their application. Such an efficient credit approval process allows us to meet the frequent and urgent financing needs of the SMEs.

We have also established an effective marketing system for SME account managers, and introduced an innovative SME online loan application system. Our dedicated team of account managers provide financial services to SME customers. In addition, we have a broad retail customer base which includes owners of SMEs, allowing us to effectively cross-sell our products. With our competitive advantages in SME banking services, we have been able to achieve stronger pricing capability.

Nimble and adaptive organization with strong county banking expertise and growing strength in urban banking

Compared to commercial banks headquartered outside Chongqing, we have the competitive advantages of having a nimble and adaptive organizational structure, swift approval processes, efficient decision-making cycle as well as an adequate operational independence suitable for the local market. These enable us to meet customer needs on a timely basis and maintain our market responsiveness through financial product innovation and business coverage expansion. We have established various vertical business lines to implement our strategies through cooperation with our branches. With such a streamlined business structure that shortens the time required for internal processing and execution, we are able to make business decisions swiftly and ensure timely communication with our management. Our flexible, efficient and adaptive organizational structure together with the rich local experience of our business officers and management have enabled us to successfully capitalize on new opportunities through product innovation which addresses local needs and policy initiatives. For instance, we are also the first bank in Chongqing to offer loans which are secured by collective forestry use rights (集體林權抵押貸款) and loans secured by trademarks. These loan products resolve the credit availability problem faced by enterprises and their owners who are unable to provide collateral commonly acceptable by banks.

Our County Area banking products are well-received by our customers and highly regarded by the local banking industry. For example, our Jiangyu Xiangqing Card is the first bank debit card in Chongqing which targets the migrant workers. Since we launched the card in April 2009, we have issued a total of 2.4 million cards as of June 30, 2010.

We also focus on increasing our market share in economically developed areas within Chongqing. In order to actively increase the number of our Urban Areas customers, large and medium-sized corporate customers and institutional customers, we have established specialized marketing and service teams for large and medium-sized customers. We have also developed a marketing system for large and medium-sized customers in the Urban Area, where the customers are directly marketed to by staff at our headquarters and subsequently followed up with by staff at our branches and branch outlets. In addition to our strong growth in corporate banking business in the Urban Areas, we have also enjoyed a rapid growth in our retail banking. As of June 30, 2010, our market shares in loans and deposits in the Urban Areas were 7.8% and 7.5%, respectively.

Our nimble and adaptive organizational structure has allowed us flexibility in business innovation and market expansion. For example, in an effort to further strengthen our customer base and expand our market share, we have launched a number of products and initiatives in relation to our credit products, electronic banking and bank cards within 18 months following our incorporation as a joint stock limited company.

Sound risk management and internal control capability

Following our Restructuring, we have continuously enhanced our risk management system and internal control system. We have systematically improved our risk analysis, risk detection and internal control capabilities through the establishment of industry standard risk management strategies, improving our internal control system and operational process, introducing advanced risk management tools and a sound information technology system, as well as expanding responsible coverage of our risk management.

We have introduced a risk management organizational structure that clearly delineates responsibilities among the decision-making, executive and supervisory bodies, and centralizes risk management within the Bank. We are able to effectively manage various risks relating to credit, liquidity, the markets and operations, and as a result have improved our asset quality. We have established an authorization and credit management system, as well as an approval process, which are standardized across the Bank. We have developed a separate team dedicated to credit review and approval and established the credit approval department, which is independent from senior management, to perform random checks on approved loans. We have also strengthened our credit management through raising credit extension standards, tightening the credit authorization powers granted to branches, enhancing pre-lending analysis and post-disbursement monitoring, and conducting comprehensive employee training.

We have established proper, efficient and innovative internal control system compliant with the framework and policies recognized internationally and approved by Chinese banking regulators. To continuously enhance our Bank's internal control capabilities, we have also developed a governance, risk management and compliance system (GRC), combining internal control, risk management and compliance management. We have established an independent internal audit management vertical reporting directly to the board of directors. For example, the special inspection teams organized under the direct management of our headquarters can inspect all our branches on a random and comprehensive hand-over to timely identify and prevent problems. We have also applied the widely-accepted quantitative models to improve our risk analysis capabilities and built an IT system with better customer identification, data collection and information centralization capabilities.

In addition, we have effectively limited new NPL development and diversified our loan portfolio through our strengthened risk management and stringent loan approval procedures, our adoption of a conservative NPL write-off policies and our focus on the collection of NPL via disposal of collateral. Our NPL declined from RMB6.8 billion at the end of 2008 to RMB3.9 billion at the end of 2009. As of June 30, 2010, loans to any single individual or corporate borrower accounted for less than 1.15% of our total loans. Through our extensive network coverage that reaches out to all the 40 administrative districts and counties of Chongqing, our banking service team has a comprehensive understanding of our customer base and is charged with the responsibility for close monitoring and control of risks.

Industry leading net interest margin and return on investment

Leveraging on our market leadership in Chongqing, broad and efficient distribution network, large service team and strong local connections, we are able to provide our corporate and retail customers with diversified financial services and have established high entry barriers to maintain our pricing power. As we expand our business, we strategically focus on business segments with high growth, high returns and manageable risks. Based on macroeconomic environment and changes in customer preferences, we continuously optimize loan and deposit structures to achieve attractive net interest margin, as well as stable and sustainable profit growth. For the three years ended December 31, 2009, our net interest margin was 3.06%, 3.68% and 4.16% respectively. This was significantly higher than the net interest margin of other Hong Kong-listed Chinese commercial banks. Over the same period, our average corporate loan yield was 6.86%, 9.33% and 9.14% respectively, and our average retail loan yield was 8.70%, 9.67% and 8.85% respectively, higher than those of other Hong Kong-listed Chinese commercial banks. Our bank deposit structure is dominated by retail and time deposits, which provide us with a stable source of funds. Our average deposit interest cost in 2009, 2008 and 2007 was 1.85%, 2.43% and 1.89% respectively, in line with those of other Chinese commercial banks.

Furthermore, we have successfully carried out our treasury business, and have taken full advantage of our large deposit base to improve profitability through effective and prudent securities investment. Interest income from securities investments has been our second largest component of interest income, which accounted for 25.9%, 22.0%, 16.4% and 9.8% of our interest income for the six months ended June 30, 2010, the years ended December 31, 2009, 2008 and 2007 respectively. Total government bonds, policy bank bonds and corporate bonds held by us accounted for 41.3%, 49.3%, 59.2% and 71.1% respectively of our total investment securities as of June 30, 2010 and December 31, 2009, 2008 and 2007. We have also invested in securities with higher risk-adjusted returns, such as financial debt instruments issued by other commercial banks and financial institutions. The proportion of our debt instruments issued by financial institutions to bond investments increased from 11.9% as of December 31, 2007 to 29.5% as of December 31, 2008 to 42.4% as of December 31, 2009 and further increased to 54.4% as of June 30, 2010. The overall portfolio yield of our securities investments for the six months ended June 30, 2010, the years ended December 31, 2009, 2008 and 2007 was 4.12%, 4.41%, 4.79% and 3.58% respectively, which was the highest among the other Chinese commercial banks.

Stable and experienced management team

We have a stable and experienced management team with an outstanding track record in areas such as bank asset quality improvement and business development.

Our core management have more than 15 years of relevant experience in China's financial services industry and has spent on average more than ten years working at our Bank. In particular, our chairman, Mr. LIU Jianzhong, has over 18 years of experience in the banking industry and has held a number of important positions, including the PBOC Chongqing Operations Office prior to joining us in 2002, during which he has accumulated extensive senior management experience in the financial industry and corporate organizations. Mr. Liu is also a deputy of the Chongqing Municipal People's Congress. Our president, Mr. TAN Yuansheng, has over 30 years of experience in the financial industry and has held a number of key positions in several financial institutions prior to joining us, including his role as the vice president of Chongqing Commercial Bank. Mr. Tan is also a member of the Chinese People's Political Consultative Conference Chongqing Municipal Committee.

Our management team has demonstrated its leadership in carrying out a series of complex corporate restructuring and consolidation from 700 rural credit cooperatives into our Bank. Since our incorporation, our management has also successfully implemented a series of operational reforms, including our Financial Restructuring, the improvement of our corporate governance and risk management, and the reform of our performance appraisal, compensation and incentive schemes and training programs to improve the quality of our staff members. We have also achieved significant business expansion in recent years. Under the leadership of our management team, we have attracted many senior managers from other banks to join our Bank.

OUR STRATEGIES

Our strategic goal is to become one of the most competitive regional commercial banks in China while achieving sustainable growth and maximizing returns for our shareholders. We will focus on serving the SMEs and retail banking clients in Chongqing. We will further enhance our leading position in the County Areas and continuously improve our competitiveness in Urban Area banking. We will also selectively expand our distribution networks and establish presence in economically developed regions outside Chongqing.

We intend to implement the following strategic measures to achieve our strategic goals:

Capture opportunities arising from the rapid growth in the County Areas

In 2009, the GDP of the County Areas contributed to as high as 54.3% of the GDP of Chongqing. However, banking penetration as calculated by total regional RMB loans over regional GDP was only 48.9% in the County Areas in 2009, far below the 244.2% in the Urban Areas. We believe that both the County Area's economy and banking penetration rate will experience rapid expansion.

— Focusing on serving high quality County Area corporate customers such as industry leaders, industrialised agricultural projects, governmental infrastructure construction projects;

— Enhancing our efforts to promote consumer loans to retail customers, as well as improving the service functionality of our bank cards, telephone banking and internet banking to meet the growing consumer needs in the County Areas;

— Strengthening product innovation targeting the County Areas, such as developing new types of guaranteed loans and loans secured by various forms of forestry use and agricultural land use rights, as well as loans secured by property ownership rights; and

— Implementing a business departmental system which integrates the headquarter and our County Areas branches, to further improve our operational efficiency.

Continue to expand our fast-growing banking business in the Urban Areas

We will continue to rapidly expand our banking business in the Urban Areas, increase the number of customers and the mix of premier customers in these areas.

— Further optimizing our distribution network by opening more outlets in urban commercial centers and prime locations, increasing the coverage of our urban distribution network and expanding market share in areas with high density of financial resources;

— Improving our marketing and management system through refining our marketing and customer service procedures, building a management team of professional account managers in order to maintain and grow our high quality customer base;

— For corporate banking, focusing on enterprises in high growth industry segments in Chongqing, such as IT, machinery and equipment manufacturing, and heavy chemical, as well as businesses that are among the top 500 enterprises in the world, the top 500 enterprises in China or the top 50 enterprises in Chongqing. Accelerating the development of our international banking business and treasury operations with the objective to improve the operating standards and offer more comprehensive products and services to these large enterprises; and

— For retail banking, further developing and enhancing the services and products to cater for customer needs and to improve service quality, accelerating the service upgrade of our branch outlets and our market differentiation, and increasing the specialization of our personal loan centers and wealth management centers.

Continue to enhance the competitive advantages of our SME banking business

We will continue to promote the "323 Financial Services Plan" and strive to become the best financing bank for SMEs in Chongqing. The "323 Financial Services Plan" refers to the development objectives we formulated in 2008, setting out the three-year target of our Bank to extend RMB20 billion in loans to support 3,000 high quality SMEs in Chongqing.

— Increasing the number of Small Enterprise Loan Centers to provide specialised and easily accessible customer service to our SME customers;

— Further enhancing our financial product offerings targeted for our SME customers to capture the opportunities arising from their fast changing needs and their different stages of business development;

— Enhancing the quality and flexibility of our SME credit evaluation and implementing innovative and reliable measures to improve the efficiency and quality of our loan approval process;

— Improving our post-lending management capabilities by introducing the "Remote Account Management System" ("網絡遠程客戶管理"), a remote access system which monitors the business operations and accounts of our SME customers; and

— Leveraging on our well-established relationships with SMEs and their owners, continuing to promote our comprehensive banking services for SME customers such as deposits, cash management, financial management, foreign exchange and financial advisory services.

Become a premier retail bank in Chongqing

With the most extensive distribution network and a base of approximately 17.47 million retail customers as of June 30, 2010, we intend to become the premier retail bank in Chongqing.

— Expediting the transformation and nationalization of our distribution network to consolidate our strength in network coverage. Accelerating the development and improvement of electronic banking delivery channels, such as internet banking, telephone banking, and mobile phone banking;

— Expanding the penetration of our bank card business through establishing multi-channel card issuance mechanism and payment platform, improving credit card risk management system, and converting more retail banking customers into debit cards and credit card holders;

— Improving our banking services and portfolio management for our products and services by continuing product innovation, offering personalized products and promoting cross-selling;

— Increasing the number of wealth management centers for high-end retail customers, enhancing the features of our existing products and offering differentiated products and professional services to target both medium to high-end retail customers; and

— Establishing a team of professional retail customer managers, enhancing customer service quality and promoting a corporate culture of service excellence.

Accelerate the growth of fee and commission income

We will continue to utilize our product development skill and distribution channels to promote and develop our fee and commission-based business. Such initiatives include bank cards, personal financial management, asset management for corporate customers, distribution of bancassurance products, international settlement, and agency services, etc. We aim to maintain a fast growth of our agency business by offering competitive products and services to diversify our source of income.

— For retail banking, actively developing products that target high-end retail customers, such as personal financial management, custody of securities investments, distribution of bancassurance products, mutual funds and gold bullions and integrated wealth management services;

— For corporate banking, developing and promoting high margin services, such as cash management services, financial management platform for group companies, corporate finance advisory services and other services that do not require our counter resources for support;

— Continuing to expand bank card functionality, and work with other institutions to launch new types of credit cards and debit cards, which carry comprehensive functions that define our market positioning;

— Improving the penetration of our non-interest income products and services through our well-established distribution platform and tailored marketing strategy; and

— Actively expanding our foreign exchange business and developing differentiated international business products.

Continue to improve the efficiency of our multi-channel distribution network

Our Bank will strategically develop our distribution channels to improve our service coverage, operational efficiency and support the implementation of our strategy. From our incorporation to June

30, 2010, we closed 86 branch outlets and relocated 124 branch outlets. We have been coordinating with the local authorities to facilitate the relocation and refurbishing process.

— Applying for regulatory approval and strategically upgrading branch outlets according to the changing economic landscape of Chongqing, including increasing the number of premium branch outlets (精品網點) with high customer traffic, as well as improving the operational procedures of our branch outlets and increasing the operational efficiency of our traditional distribution network;

— Strengthening our alternative distribution channels such as e-banking, ATMs and self-service centers to reduce service costs and improve efficiency. We intend to increase the number of 24-hour self-service centers and ATMs from 2 centers and 672 units respectively as of June 30, 2010 to 11 centers and 867 units respectively by early 2011. As of September 30, 2010, we have established 1 new center and are in the process of establishing 8 centers and have increased the number of ATMs to 756. We also plan to introduce 351 multimedia inquiry machines by the end of 2011. As of the Latest Practicable Date, we had increased 105 multimedia inquiry machines.

— Promoting the use of telephone banking and enhancing the number of services that are available via our telephone banking system, as well as promoting corporate and retail internet banking services to attract new customers and convert existing customers to internet banking users;

— Improving and optimizing branch coverage in the Urban Areas to further enhance our market share in the Urban Areas and areas with high economic growth. We are in the process of relocating and refurbishing 35 branch outlets and establishing 4 self-service centers in the Urban Areas; and

— Establishing specialized centers in branch outlets, such as wealth management and VIP centers in affluent areas to serve the needs of our high net worth customers, and to increase our revenue from fees and commission.

Selectively expand our banking business into other affluent regions outside Chongqing

We have fulfilled the pre-conditions required by the regulatory authority to set up branches or open township and village banks in other regions and to set up financial leasing companies in Chongqing. As advised by Junhe Law Offices, our PRC legal advisors, our Bank is classified as a provincial level rural commercial bank, and there is not any limitation for our Bank to expand and establish township banks in other provinces. One of our key growth initiatives is to expand into regions outside Chongqing. In April 2010, we established our first subsidiary, a township bank in Zhangjiagang of Jiangsu Province.

— Expanding our business by setting up branches in affluent areas in China including Jiangsu, Zhejiang, Sichuan, Yunnan, Hubei, Hunan and Guangdong provinces. We intend to open seven branches in these provinces by the end of 2012. We will set up a branch in Sichuan Province, one in Yunnan Province and one in each of Jiangsu Province and Hubei Province in 2011; and three other branches in Guangdong Province, Zhejiang Province and Hunan Province in 2012;

— Establishing township and village banks in Dali, Yunnan Province (雲南大理) and in Dazhu County, Sichuan Province (四川大竹) respectively in 2010. The plan has been approved by the bank regulatory authority, and is currently in implementation; and

— Setting up a financial leasing company in Chongqing.

We have built up a talent reserve mechanism with an adequate reserve of talents required for the expansion and operation of our new banking business. As of September 30, 2010, we had 5,025 employees with undergraduate degree or above, representing 39.01% of our total staff members, among which 262 have graduate degree. As of the same date, we had 1,321 employees with intermediate technical titles or above, representing 10.25% of our total staff members, among which 55 with senior technical titles and 1,266 with intermediate technical titles. In addition, we have 3 certified public accountants, 29 accredited financial planners and 619 employees with professional qualifications to distribute funds and carry out funds businesses. These employees have sufficient management expertise in relation to banking business through their working experience with us, and the Bank is of the view that they would, with the assistance and support of the locally recruited staff, become members of the core management team for our new expansions.

With our expertise in County Area and Urban Area banking, our experience from rapid business development in recent years, our existing junior management staff training system, and frequent recruitment of external talents, we believe that we are able to take advantage of the tremendous growth potential of the new markets and transform our Bank from one based in Chongqing into a commercial bank across different regions in China. In facilitating the expansion process, we plan to use entirely our internal working capital, and we expect the total amount of capital expenditure to be no more than RMB360 million during the period between 2010 and 2012.

Continue to enhance corporate governance, risk management, internal controls and construction of IT systems

— We will continue to strengthen the functions of the shareholders' general meeting, the Board and the seven special committees under the Board, and improve the operating procedures of the Board and the Board of Supervisors. We will further enhance the responsibilities of our senior management in areas such as the implementation of Board resolutions, business development, management and internal controls. We will also establish optimized business processes with clearly defined responsibilities, and effectively monitor and improve our internal controls on an ongoing basis. We seek to promote a corporate culture that emphasizes prudent risk management at every level of the organization.

— We will continue to pursue our risk management and internal control reforms and further develop our centralized enterprise risk management system. We will prudently grow our asset base and protect the long-term interests of our shareholders, customers and employees. To achieve our long-term goals under the Basel II, we intend to continue enhancing our risk management organizational structure, implementing advanced risk management methods and developing advanced risk management models and tools. We will improve our risk management policies and procedures, enhance our risk management team, and promote the concept of risk management within our corporate organization.

— To support the rapid development of our business, we will continue to accelerate the upgrade and expansion of our IT infrastructure, further enhance our core integrated business system, and speed up the improvement of our client channel interfaces such as personal internet banking and mobile banking. We will further optimize our credit, financial, performance appraisal management and customer information systems, and enhance our protection from financial risks through our IT infrastructure. Currently, our centralized operation processing system and post-lending monitoring system are under development. Through these IT system upgrades, we will be equipped with an advanced IT service platform that enhances our capabilities in demand analysis, product development, service innovation and operational support, which will improve our core competitiveness through technological and business integration.

OUR PRINCIPAL BUSINESS ACTIVITIES

We operate three principal lines of business: corporate banking, retail banking and treasury operations. The following table sets forth the operating income contribution of each business line of business to our total operating income, including operating income from our County Area Banking Business, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2007		2008		2009		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking business	2,153.1	37.7%	2,556.2	48.3%	2,322.4	40.9%	1,353.7	56.1%	1,556.4	43.3%
Retail banking business	2,333.5	40.8	2,164.2	40.9	1,942.2	34.2	711.8	29.5	1,117.6	31.1
Treasury business	(121.8)(1)	(2.1)	538.2	10.1	1,359.9	24.0	337.4	14.0	901.6	25.0
Unallocated(2)	1,347.7	23.6	35.7	0.7	52.3	0.9	12.0	0.4	21.7	0.6
Total operating income	**5,712.5**	**100.0%**	**5,294.3**	**100.0%**	**5,676.8**	**100.0%**	**2,414.9**	**100.0%**	**3,597.3**	**100.0%**

(1) The loss in our treasury business in 2007 was primarily due to the decentralization in the management of funds in the individual credit cooperative unions which formed part of our business prior to our incorporation in 2008, resulting in low efficiency in fund utilization.

(2) Includes businesses such as equity investment and other operating income that are not directly attributable to a segment or cannot be allocated on a reasonable basis. Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

Corporate Banking Business

Overview

Corporate banking business is our major source of income and has consistently contributed a significant portion of our total operating income. We offer a comprehensive range of corporate financial products and services to businesses and other institutions, including state-owned enterprises, private enterprises, foreign investment enterprises and government organizations, together referred to as our corporate banking customers. Our corporate banking business primarily includes corporate loans, discounted bills, corporate deposits, as well as fees and commissions consisting of bank acceptance bills, clearing and settlement, consulting and financial advisory, entrusted loans, cash management, corporate treasury services and guarantee services.

Corporate banking business accounted for 43.3%, 40.9%, 48.3% and 37.7% of our total operating income for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007, respectively. Our corporate loans accounted for 65.0%, 56.5%, 49.1% and 39.7% of our total loans, and our corporate deposits accounted for 25.0%, 21.9%, 15.7% and 18.9% of our total deposits from customers as of June 30, 2010, December 31, 2009, 2008 and 2007, respectively. See "Assets and Liabilities."

Customer Base

We place great emphasis on long-term relationships with SMEs, large corporations, government organizations and public institutions. Historically, we have developed deep cooperative relationships with public organizations and local enterprises. Our corporate banking customers include many public institutions and agencies as well as SMEs and large corporations with operations in Chongqing.

As of June 30, 2010, we had approximately 62,000 corporate customers of which 2,688 customers had loans outstanding with us.

As we continue to expand our customer base, we also focus on optimizing customer structure, enhancing customer quality and actively developing cooperative relationships with large corporations, industry leaders and government organizations, and place particular importance on closely cooperating with the top 500 companies in the world, the top 500 companies in China and the top 50 companies in Chongqing.

In respect of SME customers, we have been engaged in maintaining and strengthening our leading position in SME credit services and we have a large number of quality SME customers. As of June 30, 2010, we had a total of 2,613 SME customers that had loans outstanding with us.

We also focus our client strategy on industries that are important to the economic development of Chongqing. Chongqing, as an industrial hub of Western China, has a well-developed manufacturing industry base. Manufacturing-related corporate loans are the largest component of our corporate loan portfolio which accounted for 26.0% as of June 30, 2010.

As of June 30, 2010, our major corporate loan customers were concentrated in (i) manufacturing, (ii) real estate, (iii) water, environment and public utility management, (iv) construction, (v) production and supply of electronic power, gas and water, and (vi) retail and wholesale, which accounted for 26.0%, 21.3%, 11.9%, 7.0%, 6.0% and 5.6% respectively, of our total corporate loans.

For our customer base in the County Area, see "County Area Banking Business — Customer Orientation" in this prospectus.

Corporate Banking Products and Services

Corporate loans

Corporate loans have historically been the largest portion of our loan portfolio. Substantially all of our corporate loans are made to corporations registered in Chongqing. During the Track Record Period, all our corporate loans are RMB-denominated loans. In terms of loan duration, our corporate loans consist of short-term loans and medium- and long-term loans. We primarily offer SME loans and non-SME loans targeting different customer segments. Our corporate loans (excluding discounted bills) reached RMB74.4 billion, RMB57.6 billion, RMB38.3 billion and RMB29.9 billion as of June 30, 2010, December 31, 2009, 2008 and 2007, respectively. As of June 30, 2010, our corporate loans increased 29.2% from December 31, 2009 and the annual growth rate of our corporate loans was 50.5% from December 31, 2008 to December 31, 2009, and 27.8% from December 31, 2007 to December 31, 2008. The following sets forth our corporate loans by maturity for the periods indicated.

	As of December 31,						June 30,	
	2007		2008		2009		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages)							
Short-term loans	8,460.5	28.3%	6,691.0	17.5%	13,316.4	23.1%	10,881.6	14.6%
Medium- and long-term loans	21,468.6	71.7	31,562.4	82.5	44,252.6	76.9	63,559.0	85.4
Total corporate loans	**29,929.1**	**100.0%**	**38,253.4**	**100.0%**	**57,569.0**	**100.0%**	**74,440.6**	**100.0%**

Short-term loans

Under the PBOC guidelines, short-term loans are loans with maturities of one year or less. As of June 30, 2010, we had RMB10.9 billion of short-term corporate loans, representing 14.6% of our total corporate loans (excluding discounted bills).

Medium- and long-term loans

Under the PBOC guidelines, medium- and long-term loans are loans with maturities that are more than one year. As of June 30, 2010, we had RMB63.6 billion of medium- and long-term loans, representing 85.4% of our total corporate loans (excluding discounted bills).

Distribution of Corporate Loans by Size of Borrowers

The following tables set forth, at the dates indicated, the distribution of our corporate loans and the average SME and non-SME loan sizes, maturities and collection periods during the Track Record Period.

	As of December 31,						June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
SME loans	25,158.5	84.1%	32,206.6	84.2%	48,876.3	84.9%	63,345.8	85.1%
Non-SME loans	4,770.6	15.9	6,046.8	15.8	8,692.7	15.1	11,094.8	14.9
Total corporate loans	29,929.1	100.0%	38,253.4	100.0%	57,569.0	100.0%	74,440.6	100.0%

	December 31, 2007			December 31, 2008			December 31, 2009			June 30, 2010		
	Average loan size (RMB)	Average maturity period (Days)	Average overdue period (Days)	Average loan size (RMB)	Average maturity period (Days)	Average overdue period (Days)	Average loan size (RMB)	Average maturity period (Days)	Average overdue period (Days)	Average loan size (RMB)	Average maturity period (Days)	Average overdue period (Days)
SME loans(Notes)	3,973,846.1	591.9	655.4	6,289,121.7	800.3	680.9	11,058,001.4	1,029.2	680.5	13,931,336.0	1,459.7	677.1
Non-SME loans	12,928,577.2	535.8	—	20,156,033.3	529.3	—	48,562,400.0	672.1	—	54,121,024.4	874.6	—

Notes:

(1) The average overdue days for SME loans refers to overdue loans only, and the calculation does not take into account loans which are not overdue.

(2) Adequate provisions have been made in respect of these overdue loans.

(3) The balance of such overdue loans as at the respective year end dates during the Track Record Period was RMB1,457.8 million, RMB1,393.1 million, RMB2,066.3 million and RMB5,821.1 million as of June 30, 2010, December 31, 2009, 2008 and 2007, respectively.

SME Loans

Apart from offering the credit products and services available to general corporate customers, we also offer credit products under the "Shangfuxinshidai" ("商富新時貸") brand specially for SMEs. The loan products under this brand cater for the different financing needs of SMEs at their different stages of business developments. Besides, based on the business operation, asset structure and our understanding of the actual needs of our customers, we offer our SME customers loan products and financing packages. For loan security, we accept various forms of assets that can be selectively used as collateral. For example, movable property including inventory, raw materials, equipment and vehicles as well as immovable properties such as plant and machinery, equipment, factory premises or equity interests, export rebates, account receivables, trademarks, land use rights and real estates can be used as collateral. We also accept group guarantees given by guarantee groups formed among businesses. For SMEs that are unable to provide collateral, we offer credit loans with reference to their operating condition and other qualitative information. As of June 30, 2010, we had 2,613 SME loan customers and our total SME loans amounted to RMB63.3 billion, which accounted for 85.1% of our total corporate loans (excluding discounted bills).

Non-SME loans

We offer a wide range of short-term and medium- and long-term loan products catering for different business purposes and nature, such as liquidity loans, fixed asset loans, property development loans, land reserve loans, plant and machinery mortgages, factory premises mortgages, etc. We focus on providing financial support to non-SME enterprises within the manufacturing, eduction, water, environment and public utility management industries, which includes China top 500 enterprises, Chongqing top 100 enterprises, renowned universities in Chongqing, large SOEs and private enterprises. As of June 30, 2010, our non-SME loans amounted to RMB11.1 billion, which accounted for 14.9% of our total corporate loans (excluding discounted bills).

In addition to the SME and non-SME loan products, we offer specialized loan products with unique local characteristics for our County Area customers, see section headed "County Area Banking Business — Product Lines".

Discounted bills

Discounted bills involve the purchase of bank and commercial acceptance bills at a discount. We provide discounted bills as a form of short-term financing for corporate customers. We also purchase discounted bills from other financial institutions or transfer discounted bills at a further discount to the PBOC or other financial institutions authorized to conduct bill discounting. Transfer of discounted bills provides us with additional liquidity.

We primarily purchase bank acceptance bills from financial institutions and commercial acceptance bills from companies with credit ratings which meet our requirements. The interest yields of discounted bills varies according to the inter bank market's overall liquidity and the demand for discounted bills. As of June 30, 2010, we had a balance of approximately RMB6.5 billion in discounted bills.

Corporate Deposits

Corporate deposits include demand deposits and time deposits, denominated predominantly in RMB and a small proportion denominated in foreign currencies. We offer RMB-denominated time deposit products with maturities of up to five years. In addition, we offer call deposits, which are classified as demand deposits, with a minimum required balance which allow our customers to withdraw their balance upon giving one or seven days notice in advance.

Since the commencement of our foreign currency deposit services in 2009, the foreign currency denominated demand deposits amounted to RMB12.3 million and RMB26.2 million as of June 30, 2010 and December 31, 2009, respectively.

The following table sets forth, at the dates indicated, our deposits from corporate customers by product type.

	As of December 31,						June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Demand deposits	17,435.2	96.0%	17,372.9	94.1%	31,097.2	92.1%	42,649.3	92.1%
Time deposits	726.4	4.0	1,091.7	5.9	2,675.3	7.9	3,663.6	7.9
Total corporate deposits	**18,161.6**	**100.0%**	**18,464.6**	**100.0%**	**33,772.5**	**100.0%**	**46,312.9**	**100.0%**

Our corporate deposits reached RMB46.3 billion, RMB33.8 billion, RMB18.5 billion and RMB18.2 billion as of June 30, 2010, December 31, 2009, 2008 and 2007, respectively. As of June 30, 2010, our corporate deposits increased by 37.1% from December 31, 2009 and the annual growth rate of our corporate deposits was 82.9% from December 31, 2008 to December 31, 2009 and 1.7% from December 31, 2007 to December 31, 2008.

Fee and Commission-based Corporate Banking Business

Our fee and commission-based corporate banking products and services include bank acceptance bills, clearing and settlement, consulting and financial advisory services, entrusted loans, cash management services, corporate treasury services and guarantee services. Following our Financial Restructuring and establishment as a commercial bank, we are able to develop and offer a broad array of fee and commission-based products and services and our net fee and commission-based income grew rapidly since the Restructuring. Please refer to the paragraph headed "Financial Information — Net Fee and Commission Income" in this prospectus.

For fee and commission-based banking services we offer specifically to the County Area, see section headed "County Area Banking Business — Product Lines" in this prospectus.

Clearance and Settlement Services

We provide comprehensive and convenient settlement services to our customers through our bank counters, internet banking, phone banking, ATMs and POS terminals. Our domestic settlement services include settlement for cash of drafts, promissory notes, cheques and other negotiable instruments. We also provide entrusted recovery, payment and disbursement services to our corporate customers. Our international settlement services primarily include remittances, letters of credit and entrusted collection.

Consulting and Financial Advisory Services

We provide our corporate customers with consulting and financial advisory services. These services include formulating overall financing plans, strategic business planning and structuring financing solutions. Our consulting and financial advisory services normally start with an initial consultation with customers, followed by performing comprehensive analysis on cases and followed by a detailed proposal delivered in the end. We also provide project management services to our customers to ensure that funds are allocated and used in accordance with their relevant financing plans. In addition, we provide advisory services on investments, asset management, wealth management and corporate strategies.

Since the commencement of consultancy and financial advisory services in 2009, our income from consulting and financial advisory services reached RMB29.3 million, RMB8.6 million, for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively, accounted for 0.81%, 0.15%, respectively of our total operating income for the six months ended June 30, 2010 and the year ended December 31, 2009.

Entrusted Loans

We provide entrusted lending services to our customers ("Principals") who elect to make loans to third parties on an entrusted basis by entrusting their funds to commercial banks as a Principal. The entrusted loans are extended to borrowers designated by the Principals and then we collect payments from the borrowers on the behalf of the Principals. The Principals assume the credit risks of these loans, while we charge agency fees based on the size of the entrusted loans.

Cash Management Services

We provide customized cash management services to our corporate customers, in particular, large companies and public organizations, to assist them in managing cash flows on their daily operating activities, including payment, group cash management allocation, transfer, investment and financing as well as information notification and consulting services. Having the most extensive outlet coverage in Chongqing and customized cash management platform, our cash management services are able to attract large corporate customers, particularly group companies that need to centrally manage their cash flow across many locations or subsidiaries to increase the effectiveness of cash planning and the efficiency of cash usage. We operate a proprietary funds transfer and settlement system designed to enable group companies, their subsidiaries and distribution outlets to manage their cash flow and intra-group funds transfer efficiently. Our cash management services effectively increase the overall liquidity and reduce the costs of funding of our customers.

Our cash management customers include large private sector companies and public institutions. For customers of some of these companies and institutions, we also offer collection and payment services through our extensive distribution network. For related collection and payment services, see paragraph headed *"Business — Retail Banking Products and Services — Collection and Payment Service"* in this prospectus.

Corporate Treasury Services

Our first corporate treasury product for corporate customers, Jiangyu Wealth 2010 I (江渝財富2010年1期), was launched in April 2010. It is a medium risk product with a maturity of two years that raises funds and invests in the equity of a government funded company that specializes in Chongqing's garden and park construction, construction land reserve and their rectification. As of April 29, 2010, the date of the product launch, proceeds of the product had reached the upper limit of RMB1 billion. We expect a revenue of RMB10 million at its maturity.

Guarantee Services

We provide guarantee services for our corporate banking customers primarily through performance guarantees, bid guarantees, prepayment refund guarantees, quality guarantees and payment guarantees. We receive fees for providing these guarantee services.

International Banking Operations

We provide foreign currency clearing, foreign currency trading, settlement and sale of foreign exchange, foreign currency deposit services, foreign currency exchange and trade financing services to our corporate customers. Our foreign currency deposits include demand deposits and time deposits up to a period of two years. Our trade financing services include delivery against bank guarantees, export bills of credit/discount, import bills of credit, forfeiting, packing loan, export invoice financing. We provide RMB and major foreign currency exchange services on a spot basis. We settle our open positions created by the settlement and sale of foreign exchange business on a timely basis to minimize our exposure to market fluctuations from such foreign currency exchange businesses.

Marketing

Our headquarters is responsible for planning and managing the overall direction of our businesses. Specialized committees and departments, divided into the institutional business department, corporate business department and small enterprises loan department have been established directly under the headquarters to jointly implement our business development plans and marketing strategies. The marketing strategy of our Bank focuses on understanding our customers, their businesses and needs. With such a strategy, our headquarters provide different guidance to branches located in areas with different stages of economic development to cater for the diversified economic structure of Chongqing. Based on such guidance our branches formulate and implement marketing plans for the corporate banking business suited to local needs in order to reinforce marketing efforts on key areas, customers and products.

We group our customers into different categories and provide customized products and services catered to the specific banking needs of our customers. We have established a detailed database of target corporate customers. By analyzing such data, we can better understand the specific needs of corporate banking customers across different industries and allocate appropriate resources, provide standardized or customized services and design marketing plans in an effective manner. To ensure service quality, we have implemented the "Industry Service Group" strategy in our corporate banking business, which provides a detailed industry classification service and guidance on the key industrial sectors of Chongqing. Our headquarters is responsible for leading the marketing efforts targeted toward the key large corporate customers. We encourage our branches to provide more customized services to our broad SME customer base, through teams of dedicated corporate customer managers based on local market environment and customer characteristics. At the same time, in order to enhance our service efficiency and quality to SME customers, we have established specialized institution for SME loans known as Small Enterprise Loan Centre.

Our first specialized institution for SME loans, the Small Enterprise Loan Centre was established in April 2009. We were the first bank among small and medium rural financial institutions in China to establish a specialized institution for SME loans. The Small Enterprise Loan Centre aims to provide customized and highly efficient financial services to our SME customers and to promote a unique culture and concept for SME financial services. As of June 30, 2010, we had a total of 11 Small Enterprise Loan Centres at our headquarters and branch level.

For our marketing activities for County Areas, please refer to "Marketing" under the section headed "County Areas Banking Business".

Retail Banking Business

Overview

We offer a wide range of products and services to retail customers, including loans, deposits, debit cards, credit cards as well as fee and commission-based services including personal wealth management services, bancassurance, entrusted loans and other services.

Retail banking contributed 31.1%, 34.2%, 40.9% and 40.8% of our total operating income for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007, respectively. As of June 30, 2010, December 31, 2009, 2008 and 2007, our retail loans accounted for 29.3%, 27.6%, 32.8% and 35.3%, respectively, of our total loans, respectively, and our retail deposits accounted for 72.4%, 76.0%, 83.2% and 80.3%, respectively, of our total deposits from customers. See "Assets and Liabilities" in this prospectus.

Customer Base

We have a broad retail customer base. As of June 30, 2010, we had approximately 17.47 million retail customers, of which approximately 15.7 million were personal deposit customers. Among the deposit customers, approximately 515,000 customers with a deposit balance of RMB50,000 or above amounting to total deposits of RMB59.9 billion, account for 44.7% of our total retail loans; approximately 157,000 customers with a deposit balance of RMB100,000 or above amounting to total deposits of RMB34.0 billion, account for 25.4% of our total retail loans. Among these deposit customers, there are approximately 450,000 customers who have a loan balance with our Bank.

For our customer base in County Areas, see "Customer orientation" under the section headed "County Area Banking Business".

Retail Banking Products and Services

Retail Loans

Our retail loans consist primarily of residential mortgage and personal commercial property loans, personal business and re-employment loans, loans to farmers and other retail loans which consist primarily of consumption loans such as loans for automobile financing and financing other durable goods, education loans and loans for employers. As of June 30, 2010, our retail loans reached RMB33.6 billion representing an increase of 19.6% from December 31, 2009. The following table sets forth, at the dates indicated, our retail loans by product type.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Residential mortgage and personal commercial property loans	7,163.1	26.9%	8,622.3	33.8%	12,333.6	43.9%	16,939.8	50.4%
Personal business and re-employment loans	8,840.7	33.3	8,804.9	34.5	8,717.8	31.0	8,902.1	26.5
Loans to farmers	8,024.7	30.2	5,783.7	22.6	4,321.7	15.4	3,824.3	11.4
Others	2,555.9	9.6	2,320.9	9.1	2,730.4	9.7	3,935.0	11.7
Total retail loans	**26,584.4**	**100.0%**	**25,531.8**	**100.0%**	**28,103.5**	**100.0%**	**33,601.2**	**100.0%**

Residential mortgage and personal commercial property loans

We offer mortgage loans in both primary and secondary real estate markets. We currently offer three mortgage loan products under the "Property Owner Express" ("置業快車") brand for both residential property and commercial property purchase by our retail customers. Our mortgage loans have terms of up to 30 years for residential properties and up to ten years for commercial properties. As of June 30, 2010, our total outstanding mortgage loans and personal commercial property loans amounted to RMB16.9 billion, representing 50.4% of our total retail loans and 14.8% of our total loans.

Personal business and re-employment loans

Personal business loans refer to loans advanced by us to individual customers for meeting their production and working capital needs of their business. Customers mainly include individual operators and SME owners. Personal business loans issued by us mainly include five loan products under the "Business Partner" ("創業夥伴") brand, such as employment assistance retail loans (個人助業貸款), general individual proprietor loans (個體經營戶貸款) and specialised individual proprietor loans (專業市場經營戶貸款).

We offer loan products such as employment related small amount guaranteed loans (就業再就業小額擔保貸款) to qualified unemployed individuals to set up their own businesses and to individual business owners and individual proprietors who employ certain number of qualified unemployed individuals. Since 2010, the interest payments of these employment related small amount guaranteed loans are fully subsidized by the government. As these loans are extended to qualified individuals, the post-lending employment condition of the borrowers are closely monitored by government employment agencies. The government also steps in to provide collection assistance if these loans are over-due. In order to lower the related credit risk, the government also provides special fund for risk compensation, so that in case of default, the government bears two-thirds of the amount of loss. The government and our Bank carry out product assessment of the qualification of the applicants for this loan product. The interest rate we charge for these loans is typically three percentage points above the benchmark rate and therefore generally higher than rates of our other loan products. As a provider of employment related small amount guaranteed loans, we are entitled to management fees granted by the government in accordance with the size of such loan extended. As of June 30, 2010, our total employment related small amount guaranteed loan amounted to RMB1.2 billion, representing over 75% of market share in Chongqing, with an NPL ratio of 1.1%.

To cater for the financing needs of SME owners and individual proprietors, we customize our products based on their operating conditions and asset structure. We offer flexible loan security under which various forms of assets can be accepted as collaterals, such as movable properties, inventory, accounts receivables as well as group guarantees provided between guarantee groups formed by individual proprietors, business owners or shareholder business owners. As of June 30, 2010, our total personal business and re-employment loans amounted to RMB8.9 billion, representing 26.5% of our total retail loans and 7.8% of our total loans.

Loans to farmers

For details of loans we offer to farmers, see section headed "Product Lines" under "County Area Banking Business".

Other retail loans

Our other retail loans consist primarily of personal consumption loans. We currently offer five consumption loan products under the "Wonderful Life" (精彩人生) brand for our retail customers, such as credit facilities for property owners, car loans and general consumption loans. We offer property owners revolving credits of up to ten years secured by their residential properties. Our general consumption loans can be used for various purposes such as home improvements, education and travelling. We generally require collateral or guarantee for our consumption loans. As of June 30, 2010, our total other loans amounted to RMB3.9 billion, representing 11.7% of our total retail loans, 3.4% of our total loans.

Retail Deposits

We offer various RMB and foreign currency demand deposits and time deposits for individual customers. For our foreign currency deposits, we offer demand deposits and time deposits denominated in HK dollars, US dollars and Euro with maturities ranging from one month up to two years. Substantially all of our retail deposits are denominated in RMB. Our retail deposits amounted to RMB134.2 billion, RMB116.9 billion, RMB97.6 billion and RMB77.3 billion as of June 30, 2010, December 31, 2009, 2008 and 2007, respectively. As of June 30, 2010, our retail deposits increased by 14.8% from December 31, 2009 and, the annual growth rate of our retail deposits was 19.8% from

December 31, 2008 to December 31, 2009. We did not have any balance for foreign currency denominated time deposit as of December 31, 2009. As of June 30, 2010, our retail deposits of RMB134.2 billion represented a market share of 24.4% amongst financial institutions in Chongqing.

The following table sets forth, at the dates indicated, our deposits from retail customers by product type.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Retail deposits								
Demand deposits	18,466.1	23.9%	23,324.4	23.9%	31,742.4	27.2%	37,459.4	27.9%
Time deposits	58,869.9	76.1	74,232.5	76.1	85,160.3	72.8	96,718.7	72.1
Total retail deposits	**77,336.0**	**100.0%**	**97,556.9**	**100.0%**	**116,902.7**	**100.0%**	**134,178.1**	**100.0%**

Debit Cards

We issue debit cards to individual customers who open deposit accounts and deduct transaction payments directly from the accounts of the cardholders. Our debit cards include Jiangyu Card (江渝卡) and Jiangyu Xiangqing Card (江渝鄉情卡). For details of Jiangyu Xiangqing Card, see "*County Area Banking Business — Debit Cards*". Debit cards have basic features such as deposit and withdrawal of cash, transfer, settlement and spending. They also carry additional features such as auto-transfer, automatic contribution, investment product trading, collection and payment, 7×24 hour phone banking services. Being a member of UnionPay, our debit cards are accepted by our own network and UnionPay network in China and globally.

We are a member of the "Nongxinyin" ("農信銀") and a founding member of "Guimiantong" service ("櫃面通"). The Nongxinyin network is comprised of rural financial institutions participating in the network and consists of a total of 32 core members. As a member of Nongxinyin, we allow the holders of our debit cards to conduct cash transactions at the counters of the participating institutions across the nation and transact cross-regional fund remittance clearance and settlement services through the Nongxinyin network. Through the "Guimiantong" service, holders of our debit cards can conduct cash transactions, including deposits and withdrawals, at the counters across all branches and branch outlets of Bank of Chongqing and Chengdu Rural Commercial Bank. We are in discussion with the Industrial and Commercial Bank of China on launching the "Guimiantong" Service and in the process of discussing business operation needs. We anticipate that an agreement will be signed by the end of 2010. After the official launch of the service, holders of our debit cards would be able to make deposits, withdrawals and transfer transactions at the counters of outlets of the Industrial and Commercial Bank of China in China, which would offer more convenient services to holders of our debit cards.

As of December 31, 2009, we issued a total of approximately 5.8 million debit cards of which approximately 4.3 million were Jiangyu Cards and 1.5 million were Jiangyu Xiangqing Cards. As of June 30, 2010, the total number of debit cards issued increased to 6.8 million, driven primarily by the growth in the number of Jiangyu Xiangqing Cards issued. As of the same date, the total number of Jiangyu Xiangqing Cards issued amounted to 2.4 million, representing 35% of the total as compared to 26% of the total at the end of 2009.

Credit Cards

We launched our RMB credit card services in November 2009. Our Jiangyu Credit Card (江渝信用卡) includes regular credit cards and gold credit cards. The type of credit card a customer can apply for depends on (including but not limited to) the customer's income, financial position and credit history. Our credit cards are accepted by our own network and the UnionPay network in China and globally.

We have issued a total of 15,239 credit cards of which 4,819 were regular accounts and 10,420 were gold accounts as of June 30, 2010. For the six months ended June 30, 2010, income from our credit cards amounted to more than RMB470,000.

We plan to enhance our credit card product lines and service features. By the end of 2010, we plan to introduce specialized credit cards which target customers and specific segments such as car owners and SMEs. We will also launch platinum and diamond credit cards targeting high-end customers. These cards provide more personalized and value added services tailored to the needs of those customers. As of September 30, 2010 the Bank has been in the final stage of negotiation with value added service providers of the proposed credit cards. We have applied to China UnionPay for approval of the new bank cards in November 2010.

Fee and Commission-based Retail Banking Business

Our fee and commission-based retail banking products and services include personal wealth management services, insurance agency, entrusted loans, collection and payment services. For fee and commission-based banking services we offer specifically to the County Area, see "Product Lines" under the section headed "County Area Banking Business".

As of June 30, 2010, income from our fee and commission-based retail banking products had a growth of 101.2% from the same period of 2009 and the annual growth rate was 64.1% from December 31, 2008 to December 31, 2009. Since our incorporation as a commercial bank, we have been able to offer a broad array of fee and commission-based retail banking products and services. Leveraging our extensive distribution channels and solid retail customer base, we believe we will be able to further expand our fee and commission-based business and maintain stable high growth in our fee and commission-based retail income.

Wealth Management Services

We released our first personal wealth management product Jiangyu Wealth No. 1 (江渝財富1號) in June 2009. Jiangyu Wealth No. 1 is a low risk product investing in domestic government bonds. A total amount of over RMB490 million were raised. To supplement our wealth management business, we employ an open architecture model and also distributed wealth management products as an agent on behalf of other financial institutions.

Bancassurance

We cooperate with insurance companies to distribute insurance policies as their agents. For the six months ended June 30, 2010, our premium from the sale of insurance policies amounted to RMB1.27 billion with fees and commission amounting to RMB42.6 million, which represented a growth of 55.1% and 61.5% respectively from previous year.

As of June 30, 2010, we had 3,587 qualified bancassurance sales personnel. We will continue to increase the number of qualified bancassurance sales personnel. With our network advantage, our retail customer base, and an increasing number of qualified staff, we will be able to maintain stable high sales growth of bancassurance products.

Collection and Payment Services

We provide various collection and payment services to our customers. Some of our collection and payment customers are large private sector companies, SOEs and public institutions who are also our cash management customers. We provide payment and collection services to their end clients and in turn assist these companies and institutions to manage their external operating cash flow. We consider the various end retail customers served by such corporate customers as our potential customers and take advantage of this opportunity to conduct cross-selling of additional retail products.

Our collection and payment services include collection of revenues and fees, payment of commissions, salary payments, utility bill payments, lotteries, telecommunication bill payments, insurance premium payment and government fines. Our customers are able to conduct settlement through counters, self-service facilities and telephone banking services.

International Banking Operations

We offer similar international banking services that we offer to our corporate clients to our retail customers, which include foreign currency saving, foreign currency cash exchange service, sale and purchase of foreign exchange by individuals and foreign exchange remittances. See "*Corporate Banking Business — International Banking Operations*" in this section.

Other Services

We offer a number of other fee and commission-based banking products and services to meet the diverse needs of our retail customers, including transfers, remittances, settlement and clearance, bank cashier orders, bank drafts, cheques and safe deposit boxes. We are committed to expanding our fee and commission-based products and services. As of September 30, 2010, we have established an open-ended fund distribution service system and completed the relevant testings for the system. We plan to submit formal application to the CSRC by the end of 2010 for the fund distribution services. We also plan to complete the preparation work for the agency sale of gold bullion by the end of 2010. As of September 30, 2010, we are in the process of contacting gold bullion providers and establishing the agency sale system. Moreover, we are developing the system for third party fund custody services and plan to launch the services at a proper time when the conditions are met.

Marketing

We adopt a responsive and diversified marketing strategy. Based on the economic development plan of Chongqing, our headquarters formulates our overall retail banking business development strategy to streamline and devise our marketing policies, operating guidelines, target customers and promotion activities for our retail banking products and services. Our branches keep track of changes in the operating environments of all local areas and, formulate and adjust their marketing strategies on a timely basis to attract target customers.

We place emphasis on building brand recognition in retail banking products and services in tandem with strengthening the awareness of our corporate brand name. With Chongqing Rural Commercial Bank as our core brand, we promote the development of brand identity and marketing through our major retail products and services such as basic services, loans, wealth management, advisory and bank card services. Apart from incorporating elements of our brand identity into products and services, we also promote customer awareness of new consumer finance products. For basic retail services, we have brand advantage in terms of convenient outlet channels. For retail loans, we have product brands such as the "Road to Prosperity" targeted for County Area individuals, the "Wonderful life" consumer loans and "Business Partner" individual business loans. For personal wealth management and advisory services, we have the "Jiangyu Wealth" wealth management business brand. For bank card services, we have the "Jiangyu" brand of debit cards and credit cards.

We have strong marketing channels and the capability to efficiently communicate information regarding our products and services to target customers in the local areas. As of June 30, 2010, we had 1,763 outlets all of which, except for the headquarters, provide basic services and credit card services and financing advisory services to retail customers. Alongside our physical outlets, we also utilize other forms of distribution channels such as internet banking, mobile banking and telephone banking to market products and services and make use of television, print media, themed events and other media to promote our products and services, establish corporate reputation and attract customers.

We have the largest retail banking sales team in Chongqing. As of June 30, 2010, we had approximately 8,300 employees engaging in retail banking, representing 67% of the total number of our employees. In addition, a long standing local presence has enabled our employees to establish long-term relationships with local customers. High brand loyalty and mutual understanding through our deep rooted local presence have made customers more willing to use our products and services and refer our products and services to others, thus facilitating the expansion of our marketing network.

We have a two dimensional marketing and distribution focus, namely the market and customer dimensions. In the market dimension, we divide the target market into County Area and Urban Area markets which are covered by branches tailored to these markets. In the customer dimension, we divide the target customers into mass retail customers and VIP retail customers. Marketing services are provided to mass retail customers mainly through conventional retail marketing channels such as outlet counters and self-service facilities. Exclusive financial products and wealth management services are provided to VIP retail customers by dedicated account managers mainly through VIP service counters and wealth management counters combined with conventional retail marketing channels in accordance with the actual needs of customers such as customer investment preference, risk tolerance, financial position and financial targets.

Treasury Operations

Overview

Our treasury operations primarily consist of money market transactions and investment portfolio management which we perform on our own account. For the six months ended June 30, 2010 the operating income of our treasury operations amounted to RMB901.6 million and accounted for approximately 25.0% of our total operating income.

Money Market Transactions

Our money market transactions primarily consist of borrowings with various terms from and lending to other domestic and foreign banks and non-bank financial institutions, commonly known as inter-bank money market transactions. We consider inter-bank money market transactions an important means for managing our risks and improving investment yield.

Investment Portfolio Management

Our investment portfolio management consists of investment in the bond market, which includes domestic government bonds, financial institutions bonds and corporate bonds. Such investments are generally in notes, money market assets and domestic currency debt instruments issued by financial institutions.

PRICING

The interest rates we charge on our RMB-denominated loans are generally regulated by the PBOC. For RMB-denominated corporate loans and retail loans (other than residential mortgage loans and credit card balances), we are not permitted to set the interest rate lower than 90% of the relevant PBOC benchmark rate, but there has been no upper limit since October 29, 2004. With respect to interest rates for residential mortgage loans, since October 27, 2008, the lowest interest rate we can charge on residential and commercial mortgage loans is 70% of the PBOC benchmark interest rate of the same term and since April 17, 2010, the lowest mortgage rate for a second residential property is 110% of the PBOC benchmark lending rate under a notice issued by the State Council. Out of business considerations, we adjusted our minimum mortgage rate for first time home buyers to 35% of the PBOC benchmark lending rate on November 2, 2010. Within these broad constraints, we use our credit scoring methodology to price on an arms' length basis. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits." Interest rates for foreign currency-denominated loans are generally negotiable with reference to LIBOR and prevailing market interest rate.

Interest rates for our RMB-denominated demand and regular time deposits cannot be higher than the applicable PBOC benchmark rate. However, we are permitted to provide negotiated time deposit interest rates under certain circumstances to institutions such as insurance companies, the NSSF and the Postal Savings Bank of China. We are permitted to negotiate the interest rates on foreign currency deposits denominated in U.S. dollars, Euros, Japanese Yen and HK dollars in accordance with relevant PBOC regulations. See "Supervision and Regulations — PRC Banking Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits" in this prospectus.

With respect to fee- and commission-based products and services, certain services are subject to government guideline pricing, such as basic Renminbi settlement services specified by the CBRC and the NDRC. See "Supervision and Regulations — PRC Banking Supervision and Regulation — Pricing of Products and Services — Pricing for Fee and Commission-based Products and Services" in this prospectus.

Our Assets and Liabilities Management Commission is responsible for determining our pricing policies. In compliance with the provisions of applicable regulatory requirements, we price our products based on various criteria, such as the risk profile of our assets, an individual customer's contribution to our business, our underlying costs, the expected risk- and cost-adjusted returns and our internal fund pricing benchmarks. In addition, we consider general market conditions and prices for similar products and services charged by our competitors.

BRANCH OFFICES

Our headquarters is our decision making and management centre. We deliver our products and services through a variety of distribution channels, including the sales department of our headquarters, branches, branch outlets and deposit taking outlets, 24-hour self-service banking centers, ATMs and telephone banking service centres. As of June 30, 2010, we had a total of 1,763 distribution outlets comprising one headquarters, one main branch under the headquarters, 42 branches and 1,719 branch outlets and deposit taking outlets and 672 ATMs in Chongqing.

Our first village and township bank, Jiangsu Zhangjiagang Huaxin Village and Township Bank Company Limited, our 51% owned subsidiary, was established in Zhangjiagang, Jiangsu province in April 2010. By the end of 2010, we plan to establish two other township banks in Dazhu County of Dazhou City, Sichuan province and Dali, Yunnan province. As of the Latest Practicable Date, 2010, the preparatory work for establishing the two township banks were at the final stage.

Branches, Branch Outlets and Deposit Taking Outlets

As of June 30, 2010, we had a distribution network of one headquarters, one main branch under the headquarters, 42 branches and 1,719 branch outlets and deposit taking outlets, in Chongqing. In some of these branches and branch outlets, we have established specialized service centers dedicated to our key business segments, such as Small Enterprise Loan Centers, retail loan centers, County Area household loan centers, VIP customer counters and wealth management counters. As of December 31, 2009, we had four Small Enterprise Loan Centers, 28 retail loan centers and 24 County Area household loan centers. The number of our Small Enterprise Loan Centers, retail loan centres and the County Area household loan centers increased to 11, 34 and 29 respectively as of June 30, 2010. VIP customer counter and wealth management counter services were introduced in 2010. As of June 30, 2010, we had 68 VIP customer counters and 28 wealth management counters.

We also remodelled some of our existing high income generating outlets or outlets located in areas of dense population into premium branch outlets. Our premium outlets offer a comfortable service environment and a comprehensive range of banking services for our customers.

Our branches are responsible for operations within a geographical area, such as a district or a county in the County Area. Each branch outlet or deposit taking outlet covers several geographical sub-areas within a branch's coverage area and functions as a full-service banking outlet for our customers.

We are a founding member of "Guimiantong" service and a member of the "Nongxinyin". Through Guimiantong, holders of our debit cards can conduct cash transactions, including deposits and withdrawals, at the counters across all branches and branch outlets of Chengdu Rural Commercial Bank and counters of Bank of Chongqing. The Nongxinyin network comprises rural financial institutions which participate in the network and consists of 32 core members. As a member of Nongxinyin, holders of our debit cards are able to conduct cash transactions at the counters of the participating institutions across the nation and cross-region fund remittance and settlement and clearance services through the Nongxinyin network nationwide.

In addition to the "Guimiantong" service and the "Nongxinyin" network, as of June 30, 2010, we had correspondent banking relationships with 79 domestic and international banks.

We will continue to strengthen our network coverage in Chongqing and enhance the service environments of our outlets. We are in the process of consolidating and relocating our existing outlets in the County Areas based on the geographical distribution of our customers and the amount of deposit growth amount from the various locations in Chongqing. We have been coordinating with the local authorities to facilitate the relocation and refurbishing process. We also plan to establish 120 new VIP customer counters and 480 wealth management counters by the end of 2010. As of September 30, 2010, we had established 50 new VIP customer counters and 90 wealth management counters.

24-Hour Self-Service Banking Centers and ATMs

Our 24 hours self-service banking centers and ATMs can effectively reduce operating costs and provide more convenient services to customers. As of June 30, 2010, we had two 24-hour self-service banking centers and 672 cash ATMs. Our 24-hour self-service banking centers typically have several ATMs and multimedia inquiry machines, and offer deposit and withdrawal, account inquiry, bill payment, passcode changing and fund transfer services. Our ATMs and 24-hour self-service banking centers are in diverse locations, including shopping malls, hotel lobbies, supermarkets, major residential areas, hospitals, universities or on major streets in the Urban Area in order to provide convenient access to our customers. By the end of 2010, we plan to establish 9 new 24-hour self-service centers and over 170 new cash ATMs. As of September 30, 2010 we have established a new 24-hour self service banking center and are in the process of establishing eight more centers and have increased the number of ATMs to 756. We also plan to introduce 351 multimedia inquiry machines by the end of 2011. By the Latest Practicable Date, we have introduced 105 multimedia inquiry machines.

We are a member of UnionPay, which operates the bank card and electronic inter-bank information exchange and network services in the PRC. Through our membership in UnionPay, our distribution network is significantly broadened by allowing our customers to use any ATM within the UnionPay network in China and overseas.

Telephone Banking

We have a centralized telephone banking system serving mainly our individual customers. We offer 24 x 7 hour round-the-clock services through the “(023) 966866” customer service number which is accessible throughout the country.

Our telephone banking services are provided through automated services and operator assisted services. Our customers can conduct transactions such as personal account enquiry, bill payment and general account management. Our operators provide service through multiple channels such as telephone, facsimile, e-mail and the Internet. Our telephone banking operators also act as our customer service personnel to provide product consultation, handle customer complaints and offer other services.

Internet Banking

We launched our corporate Internet banking service on March 31, 2010. Currently, our corporate Internet banking service comprises over 80 functions under eight different service categories, including, among others, account enquiry, collection and payment management, corporate finance, group finance, discounted bill administration, customer service, corporate management platform and inter-link services between banks and enterprises (銀企直聯). In particular, group finance, banks and enterprises inter-link are services designed by us specially for medium and high-end customers. As of June 30, 2010, we had 255 corporate Internet banking customers with an aggregate transaction amount of RMB1.26 billion for the six months ended June 30, 2010.

We plan to launch externally our first retail Internet banking service in the beginning of 2011. As of September 30, 2010, we have run internal test for the retail Internet banking service system and are preparing for submission for CBRC approval. Initially, we will offer 9 types of service with approximately 71 functions (including account management, account transfer and remittance, bill payment, credit card, deposit, internet payment, payment by Baotong card, customer service and security centre).

INFORMATION TECHNOLOGY

Our IT systems are an integral part of our business operations, including customer services, transaction processing, risk management and financial management. The establishment of advanced IT systems which are compatible with our overall business service strategies will greatly improve our efficiency, customer service capabilities, risk management and financial management. We currently outsource part of our IT system development to renowned PRC banking industry IT service providers, all of which are independent third parties, to work with us to improve our IT systems.

Currently, we have six systems in operation which are developed by our IT service outsourcing providers. They consist of online banking system, finance accounting system (phase I), human resources system, international business system, customer service centre system and self-service management system. Systems which are under development include credit management system, centralized business operation system, post-accounting supervision system, integrated business system, financing accounting system (phase II) and capital transfer pricing system. We have comprehensive management guidance over the outsourcing process which is supervised by our Information Technology Department and the IT Strategy Committee. Our measures to ensure proper functioning of our IT service outsourcing providers include entering into clear documentation of their responsibilities, regular or *ad hoc* review and appraisal of their work, formulating and establishing a problem-solving mechanism to handle unexpected outsourcing incidents.

Our IT systems contain important features such as the centralized core banking system, customer information system, payment and settlement system, international business system and internal management system.

Centralized core banking system

We introduced our centralized core banking system in 2002. The centralized core banking system is a bank-wide integrated computing system with a centralized database, which consolidates the processing of transactions of our operating outlets. It supports online transaction processing of deposits and loans of both corporate and retail customers, money lending and equity investment as well as the function of accounts processing. We upgraded our centralized core banking system in 2009 to provide support for additional functionalities, including customer information management, Internet banking, financial management, credit card and foreign exchange processing. The major features of the upgrade included expanding account information data of important customers, broader channel production information, enhanced functional support for accounts of group customers, and reduced reliance on accounting registers which improved efficiency and optimized the handling of data enquiries.

Customer information system

The customer information system integrates customer information from the credit management system and the centralized core banking system to form a bank-wide unified customer data and information platform, providing detailed data and information support for us to carry out customer relationship management and formulate the operation policy.

Payment and settlement system

Our front line systems such as CNAPS (The China National Advanced Payment system), e-billing and nationwide Nongxinyin have successively been put into operation. As for the operation and maintenance of our nationwide Nongxinyin payment and settlement system, we were awarded the 2007 "Nongxinyin Real-time Payment and Settlement System Establishment Special Achievement Prize" and were named an "Advanced Unit for the Operation and Maintenance of the Nongxinyin Payment and Settlement System for 2008 to 2009".

International business system

The integration of our international settlement system with the centralized core banking, SWIFT and other international payment and settlement system has improved the automation and competitiveness of our financial systems.

Intermediary business system

To diversify the varieties and functions of our intermediary business, we have developed comprehensive financial system and V3 collection system for our tobacco clients, collection system for our government clients, utility payment collection system and insurance agency sale system to provide a full-range service to our clients and to capture the market.

Internal management system

This includes information management systems such as credit management, financial management and human resources management for satisfying our needs relating to risk control and prevention, internal management, decision analysis and information disclosure.

The credit management system supports the processing of transactions, such as pre-loan investigation, approval and control during loan application, post-loan inspection and monitoring.

The financial management system incorporates financial accounting functions such as the general ledger, fixed asset management, purchasing management and fee management, thus completing the delineation of the internal account management function of the core system.

The human resources management system includes major functions such as organizational structure management, employee management, recruitment and employment management, employee appraisals, education and training.

Information technology risk management

We have adopted a variety of IT safety measures, including firewall technologies, data encryption, intrusion detection and Internet security. We have developed a three-level network to fully support our production, disaster recovery, testing and business research and development as well as various voice, video and data applications. We commenced the transformation and enhancement of our bank wide networks in 2008, and are expected to complete the development in two years.

We have established an effective disaster recovery system. The operation centre is located in the Urban Area of Chongqing and the disaster recovery centre is located in Xiushan County, which is 500 kilometres from the operation center. In the event that a disaster occurs at the operations centre, we will be able to switch to the disaster recovery centre in a timely manner so that the information system can operate as usual, and maintain business continuity.

Information technology plan and blueprint

We engaged Microsoft Corporation to prepare a five years' IT development plan for us in 2008. The plan has three phases. The first phase of the IT development plan was initiated in 2008 and completed in 2009 during which we established the e-banking system, self-service management service platform, international business system, credit card system and telephone banking system. We also established client information database and financial management system. Our reporting system and human resources system were put in place for internal management, decision analysis and data disclosure purposes. An internet upgrade was also initiated across all our offices. We are currently in the second phase (2009-2010) of the IT development plan. We have been developing IT front line system platform for different system upgrade projects. We have been upgrading the financial management system and credit management system and establishing a centralized risk management system. So far we have incurred RMB 124.7 million for research and development expenses.

Under the third phase of the plan (2011-2012), we will continue accelerating our systems development and channel construction, completing the development of an integrated IT front line system platform including enterprise service bus, a unified payment platform, the integrated counter system and the integrated business system upgrade project, and upgrading management systems such as credit, finance, centralized processing and post-transaction supervision. We will further improve IT governance, increase investment infrastructure, upgrade the technology security and reinforce maintenance.

This plan is expected to help broaden the marketing channels, upgrade the centralized core banking system, establish and improve the customer-oriented processes of marketing, sales and services of our Bank. Our Bank will also establish a comprehensive risk management system through this plan to enhance our overall ability to prevent and control financial risk. Under this plan, our Bank will also create an intensive innovation platform through the construction of a platform for consolidating business processes and a system for upgrading and reforming intermediate businesses. Under the five year plan, we expect to incur a total of RMB833.5 million for research and development expenses.

COMPETITION

We mainly face competition from Large Commercial Banks and Other National Commercial Banks which have established branches in Chongqing, and local banking financial institutions in Chongqing, such as Bank of Chongqing and Chongqing Three Gorges Bank, in business areas in which we are engaged. Apart from that, we also face competition from urban commercial banks and foreign banks which carry on their business in Chongqing. Competition between us and other commercial banks and financial institutions which carry on their business in Chongqing primarily focus on product variety and prices, service quality, convenience of banking facilities, brand recognition and IT capability.

In addition, we face competition from non-banking financial institutions, such as securities firms and insurance companies, in the provision of financial services.

Competition between us and foreign financial institutions in the banking financial market of Chongqing may intensify substantially in the future. Pursuant to its commitments on accession to the WTO, the Chinese Government eased restrictions imposed on foreign banks in the aspects of geographical distribution, customer base and scope of operations in 2006. In addition, pursuant to the Closer Economic Partnership Arrangement entered into by Hong Kong and Macau, China allows small banks from the two cities to carry on business in China. The lifting of these restrictions may cause us to lose some existing competitive advantages over foreign banks in the banking market of Chongqing. In recent years, benefiting from the overall plan to build Chongqing as a economic centre and financial centre of the upper reaches of Yangtze River, many foreign banks have successively carried on business in Chongqing by establishing offices in Chongqing or by establishing township banks in the Country Areas. With the anticipated rapid development of the economy of Chongqing in the future and the improvement of the financial operation environment in Chongqing, Chongqing has become more attractive for foreign banks to establish their operation. We will face even greater challenges in competing with foreign banks in the future.

EMPLOYEES

As of June 30, 2010, 2009, 2008 and 2007 we had 12,423, 12,605, 12,844 and 10,767 regular employees, respectively. The table below includes a breakdown of all our regular employees by function as of June 30, 2010:

	Number of employees	Percentage
Corporate banking (1)	1,692	13.62%
Retail banking	8,299	66.80
Treasury operations	129	1.04
Finance and accounting	845	6.80
Risk Management, internal audit and legal and compliance	660	5.31
Information technology	164	1.32
Management (2)	204	1.64
Others (3)	430	3.47
Total	**12,423**	**100.00%**

(1) Includes 1,122 corporate client managers.

(2) Includes senior management of the headquarters, general managers, deputy general managers, assistants to general managers of departments of the headquarters; branch presidents, deputy branch presidents.

(3) Includes other staff such as human resources, administration, security and surveillance.

We believe we have a young work force, with 43% of employees younger than 35 years old. As of June 30, 2010, the average age of our regular employees was 37.

As of June 30, 2010, we had a total of 1,675 internally retired employees and 3,738 retired employees. We developed the internal retirement arrangement based on relevant State policy. Internal retirement refers to the practice of allowing our employees who have reached a certain age or service year but have not reached the retirement ages under state law to leave their positions temporarily due to inadaptation to job and other special reasons, and such employees will undergo the retirement procedure once they reach the retirement ages under State law. According to internal retirement arrangement, an employee must fulfil certain conditions before he or she can apply for internal retirement, firstly such employee must reach a certain age or service year, secondly, the application is based on special grounds such as illness, however, the application must be approved by the head of the relevant branch and the human resource department at the headquarters. We do not approve internal retirement under certain circumstances, for example, the employee does not meet relevant conditions of internal retirement, and such employee is pending on the result or subject to any penalties for violation of our regulation and policy. We provide remuneration and relevant welfare benefits such as social insurance, medical insurance and housing funds to internally retired employees based on his or her former position, number of years worked and academic credentials.

We implemented retirement policy as stipulated by the State. According to relevant retirement policy, we undergo retirement procedures for over 60 years old male employee or over 50 or 55 years old female employee (55 years old for female employee in management position, and 50 years old female employee in non-management position). We provide retired employees with reasonable subsidies and relevant benefits based on the price indexes in Chongqing.

Our PRC legal advisor has confirmed that our guidelines on retirement and internal retirement comply with the relevant government regulations.

For the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007, we had 3,738, 3,690, 3,628 and 3,591 retired employees, respectively, and 1,675, 1,599, 1,293 and 1,211 internally retired employees, respectively. For the same periods, the cost of retirement and internal retirement benefits amounted to RMB 143.4 million, 30.3 million, 45.8 million and 11.7 million, respectively, which accounted for 15.9%, 1.7%, 3.8% and 1.2% of our staff costs, respectively, and 4.0%, 0.5%, 0.9% and 0.2% of our operational income, respectively. The insignificant fluctuation in the amount of the retirement benefit cost reflected in the balance sheet during the period between 2007 and 2009 was mainly due to the fluctuation in discount rates at the beginning of each of the periods. The substantial increase in retirement cost from the year ended 2009 to the first half of 2010 was mainly due to the newly eligible retirees and internal retirees in the first half of 2010. Due to such increase of retirees, our Bank made one-off retirement benefit reserves to those newly eligible staffs, on the assumption that such staffs would continue to live before a certain age. And this in turn led to significant increase in employee benefit liabilities immediately reflected in our financial statements during the same period.

We have not experienced any strikes or other material labor disturbances that have interfered with our operations. Our management, the labor union and employees have maintained good relationships with each other.

Note 1: The fluctuation in discount rates is due to the fluctuation of the yields on government bonds at the beginning of the each period. According to paragraph 78 of HongKong Accounting Standards 19, market yields on government bonds should be used to determine the discount rate in countries where there is no deep market in high quality corporate bonds. Because this is the case in China, the discount rate has been determined with reference to yields on Chinese government bonds.

Please see paragraph 78 of HK AS 19 below for reference: *The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.*

PROPERTIES

Our headquarters is located at No. 10, Yanghe East Road, Jiangbei District, Chongqing, China. As of September 30, 2010, we owned 2,995 properties and leased 323 properties in the PRC.

Owned Properties

As of September 30, 2010, we owned and occupied 2,995 properties in the PRC with an aggregate GFA of approximately 1,519,659.85 sq.m. Among the 2,995 properties, 2,256 owned properties with an aggregate GFA of 1,179,840.43 sq.m. are commercial properties used as office or business premises, and 739 properties with an aggregate GFA of 339,819.42 sq.m. are for residential or ancillary uses.

We have obtained the relevant proper building ownership certificates and land use right certificates for 2,836 properties, representing a total gross floor area of approximately 1,431,630.69 sq.m. and 94.21% of the gross floor area of all our owned properties.

Of the properties with defective legal titles, for 50 properties with a total gross floor area of approximately 27,304 sq.m., we have obtained the allocated land use right certificates and the building ownership certificates, representing 1.8% of the GFA of the properties that we own. For a further 15 properties with a total gross floor area of approximately 5,849.81 sq.m., we have obtained the collective land use right certificates and the building ownership certificates. We have not obtained the granted land use right certificates and/or building ownership certificates in respect of 94 properties with a gross floor area of approximately 54,875.35 sq.m. representing 3.61% of the GFA of properties that we own.

We have been advised by our PRC legal advisor that for the properties with the defective legal titles, we should obtain the building ownership certificates and the granted land use right certificates in accordance with the law before we are entitled to occupy, use, assign, lease, pledge or otherwise dispose of the properties according to law. We are in the process of applying for the relevant land use rights and building ownership certificates that we do not yet hold, and we are cooperating closely with the local land and property management authorities to expedite such applications in order to obtain the relevant valid title certificates as soon as practicable. On November 15, 2010, we entered into an asset purchase agreement with Chongqing Yufu Assets Management Company Limited, pursuant to which Chongqing Yufu Assets Management Company Limited agreed to purchase in cash the 148 properties (or 154 properties under Jones Lang LaSalle Sallmanns Limited's classification standard) with a total gross floor area of approximately 83,813.63 sq.m that we owned with defective legal titles. We have been unable to obtain relevant land use rights or building ownership certificates for the remaining 5 of the properties with a total gross floor area of approximately 4,215.53 sq.m representing 4.8% of the GFA of properties that we own due to various title defects.

While we are unable to obtain certain of these title certificates as a result of these title defects before the listing date, the aggregate gross floor area of these properties with defective title is immaterial comparing to all of the properties we own. In addition, the Directors of the Bank are of the view that such title defects will not affect our operation in a crucial manner. As disclosed, we are currently in the process of obtaining the relevant title certificates of the remaining properties with defective legal title and if necessary, we would be able to replace these properties with comparable alternatives without any material adverse effect to our Group's operations.

Properties under Construction

As of September 30, 2010, we held 18 properties under construction in China, for which we have obtained the relevant construction-related permits as required by PRC laws.

Property Contracted to be Acquired

We have entered into agreements with some real estate developers or sellers to purchase 34 properties with an estimated aggregate GFA of 23,206.22 sq.m. The aggregate contract price of these properties is RMB 194 million, of which we have paid RMB116.8 million as at September 30, 2010. Owing to the fact that not all the required payments had been fully paid up to the date of valuation or the properties had not been assigned to us, the titles of the properties were not vested in the Company. Therefore, Jones Lang LaSalle Sallmanns Limited have attributed no commercial value to the property.

Leased Properties

As of September 30, 2010, we leased 323 properties with an aggregate lettable area of 45,444.92 sq.m. in the PRC. Of these 323 leased properties, an aggregate lettable area of approximately 42,745.54 sq.m. is mainly used as office or business premises by branch outlets or 24-hour self-service banking centers and the remaining 2,699.38 sq.m. are for residential or ancillary use. Among these leased properties, 177 properties, with an aggregate lettable area of 22,542.08 sq.m. were leased from lessors who were not able to provide the title certificates. According to Junhe Law Offices, our PRC legal advisor, as the owner of the properties, the lessors are responsible for obtaining relevant valid title certificates or providing us the consent to lease properties. In respect of this, we have pro-actively procured these lessors to apply for the relevant valid title certificates or provide us the consent to lease properties. Among these leased properties with defective legal title, the lessors of 119 leased properties have provided confirmation letters to confirm that they have legal rights to lease the properties, to undertake to apply for relevant title certificate and undertake to compensate us for losses arising from their defective legal title. For the remaining 58 properties without such confirmation letters, as advised by our PRC legal advisor, we will have the right to seek compensation from the lessors pursuant to the relevant lease agreements. We are of the view that most of these leased properties can, if necessary, be replaced by other comparable alternative premises without any material adverse effect on our operation. Please refer to the paragraph headed "Risk Factors — We do not possess the relevant land use right certificates or building ownership certificates for certain properties held by us, and we may be required to seek alternative premises for some of our offices or operational sites due to our landlords' lack of relevant land use right certificates or building ownership certificates."

As of September 30, 2010, apart from the aforesaid leased properties, we have leased two parcels of land with defective legal title. The aggregate lettable area of the vacant land is approximately 932.67 sq.m., mainly intended for future development into business space or auxiliary to business operations. We have obtained confirmation letters from the lessors of two parcels of land to undertake to compensate us for losses arising from their defective legal title.

Property Valuation

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the property interests that we held as of September 30, 2010 with commercial value of RMB2,346 million. The text of the valuation letter, summary of values and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited for this prospectus are set out in Appendix V.

No commercial value is attributed to any leased properties, properties to be acquired, owned properties and properties under construction without proper title certificates.

Waiver and Exemption

Regarding the format and content of the valuation report, owing to the substantial number of properties we own (2,995 in total) and lease (323 in total), we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and an exemption from the SFC from strict compliance with section 342(1) in respect of Paragraph 34(2) of Part II of the Third Schedule to the Companies Ordinance on the grounds that it would be unduly burdensome to include the full valuation report in this prospectus due to the substantial number of properties involved and it would be irrelevant to potential investors to include extensive details on each property in this prospectus as we are a commercial bank. The exemptions are granted on the conditions that (i) the full valuation report complying with all the requirements of Paragraph 34 of Part II of the Third Schedule to the Companies Ordinance, which will be prepared in the Chinese language only, will be made available for public inspection in accordance with "Appendix X-Documents Delivered to the

Registrar of Companies and Available for Inspection” to the prospectus; (ii) a summary valuation report of all of our property interests prepared on the basis of the full valuation report is included in Appendix V to this prospectus and (iii) this prospectus shall set out the particulars of the exemptions.

INTELLECTUAL PROPERTY RIGHTS

We conduct our business under “Chongqing Rural Commercial Bank” as our corporate name. We own 3 PRC registered trademarks, namely, “江渝卡 JIANGYU CARD” and “”, (including 2 categories). We have also duly registered in Hong Kong the logo and trademarks “重庆农村商业银行” (including 4 marks), “CQRC” (including 3 marks), and “” (including 2 marks). We have also registered with Chongqing Municipal Copyright Bureau the copyrights of “” and “”. We are the registered owner of the domain names of our websites www.cqrcb.com, 4008366666.cn and 4008366666.com. See “Appendix IX — Statutory and Information — Further Information about Our Business — Our Intellectual Property Rights.”

LEGAL PROCEEDINGS AND COMPLIANCE

Claims and Legal Proceedings

We are subject to certain claims and are a party to a number of legal proceedings arising from the ordinary course of our business. Most of these claims and legal proceedings involve the enforcement of claims initiated by us to recover repayment of our loans. The claims and legal proceedings against us mainly include actions relating to customer disputes. As of June 30, 2010, we had four pending lawsuits, each of which with claim amount of over RMB30 million, all as plaintiff, with total potential amount of claims of approximately RMB139.5 million. We have been advised by our PRC legal advisors that, none of the legal proceedings to which we are a party, individually or in the aggregate, will have a material effect on our financial condition or results of operations.

Regulatory Proceedings

We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include without limitation the CBRC, the CSRC, the SAFE, the PBOC, the MOF, the NAO and the SAT, and their respective local bureaus and offices, especially in Chongqing. These regulatory authorities carry out periodic inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements. Although these incidents and penalties did not have any material adverse effect on our business, financial condition and result of operations, we have implemented improvement and remedial measures to prevent the reoccurrence of such incidents.

Administrative Penalties

We have been subject to reprimand, fines and other penalties as a result of our failure to comply with certain laws and regulations identified during regulatory inspections and examinations. During the Track Record Period, we were subject to 11 fines, totaling approximately RMB0.64 million, and an incident of handling illegible and counterfeit bank bills without strict compliance with the relevant regulations discovered by the PBOC which did not result in any fines or penalties, all of which occurred prior to the Restructuring. These mainly include fines imposed by the local bureaux and offices of the PBOC and fines imposed by the Administration for Industry and Commerce of Chongqing. We have paid all the fines in full and have taken steps to address the issues described above. Details of each of the 11 fines and our primary remedial steps taken are set forth below:

PBOC

Details of fines and penalties	Our primary remedial steps
• In February 2008, overdue or overdraft of deposit reserve account to the amount of RMB2,055,088.24, resulted in a fine of RMB1,233.05	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In February 2008, overdue or overdraft of deposit reserve account to the amount of RMB14,888,088.71, resulted in a fine of RMB200,000	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In April 2008, overdue or overdraft of the deposit reserve account to the amount of RMB6,129,810.29, resulted in a fine of RMB300,000	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In June 2008, failure to maintain deposit reserve to the amount of RMB27,839,462.93, resulted in a fine of RMB16,703.69	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In April 2008, opening accounts that require the approval from PBOC without such approval and paying cash to our depositors in violation of the applicable regulations, resulted in a fine of RMB55,000	• Ceased the opening of approval-type accounts without PBOC authorisation and cash payments to depositors in violation of the applicable regulations, enhanced training and guidance to the operation staff in order to promote their compliance awareness

Details of fines and penalties	Our primary remedial steps
• In April 2008, opening accounts that require the approval from PBOC without such approval, resulted in a fine of RMB25,000	• Ceased the opening of approval-type accounts without PBOC authorisation and enhanced training and guidance to the operation staff in order to promote their compliance awareness
• In September 2007, delay in reporting the opening, changes and cancellation of certain accounts as required by the PBOC, resulted in a fine of RMB15,000	• Reported the opening, changes and cancellation of certain accounts which were not done previously to the local branches of the PBOC
• In August 2007, delay in or insufficient contribution to deposit reserve account, resulted in a fine of RMB5,189.70	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In December 2007, overdue or overdraft of deposit reserve account to the amount of RMB8,685,504.32, resulted in a fine of RMB5,211.30	• Settled the outstanding deposit reserves in a timely manner, penalized the responsible officers, enhanced training and guidance to the operation staff in order to promote their sense of responsibility
• In September 2007, delay in reporting the opening of general deposit accounts as required by the PBOC, resulted in a fine of RMB10,000	• Adopted measures to ensure timely reporting of the opening of general deposit accounts, conducted training for our operation staff in order to enhance their skills

Administration for Industry and Commerce of Chongqing

Details of fines and penalties	Our primary remedial steps
• In March 2008, fees were charged from valuation agencies in violation of the applicable regulations, resulted in confiscation of such fees charged from valuation agencies to the amount of RMB120,199 and a fine of RMB10,000	• Enhanced staff training in order to prevent occurrence of similar incidents

In addition to our primary remedial steps which target the past incidents which resulted in administrative fines and penalties, we have also taken steps at the operation level which include regulating and improving our systems, enhancing the implementation of our systems, upgrading our business systems for the implementation of risk control. Such remedial steps have effectively improved our corporate governance, as evidenced by no re-occurence of such incidents after the Restructuring. As such, we have been advised by our PRC legal advisors, Junhe Law Offices that the relevant PRC regulatory authorities will not impose any further administrative penalties in relation to these incidents.

Findings of Regulatory Examinations

Certain routine or *ad hoc* examinations or inspections conducted by the PRC regulatory authorities, although not resulting in fines or other penalties imposed on us, have revealed certain deficiencies or incidents of non-compliance in various areas of our business operations, risk management and internal control. The results of the principal examinations or inspections are summarized below.

CBRC

The CBRC Chongqing Bureau and its local offices conduct routine and *ad hoc* inspections of our Bank, including on-site inspections of our main branch under our headquarters, branches and branch outlets. Based on these inspections, the CBRC Chongqing Bureau and its local offices issue inspection reports setting forth their findings and recommendations.

From 2007 to September 30, 2010, the CBRC Chongqing Bureau and its local offices carried out routine and *ad hoc* inspections of our main branch under our headquarters and some of our branches and branch outlets. During the inspection, the CBRC Chongqing Bureau identified certain incidents of non-compliance and weaknesses in, among other things, our internal control and corporate governance, business operation, and asset quality and capital structure. The main issues at our main branch under our headquarters, and certain of our branches and branch outlets identified by the CBRC Chongqing Bureau and its local offices through these inspections include, weakness relating to management of our accounting and internal audit system, risk management system, and internal control system; weakness relating to credit approval process and post lending management, management of loans to farmers, discounted bills, and customer accounts management; and weakness relating to the monitoring of the five-category loan classification system. The key recommendations made by the CBRC Chongqing Bureau and its local offices in its reports and our primary remedial measures adopted are set forth below.

Key recommendations	Our primary remedial measures
• Strengthen the internal control and internal audit system, improve employee awareness of internal control and compliance and clarify the responsibility of the meetings of shareholders, directors and supervisors	• Implemented unified and standardised internal control and risk management policies and procedures; established specialised departments for risk management, compliance and internal audit; established an inspection committee to carry out internal inspection; clarified the segregation of responsibilities of the meetings of shareholders, directors and supervisors with conduct of each of these meetings regulated by separate terms of reference
• Comply with the relevant guidance issued by the CBRC on the credit approval process and post-disbursement management, tighten the credit evaluation procedures, strengthen internal supervision and examination to ensure compliance with the relevant regulation on wealth management products	• Tightened post-disbursement supervision, enhanced the training of lending officers; established a special commission to carry out internal cross checks, credit assessment and risk evaluation for loans to farmers; identified the cause of non-compliance and strengthened internal supervision of wealth management products
• Strengthen the management of discounted bills and unify its credit approval management, and strengthen and standardise customer accounts management	• Strengthened the management of discounted bills and integrated the management of discounted bills to become part of the credit approval management; implemented the customer accounts cross checking system, and tightened the cash management process
• Devise plans and policies for provision of non-performing loans based on the five-category loan classification system and implement integrated computerised management thereof	• Enhanced staff training and on the job education, implemented testing and evaluation system for loan movements, adjusted the loan classification and enhanced the accuracy of classification

As of September 30, 2010, we have not received any requests from the CBRC Chongqing Bureau and its local offices to take further remedial measures, and were not subject to any further examination or inspections on the aforementioned issues.

PBOC

The PBOC Chongqing Operations Office and its local branches conduct routine and *ad hoc* inspections of our Bank, including on-site inspections of our main branch under our headquarters, our branches and branch outlets. Based on these inspections, the PBOC Chongqing Operations Office and its local branches issue inspection reports setting forth their findings and recommendations.

From 2007 to September 30, 2010, the PBOC Chongqing Operations Office and its local branches carried out periodic and *ad hoc* inspections of our main branch under our headquarters, our branches and branch outlets. During the inspections, the PBOC Chongqing Operations Office and its local branches identified certain incidents of non-compliance and weaknesses in our, among other things, anti-money laundering measures, cash management, settlement and clearance system and treasury operation. The main issues at our main branch under our headquarters and some of our branches and branch outlets identified by the PBOC Chongqing Operations Office and its local branches included weakness relating to anti-money laundering, approval mechanism for large amount withdrawals, overdrawing the deposit reserve account, non-compliance with internal reporting requirements for account movements, and non-compliance with counterfeit banknote handling procedures; weakness relating to opening of accounts and account recording, inadequate reporting with PBOC; weakness relating to risk prevention mechanism, operating bond product clearance services without the relevant qualification. The key recommendations made by the PBOC Chongqing Operations Office and its local branches in its reports and our primary remedial measures adopted are set forth below.

Key recommendations	Our primary remedial measures
• Enhance staff training and awareness of anti-money laundering procedures, strengthen the anti-money laundering management, strict implementation of account holder identification checks	• Implemented account holder identification checks, organised staff training and enhanced awareness of anti-money laundering procedures, standardised the anti-money laundering management procedures
• strict compliance with counterfeit banknote handling procedures, enhance internal review and inspection system on cash management	• Organised staff training and imposed penalty on staff members who failed to observe the counterfeit banknote handling procedures, strict compliance with the counterfeit banknote handling procedures, implemented internal review and inspection system

Key recommendations	Our primary remedial measures
• Strengthen account management staff training, implement proper account opening and recording system, strengthen account clearance and settlement management system	• Continued to enhance staff training and familiarity with relevant management policies, clarified scope of duty and enhanced risk awareness of staff, implemented strict implementation of account opening and recording procedures and account clearance and settlement management system
• Enhance staff training and broaden scope of staff training, strengthen risk prevention mechanism, immediate suspension of bond products clearance services	• Organised staff training across different levels and appointed training staff and implemented target oriented training, strengthened risk prevention mechanism, suspended bond products clearance services since November 2007

As of September 30, 2010, we have not received any requests from the PBOC Chongqing operations office and its local bureaus, to take further remedial measures, and are not subject to any further examination or inspections by them on the aforesaid issues.

Chongqing Audit Office

The Chongqing Audit Office conducts audit of state-owned and state-controlled enterprises, including us, from time to time. From 2006 to September 30, 2010, the Chongqing Audit Office conducted audit every year on our Bank's revenue and expenditure and the implementation of the agricultural development project established by the International Foundation of Agricultural Development ("IFAD Project"). In its audit report issued in September 2010, the Chongqing Audit Office identified certain issues in relation to the application of funding from the IFAD Project by our Bank, they include inaccurate classification of expenditure in our accounting records and retention of RMB1.9 million of the funds from IFAD Project by our headquarters payable to our branches. As stated in the audit report, we are required to provide the Chongqing Audit Office a report on our implementation of remedial measures by December 31, 2010. The findings by the Chongqing Audit Office did not have any material adverse effect on our financial condition and results of operations.

As stated in the Chongqing Audit Office, we are required to implement remedial measures by December 31, 2010. We take the issues raised by the Chongqing Audit Office's audit seriously and have implemented the relevant remedial measures. As of the Latest Practicable Date, we have rectified the issues identified by the Chongqing Audit Office and have submitted the report on our implementation of remedial measures to the Chongqing Audit Office. Other than the aforementioned, as of September 30, 2010, we are not required by Chongqing Audit Office to take further actions.

We do not believe that the relevant PRC regulatory authorities' findings described above revealed any material deficiencies in our internal controls or risk management systems. To the extent that any of these findings suggests any such deficiencies, we believe we have taken the necessary steps to correct them. Furthermore, we have reported the status of the implementation of our remedial measures to the relevant regulatory authorities following the inspections by such authorities. None of these findings or administrative penalties have resulted in any material adverse effect on our financial condition or results of operations. We have been advised by our PRC legal advisors, Junhe Law Offices, that, as of the Latest Practicable Date, nothing has come to their attention that would indicate that the relevant PRC regulatory authorities will impose any further administrative penalties in relation to these incidents. See "Risk Factors — Risks Relating to Our Business — We are subject to various PRC regulatory guidelines and requirements, and our past non-compliance could result in fines, sanctions or other penalties."

Use of Funds

The PRC Commercial Banking Law imposes strict limitations on the use of funds by PRC commercial banks and generally prohibits them from holding equity interests in non-banking entities in the PRC. We have historically held equity interests in domestic non-banking entities, and thus have not been in compliance with these requirements. We have disposed of a large percentage of these equity interests prior to the Global Offering. As of June 30, 2010, such equity interests amounted to RMB71.7 million invested in one remaining non-banking entity, representing a very small percentage of our total assets. The disposal of the remaining equity interests has been approved by Chongqing SASAC in August, 2010. We intend to continue to dispose of the equity interests following the Global Offering. As of the Latest Practicable Date, we have not been imposed any fines or penalties by the relevant authority on our holding of the equity interests. We have been advised by our PRC legal advisors, Junhe Law Office, that, as of the Latest Practicable Date, since the amount of equity interests represented a relatively small amount and the disposal has been approved by the Chongqing SASAC, and according to the Bank, it has not been imposed any fines or penalties on the equity interest holding, therefore the holding of the equity interests prior to the disposal does not and will not have material adverse effect on the Global Offering and the listing of H Shares on the Hong Kong Stock Exchange.

Employee Non-compliance

Nine incidents involving employee non-compliance occurred and were discovered during the Track Record Period. In 2007, nine incidents involving employee non-compliance occurred and were discovered, involving an aggregate amount of approximately RMB17.8 million. No such incidents occurred after 2007. Details of each of the nine incidents of employee non-compliance during the Track Record Period and our primary remedial actions adopted are set forth below:

Non-compliance Incidents	Our Primary Remedial Actions
• From 2005 to 2007, a loan officer committed misappropriation of funds amounting to RMB840,000, was sentenced to 3 years imprisonment with 5 years suspension of the sentence.	• Dismissal from office against the loan officer; disciplinary and economic sanctions against 10 responsible staffs; economic sanctions against 3 senior staff.
• From 2004 to 2006, a credit union senior officer committed misappropriation of funds amounting to RMB2,689,000, was sentenced to 5 years imprisonment.	• Dismissal from office against the credit union senior officer; disciplinary and economic sanctions against 24 responsible staffs; disciplinary sanctions against 3 senior staff
• From 1996 to 2007, a loan officer committed misappropriation of funds amounting to RMB2,337,500, was sentenced to 8 years imprisonment.	• Dismissal from office against the loan officer; disciplinary sanctions and dismissal from positions against 4 senior staff
• From 1995 to 2006, a loan officer committed misappropriation of funds amounting to RMB878,000, was sentenced to 3 years imprisonment.	• Dismissal from office against the loan officer; disciplinary measures and economic penalty against 16 responsible staffs; disciplinary and economic sanctions against 4 senior staff
• From 1999 to 2005, a loan officer committed misappropriation of funds amounting to RMB907,300, was sentenced to 3 years and 6 months imprisonment.	• Dismissal from office against the loan officer; disciplinary sanctions and dismissal from positions against 4 senior staff
• From 2002 to 2006, a loan officer committed misappropriation of funds amounting to RMB558,500, was sentenced to 4 years and 3 months imprisonment.	• Dismissal from office against the loan officer; disciplinary and economic sanctions against 17 responsible staff
• In 2007, a credit union senior officer committed theft of bank assets amounting to RMB553,700, was sentenced to 8 years and 6 months imprisonment.	• Dismissal from office against the credit union senior officer; disciplinary sanctions and dismissal from positions against 4 senior staff

Non-compliance Incidents	Our Primary Remedial Actions
• From 2002 to 2007, two loan officers committed illegal disbursement of loans amounting to RMB8,521,000. One was sentenced to 3 years imprisonment with 5 years suspension of the sentence and a fine of RMB100,000. The other was sentenced to 3 years imprisonment with 4 years suspension of the sentence and a fine of RMB90,000.	• Suspension from positions against both loan officers; disciplinary sanctions and dismissal from positions against 4 senior staff
• From 2004 to 2007, a loan officer committed theft of bank assets and amounting to RMB531,000, has absconded	• Dismissal from office against the loan officer; disciplinary sanctions and dismissal from positions against 4 senior staff

Other than the primary remedial actions we undertook immediately after each incident was discovered, we have also implemented general remedial measures which aimed at preventing the reoccurrence of such incidents. These general remedial measures, among others, included: prompt revision of internal policies and procedures; strict internal inspection and examination; enhanced staff training and strict internal sanction mechanism; clear separation of scope of duties among departments; improved internal risk control management through the implementation of information technology system.

These measures have raised employees' awareness and created a deterrent effect against non-compliance, evidenced by the non-occurrence of similar incidents after 2007. We have been advised by our PRC legal advisors, Junhe Law Offices, that based on our confirmation of the details and total number of the incidents of reportable employee misconduct, the total amount involved in the incidents of reportable employee misconduct and the details of corrective measures taken by us, neither the legality of the corporate existence of our Bank or our branch outlets has been affected, nor has any of the required approvals, permits, authorizations or filings necessary for our business operations been revoked as a result of these incidents of reportable employee misconduct. Furthermore, the amount of loss that may be attributable to these incidents constituted a relatively small fraction of our total assets. We have taken corrective measures, including, but not limited to, measures to rectify and prevent relevant misconduct and discipline employees engaged in misconduct. On the basis of the foregoing, our PRC legal advisors have confirmed that the reportable employee misconduct did not and will not, individually or collectively, have a material adverse effect on our business and results of operations.

Our Directors believe that the above regulatory and employee non-compliance is not significant and does not have any material adverse impact on the business and financials of the Bank.

INTERNAL CONTROL

We have engaged an independent professional party as external consultant to review our internal control and risk management systems in order to improve our internal control system. The internal control review covered three main areas, namely corporate governance, financial reporting and information disclosure and operation control. The internal control review conducted by the external consultant is not related to regulatory deficiencies. During the initial review conducted between March 8, 2010 and April 2, 2010, the following aspects of our internal control were uncovered by the external consultant and they also provided us with the following recommendation.

Aspects of internal control	Recommendations
• Internal control evaluation internal management manual	• To compile a formalised internal control evaluation internal management manual based on the business operation and development needs of the Bank and to produce periodic internal control reports based on the internal management manual
• Internal approval procedures relating to the treatment of non-recurrent material financial items	• To compile internal procedural manual and to strictly implement the approval procedures for treatment of non-recurrent material financial items according to the procedural manual
• Hong Kong Listing Rules related disclosure requirements relating to financial reporting and other information disclosure such as, price sensitive information, connected transactions and notifiable transactions, in the existing disclosure manual	• To regularly review the internal information disclosure system and disclosure manual to ensure compliance with the relevant Hong Kong Listing Rules Provisions and regulations
• Review and evaluation of the risk management system by the Internal Audit Department as required by the internal manual on risk management	• The Internal Audit Department to conduct regular review and evaluation of the risk management system and to produce report on the result of such review and evaluation, which shall be submitted to the Board for its consideration, and to keep track of the progress of implementing the remedial measures recommended by the Board
• Manual calculation of provision for loan impairment	• To upgrade application system to calculate provision for impairment

On November 13, 2010, the external consultant conducted subsequent evaluation on the aspects of internal control identified in the initial review. As of November 13, 2010, the external consultant noted that the Bank had developed and implemented measures on two of the five identified aspects in accordance with the recommendations provided by the external consultant, as follow:

- the Bank has issued procedural manual relating to financial management《重慶農村商業銀行財務管理基本制度》to address the internal approval procedures relating to the treatment of non-routine material financial item on June 1, 2010; and

- the Bank has issued guidelines and manuals to address the disclosure requirements of the Hong Kong Stock Exchange, including manuals relating to disclosure of information management 《重慶農村商業銀行信息披露管理辦法》, functions of the connected transactions control committee《重慶農村商業銀行股份有限公司董事會關聯交易控制委員會工作細則》and connected transactions management《重慶農村商業銀行關聯交易管理辦法》on November 12, 2010.

For the remaining three aspects, we are in the process of implementing the recommendations given by our external consultants. The external consultant noted that the Bank has developed plans to address these issues no later than first quarter of 2011.

- relating to formalised internal control self assessment, the external consultant was informed by the Bank that the Bank has planned to conduct an internal control self assessment by the first quarter of 2011;

- relating to review and evaluation of the risk management system, the external consultant was informed by the Bank that the Bank has planned to conduct a review and evaluation of risk management system by the first quarter of 2011; and

- relating to the manual calculation of provision for loan impairment, the external consultant was informed by the Bank that the Bank has planned to upgrade the application system to calculate provision for impairment and to migrate the upgraded system to production environment in early 2011. As at the Latest Practicable Date, the system was in design and development stage.

We believe that the existence of the aspects of internal control identified by the external consultant following our enhanced regulatory compliance was primarily due to the different scope and focus of the review conducted by the regulatory authorities and the external consultant.

Based on the examinations and inspections conducted by the regulatory authorities in the past, regulatory examinations and inspections focused on the overall internal control and risk management structure of our Bank. Internal control review by the external consultant focused on the operational level and examined the implementation of our internal control and risk management system by our different departments with a view to evaluate our compliance with the applicable accounting standard and the relevant rules and regulations governing companies listed on the Hong Kong Stock Exchange. During the Track Record Period, the Accounting Standard for Business Enterprises (2006) came into effect and we were required to comply with this new accounting standard from January 1, 2009. In preparation for our listing on the Hong Kong Stock Exchange, we are required to comply with accounting standards and relevant rules and regulations governing listed companies which we were not previously required.

Following the recommendation of remedial measures given by the regulatory authorities, we have put in place the relevant systems and undertaken the relevant remedial actions to address the deficiencies and weaknesses and to enhance our overall internal control and risk management structure. To further improve our corporate governance, we require such systems to be carried through the relevant departments and down to the relevant personnel. We are in the process of implementing the systems at the department and the operational staff level, which formed part of the external consultant's review. Therefore, certain aspects relating to implementation of the systems at the departmental and operational level were identified by the external consultant.

Our Directors believe that the remaining three aspects of internal control are not significant and do not have any material adverse impact on the business and financials of the Bank.

OVERVIEW

We are subject to a number of risks inherent to our business, which principally include credit risk, liquidity risk, market risk, operational risk and legal compliance risk. Prior to our Restructuring into a joint stock limited company in June 2008, our risk management functions were carried out by the various credit unions which formed part of our Bank and our risk management capabilities were limited. Since our Restructuring, we have established the basic structure of a centralized risk management system and we are in the process of further improving the structure of our risk management system and transforming from a single-faceted risk management system focusing on credit risk management to a multi-faceted risk management system covering a broad range of our risks.

Our objectives in risk management include the following:

- establish a centralized risk management system that is commensurate with the nature, scale and complexity of our business and products; and
- strike a balance between risk and return and increase our return to shareholders on a risk-adjusted basis.

To achieve our objectives and enhance our risk management capabilities, we have undertaken, or plan to undertake, the following initiatives:

- Continue to enhance our risk management organizational structure, including:
  - we have improved our risk management structure by clearly delineating responsibilities among the decision-making, executive and supervisory bodies;
  - we have transformed our risk management approach from focusing mostly on credit risk to a broader and more balanced approach in evaluating all risks and the composition of our overall assets and liabilities, and we have established an integrated risk management structure that covers various types of risks of a commercial bank;
  - we plan to further develop a centralized and top-down risk management structure consisting mainly of (i) appointed independent risk management officers at our headquarters to supervise the risk management of each branch and (ii) appointed independent risk managers at the branch level who will carry out risk management functions and will report directly to the Risk Management Department at our headquarters; and
  - we plan to progressively carry out the establishment and application of an internal risk assessment system, progressively establish the classification and grading of operational risk, establish unified risk management and operation standards for business departments, and strengthen risk management, all in accordance with the requirements of Basel II.

- Implement advanced risk measurement methods and develop advanced risk management models and tools to achieve the long-term goal of fulfilling the requirements under the Basel II Capital Accord, including:

  - we have enhanced our overall asset quality by reducing existing non-performing loans, focusing more on pre-approval investigation and strengthening post-disbursement monitoring, particularly on large customers and large-sized loans;

  - we have strengthened our risk forecast capabilities by conducting research studies on the market, economy and government policies, and we plan to strengthen our key industries and key areas risk research and proactively provide investment guidance to guard against systemic risks;

  - we have applied the widely-accepted data models to improve our risk analysis ability and built an IT system with better customer identification, data gathering and information centralization capabilities, and we plan to build a comprehensive and accurate credit information database, and introduce economic capital management tools to gradually establish a risk management system focusing on risk-adjusted returns; and

  - we plan to further adopt more advanced technologies and methods, and use technological support to build quantitative and analytical models to enable us to (i) accurately calculate the probabilities of customer default and the ratios of losses and (ii) improve our overall ability to effectively measure, assess, monitor and manage credit risk, market risk and operational risk.

- Continue to improve our risk management policies and procedures, including:

  - we have devised various risk management policies and measures to manage the various risks of our operations. We plan to hire third-party advisors to review our risk management mechanisms and devise new policies to address the identified weaknesses of our risk management system. We plan to unify our risk management policies, system and standards;

  - we have improved credit management by modifying the standards of credit extensions and credit authorization of our branches and requiring the Credit Approval Department to conduct risk assessment on large loans. Based on our risk management ability and current development, we centralize all corporate loan approvals at our headquarters, however, we grant our branches certain credit approval authorization of retail loans based on their risk management capabilities, regional economic environment, and profitabilities of their branches and require our staff to adhere to our risk management measures and policies and different credit approval limits;

  - we plan to improve our credit policy guidelines by including comprehensive standards for credit approval, taking into account factors relating to industries, customers, businesses and geographical regions;

  - ○ we plan to continue to improve risk monitoring methods and streamline reporting procedures so that any material risk can be identified on a timely basis and appropriate actions can be taken swiftly; and

  - ○ we plan to continue to proactively identify new risks inherent to the new businesses and new products that we enter or launch, and give risk assessment priority in the development of new businesses and products.

- Build a professional and efficient risk management team and promote the concept of risk management within our corporate organization, including:

  - ○ we have provided bank-wide training to our staff in order to raise their risk management awareness, to cultivate a prudent risk management culture and to implement the risk management function of each business position;

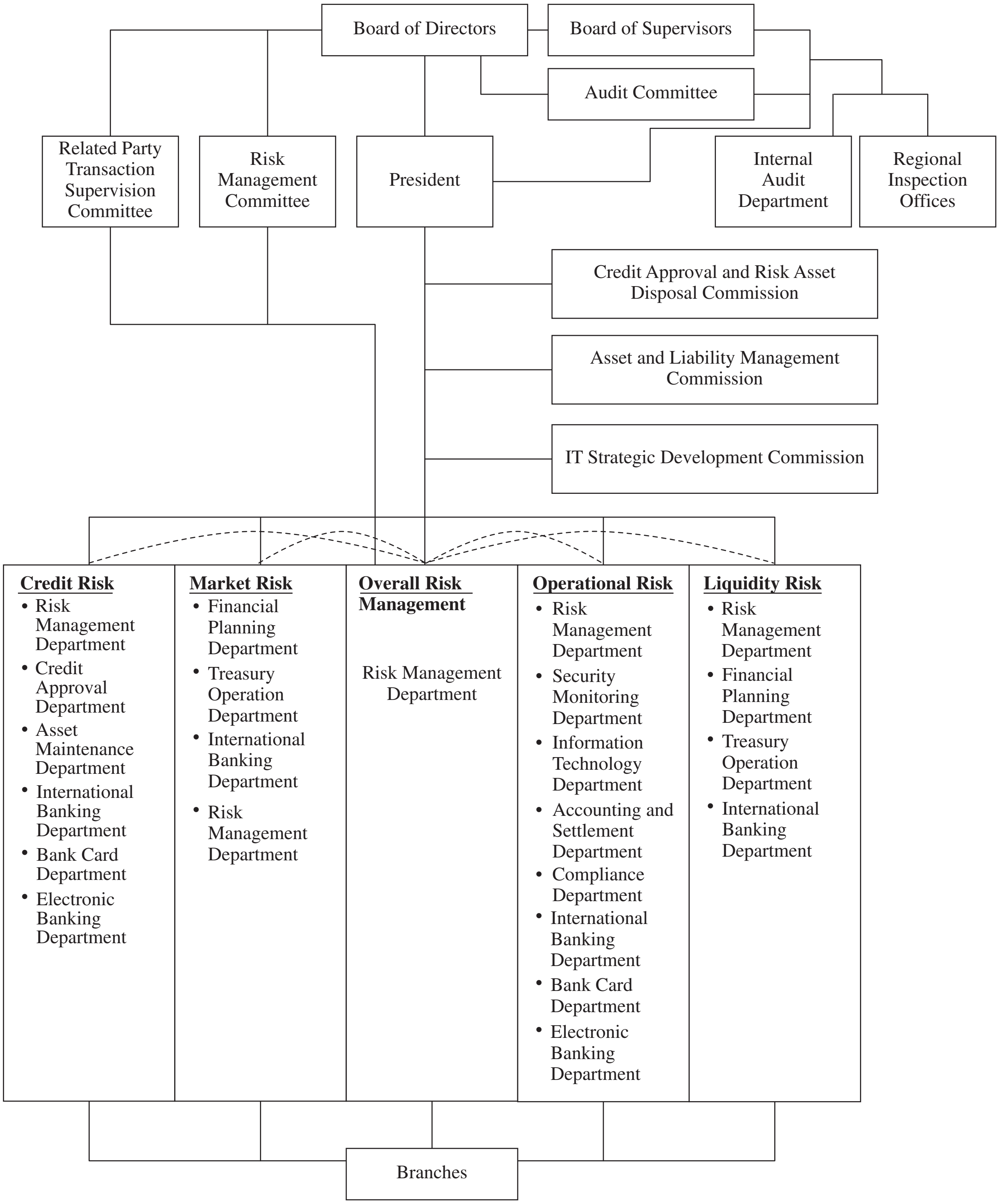
  - ○ we plan to implement an evaluation system that makes risk management a key performance measure for our branches, senior management and employees; and

  - ○ we plan to improve the quality of our risk management personnel and refine the structure of our risk management team by recruiting experienced, specialized and diligent risk management professionals, such as quantitative analysts.

As we aim to further improve our risk management system, we face certain challenges and uncertainties in our risk management. See "Risk Factors — Risks Relating to Our Business — Our current risk management system may not adequately protect us against credit, market, liquidity, operation and all other risks" for further details.

RISK MANAGEMENT STRUCTURE

We revamped our risk management organization structure after we were incorporated into a joint stock limited company in June 2008. We further refined our risk management structure in April 2010. The chart below illustrates the main components of our refined organizational structure of our risk management and internal control functions.



Board of Directors and its Committees

Our Board of Directors has the ultimate responsibility for our risk management and has final authority over our risk management strategies and policies. It supervises our risk management functions primarily through its Risk Management Committee, and it is also assisted by its Audit Committee and its Related Party Transaction Supervision Committee in carrying out its risk management functions.

Risk Management Committee

The Risk Management Committee of our Board is established and elected by our Board of Directors. It comprises four members and is currently chaired by Mr. XU Bin, an independent director of our Bank. The Risk Management Committee is mainly responsible for supervising our senior management on the management of credit risks, market risks, liquidity risks and operational risks, undertaking regular assessment on our risks, risk management and the capabilities and levels of risk tolerance and making recommendations to improve our risk management and internal control. See "Directors, Supervisors and Senior Management — Board Committees" for a detailed description of the responsibilities of the Risk Management Committee.

Audit Committee

We have established an Audit Committee, which reports to our Board. It consists of five members and is currently chaired by Mr. PU Yongjian, one of our independent directors. The committee is primarily responsible for reviewing our accounting policies, financial position and financial reporting procedures, and examining our risk and compliance status, carrying out our annual auditing works and submitting an assessment report to the board of directors on the authenticity, completeness and accuracy of the audited financial reporting information. See "Directors, Supervisors and Senior Management — Board Committees" for a detailed description of the responsibilities of the Audit Committee.

Related Party Transaction Supervision Committee

We have established a Related Party Transaction Supervision Committee, which reports to the Board. It consists of three members and is currently chaired by Ms. RAN Hua, an independent director of our Bank. Its primary responsibilities include managing related party transactions, reviewing and approving related party transactions on a timely manner and controlling the risks of related party transactions. See "Directors, Supervisors and Senior Management — Board Committees" for a detailed description of the responsibilities of the Related Party Transaction Supervision Committee.

Board of Supervisors and its Committees

Our Board of Supervisors supervises and monitors our Board of Directors and senior management and examines our financial activities. It also supervises the implementation of the overall assessment of our internal control and internal audit through the Internal Audit Department. See "— Internal Audit" for further information on the responsibilities of the Internal Audit Department and "Directors, Supervisors and Senior Management — Board of Supervisors" for a detailed description of the responsibilities of the Board of Supervisors.

Senior Management and its Commissions

Our senior management is led by our President, who is responsible for implementing the risk management policies and rules, as well as supervising and inspecting the implementation of such policies and rules. Our President also oversees the operations of our Bank as well as our overall risk management. We have three specialized commissions that report to the senior management, which are the Credit Approval and Risk Asset Disposal Commission, the Asset and Liability Management Commission and IT Strategic Development Commission, which perform their respective risk management functions in their roles to organize, coordinate and discuss relevant risk management matters.

Credit Approval and Risk Asset Disposal Commission

The Credit Approval and Risk Asset Disposal Commission is chaired by our President. The other members of the Commission are the respective heads of our Risk Management Department, Asset Maintenance Department, Credit Approval Department and Compliance Department. The term of each member is the same as the term of his or her term of office. The Credit Approval and Risk Asset Disposal Commission generally meets on an ad hoc basis. The responsibilities and powers of the committee mainly include:

(i) reviewing our principal management policies, systems and guidelines on credit approval,

(ii) writing-off bad debts,

(iii) receiving and disposing of foreclosed assets; and

(iv) adjusting and identifying the risk ratings of credit assets and non-credit assets.

Asset and Liability Management Commission

The Asset and Liability Management Commission comprises 12 members and is chaired by our President. The other 11 members consist of the managers of our Risk Management Department, our Financial Planning Department and a number of other operating departments. The term of each member is the same as the term of his or her term of office. Our Asset and Liability Management Commission is responsible for reviewing our overall development strategy and annual business plan, reviewing our assets and liabilities management goals and policies, advising on significant events with regard to assets and liabilities, overseeing and directing the operations relating to our assets and liabilities. It generally meets at least once every quarter or on an ad hoc basis to review and approve matters related to risk management.

IT Strategic Development Commission

Our IT Strategic Development Commission comprises nine members and is chaired by one of our Vice Presidents in charge of technology. The other eight members consist of personnel from the Information Technology Department, Risk Management Department, Compliance Department, Financial Planning Department and other relevant operation departments. The term of each member is the same as the term of his or her term of office. The IT Strategic Development Commission is responsible for devising information technology development strategies and evaluating risks and feasibility of new IT products and projects.

Risk Management Department and Other Related Departments at Our Headquarters

Our various operational departments carry out risk management functions under the supervision of our senior management and its commissions at our headquarters.

Risk Management Department

The Risk Management Department is responsible for the establishment and maintenance of the risk management system for our Bank. It has two divisions: the credit management division and the risk control division. The credit management office is a middle-office responsible for basic credit management and the risk control office is responsible for the overall risk management, such as quantitative analysis, risk monitoring, risk assessment and risk control of market risks, IT risks and other risks. The major functions of our Risk Management Department are:

- to devise policies, rules and measures relating to risk management and establish and maintain the risk management system of our bank;

- to conduct risk review on the credit, product, operation and other aspects of our Bank, carry out independent evaluation on the risk profiles of new products and businesses, estimate periodically credit risk and operational risk, calculate capital requirements and identify material operational risks and monitor the overall credit risk limits of our Bank;

- to manage the overall credit rating of customers and carry out the credit rating and reassessment on corporate customers with a credit rating of above AA;

- to evaluate the credit asset risk classification system and implement such risk classification for credit assets and devise the system and standards for determining the value of corporate non-performing loans;

- to review bad debts write-offs, estimate impairment losses for non-performing loans, and ensure provisions for bad debts already made;

- to be responsible for the daily management of related party transactions, and supervise and report on the status of related party transactions of our Bank; and

- to propose business training plans and organize related training programs in cooperation with the Human Resources Department based on the business development needs of the Risk Management Department and enhance the professional capabilities and overall qualities of our risk management personnel.

Credit Approval Department

The Credit Approval Department is responsible for the review and approval of our corporate and retail credit business and the verification of the disbursement of loan proceeds. It is also responsible for developing our Bank's credit approval structure, formulating and implementing credit policies, credit approval procedures and assessment standards. Finally, it is responsible for reviewing the suitability of the loans to be restructured and granting the approvals thereof.

Asset Maintenance Department

The Asset Maintenance Department is responsible for the management, collection, revitalization and disposal of problem loans and foreclosed assets, the handling of litigations relating to asset maintenance, and conducting preliminary review of the write-off of loans above a certain threshold.

Financial Planning Department

The Financial Planning Department is responsible for managing the scale and structure of our assets and liabilities, monitoring the relevant liquidity risk and indicators, implementing strategies to reduce our liquidity risk and performing part of our market risk management functions.

Treasury Operation Department

The Treasury Operation Department is responsible for implementing measures, policies and guidelines for our treasury operations and managing the risks associated with treasury operations such as inter-bank lending and borrowing, investments in debt instruments issued by financial institutions, and bank acceptance bill discounting.

Compliance Department

The Compliance Department is responsible for drafting our internal control and legal compliance management policies based on existing laws and regulations and supervising the implementation of such policies. It is also responsible for monitoring, analyzing, investigating and evaluating our internal control system, as well as reviewing the legal and compliance risks of our major systems, products and other internal policies.

Security Monitoring Department

The Security Monitoring Department is responsible for devising guidelines and policies on our operational security, disciplinary supervision, anti-money laundering and emergency response. It is also responsible for supervising, monitoring, providing guidance, and resolving matters in these areas.

Information Technology Department

Our Information Technology Department is responsible for the overall management and maintenance of our computer system, management system, and network system, including devising measures, policies and guidelines for our IT management and development. The primary risk management functions of our Information Technology Department include ensuring the safe operation of our information technology system, managing the emergency back up center, preventing and controlling IT related risks, and assisting the Risk Management Department in carrying out information technology risk management functions.

Accounting and Settlement Department

The Accounting and Settlement Department is responsible for devising our cashier and treasury system, financial accounting system, business accounting system, payment settlement methods and accounting processing procedures, carrying out accounting supervision, undertaking on-site or off-site supervisions over the compliance of our ordinary business operation and the accuracy and compliance of our accounting and settlement practice, and monitoring and reporting on operational risks relating to accounting matters.

International Banking Department

The International Banking Department is responsible for the daily management of our foreign currency business and maintaining our foreign currency customers, the management over the exchange rates and interest rates of our foreign currency funds, and anti-money laundering involving foreign currency. It is also responsible for the prevention, control and management of risks associated with its line of business.

Bank Card Department

The Bank Card Department is responsible for the security management of bank card business operations and transactions, the prevention and control of the risks associated with our credit card business, and also monitoring, analyzing and addressing various risks, and reporting in a timely manner on risk management and material risk events and recovering overdrafts.

Electronic Banking Department

The Electronic Banking Department is responsible for the risk prevention and control of the business operation and transactions of its line of business, addressing various risks associated with the security of electronic banking information and establishing corresponding risk alert and risk prevention and control mechanisms.

Internal Audit Department

Our Internal Audit Department is part of our internal audit system. See "— Internal Audit" in this section below for further details.

Regional Inspection Offices

Our Regional Inspection Offices are part of our internal audit system. See "— Internal Audit" in this section below for further details.

Risk Management at Branch Level

Our headquarters oversees the overall risk management at our branch level. We have established risk management offices in our branches and appointed branch risk managers, who report directly to our President and Risk Management Department. Our branches implement and execute the risk management policies devised by our headquarters, currently with a primary focus on credit risk management. We plan to establish a set of standards to evaluate the risk management performance of our branches. These standards include the economic development data of the local areas, business scale, market share, asset quality and development tendency, risk condition and internal control level. We review, assess and grade the performance of our branches with respect to risk management annually based on such standards.

In addition, we plan to undertake the following measures to enhance our risk management at branch level:

- strengthen our risk control framework by enhancing the roles of the branch level risk managers, and build a risk management structure in each branch with clearly defined responsibilities and reporting procedures;

- improve our internal control system and tighten enforcement of internal control policies at the branch level; and

- regularize the risk management process and provide training to risk management related personnel to improve their risk management skills.

CREDIT RISK MANAGEMENT

Our credit risk arises principally from our borrowers' or counterparties' inabilities to fulfill their obligations in relation to our loans, investment portfolios, guarantees and other payment commitments. We have adopted various measures in managing our credit risks, including tightening our credit approval policies, monitoring risk exposure of large loans and improving the quality of the collateral.

We aim to further improve our credit management system by refining our internal rules and guidelines. We also aim to enhance our data gathering, storage and analysis capabilities by providing online application and approval process and by building a bank-wide electronic credit management system, electronic databases and archives. We expect that the further development of our credit management system will be completed in six phases — negotiation, business need analysis, design and development, testing, training and deployment.

The following chart summarizes the six phases and the completion milestone, progress of our credit management system we expect to achieve and actual progress by the end of 2010.

Negotiation	Investigation	End of June	Completed
	Determining the goal for the construction of the system		
	Seeking better system solutions		
	Bid invitation		
	Determining total integrator of project		
Business Need Analysis	Kick-off meeting of need analysis	End of June	Completed
	Need analysis of business function	End of July	Completed
	Need review and signature confirmation	End of September	Completed
Design and Development	Stock data processing and transferring of the system	End of October	Completed
	Design and development of the system	End of November	Completed
System Test	Preparing for test	End of October	Completed
	Integration test	End of November	End of December
	Interface test and batch test at night	End of November	End of December
Training	Users' training	End of December	To be completed
	Technical training	End of December	To be completed
Deployment	System inspection and acceptance	End of December	To be completed
	Online promotion	End of December	To be completed

During the negotiation phase, we have agreed on the key terms with a development company in relation to the development of the credit management system. During the business need analysis phase, our operation departments have provided their credit management need analysis and identified the system development scope through comprehensive analysis of our business. During the design and development phase, the development company will develop and design the credit management system based on our business need analysis. We will conduct comprehensive system test to ensure that the credit management system developed can achieve the expected goal during the system test phase, and plan to provide further training to our system operating staff in order for them to operate the system skilfully during the training phase. We will promote the credit management system comprehensively throughout our Bank during the deployment phase.

As of the end of September 2010, we have completed the phases of negotiation and business need analysis. We are currently at the third phase of design and development. It is expected that the last phase of deployment work concerning the credit management system will be completed by the end of 2010.

A significant portion of our corporate loans are SME loans. SME customers account for a majority of our corporate customers and we have serviced this group of customers for a relatively long period of time. Our familiarity and experience with SME customers allow us to extend credit to credit worthy SME customers under the principle of effective risk control. In addition to other credit risk management measures and procedures, which are equally applicable to SME loans, we put an emphasis on the analysis of the non-financial factors of our SME customers when deciding the risk profile of an SME customer, thereby reducing the credit risk associated with SME loans.

Credit Risk Management for Corporate Loans

The credit risk management of our corporate loans consists primarily of the following aspects: (i) customer applications and pre-approval investigation, (ii) credit review and approval, (iii) loan disbursement, (iv) post-disbursement management and collection, and (v) management and collection of problem loans.

The following chart summarizes the main aspects of our credit management process for corporate loans:

Customer Applications and Pre-Approval Investigation

After a customer submits an application for corporate loans, we require the relevant branch to conduct a pre-approval investigation promptly. Pre-approval investigation mainly involves collecting customer information, providing credit application materials and preparing the credit investigation and evaluation report by our customer managers. The investigation is normally conducted through on-site visits supplemented with other means of investigations and involve qualitative and quantitative analysis of the customers. Each pre-approval investigation is ordinarily conducted by two loan officers.

The investigation process includes an analysis of (i) the applicant's basic information such as corporate structure, management quality and sources of financing, (ii) the applicant's credit history including its credit rating, contingent liabilities and relationship with our Bank, (iii) the market environment in which the applicant operates, (iv) the applicant's financial conditions including its profitability, operation ability, growth potential and cash flows, (v) purpose and structure of the loan, (vi) the applicant's risk profile including macroeconomic risks such as the applicant's industry risks and microeconomic risks such as market risks that are applicable to the applicant, and (vii) the applicant's repayment ability, as well as the value and legality of the collateral and the creditworthiness of the guarantor. If a borrower wishes to renew or amend the terms of an existing loan, we apply the same standards and investigation process as we would for granting a new loan.

Customer Credit Ratings

We have established a five-level credit rating system for our corporate customers, classifying corporate customers into five credit levels ranging from AAA to C, based on the overall scores of various criteria and factors, including the borrower's basic condition and quality, market competitiveness, credit history, repayment ability, operational scale and ability and development ability, and these factors are weighed and measured against a number of benchmark values.

The following table sets forth our five-level credit rating system and the corresponding credit scores and descriptions of the risk related financial condition of the customer represented by such ratings.

Credit Rating	Credit Score	Description
AAA	90 and above	The borrower is a "key supported" customer who has demonstrated strong repayment ability, has excellent credit worthiness, abundant capital resources and excellent assets quality, ranks near the top on various performance indicators, shows excellent profitability and is highly unlikely to be in financial difficulties.
AA	80-89	The borrower is a "proactively supported" customer who has a good reputation and is associated with low risk, has relatively strong capital resources and assets of good quality, ranks high on various performance indicators and shows stable profitability and good repayment ability.

Credit Rating	Credit Score	Description
A	70-79	The borrower is a "cautiously supported" customer who has an average reputation and no major risk, has an average amount of capital and average asset quality, ranks above average on various performance indicators, has unstable profitability and whose repayment ability is affected by external conditions but remains adequate.
B	60-69	The borrower is a "restrictively supported" customer (i) who has a below average reputation, belongs to an industry that is restricted by state policies and (ii) whose recent repayment ability is weak and unstable, though it is still able to make repayments.
C	Below 60	The borrower is a "non-supported" customer who (i) has failed to repay loan or interest when due, is closed or suspended in operations, is loss-making for three consecutive years, is on the blacklist issued by the regulators or (ii) whose technology and products are explicitly disallowed for development by the central government.

We do not rate a corporate customer in certain circumstance such as (i) the customer has been in operation for less than one accounting year; (ii) the customer has been in operation for more than one accounting year, but it has not reached the scale of production under its operation plan and is unable to provide the financial data required for credit rating; (iii) the customer is a project company for a project that is under planning or under construction; and (iv) the transaction that we undertake with such customer has low risk.

A borrower is also subject to certain restrictions in credit rating. For example, if the borrower falsifies financial statements with an aim to obtain a higher credit rating or a negative opinion has been issued on its financial statements, it will be assigned to a credit rating of B level or below; or if the customer has had non-compliance incidents, its rating cannot be higher than the A level.

We generally only grant unsecured loans to customers with a credit rating of AAA, and we require customers whose ratings are lower than AAA to provide collateral or guarantee. We sometimes do not assign a credit rating to a corporate customer if it is newly established with no historical information available. For such customers, credit limits and loan conditions are determined on a case-by-case basis. We may downgrade the credit rating of a corporate customer if its loan with us becomes non-performing, and the customer will then be treated as our C-level customers.

A credit rating for a corporate customer is valid for one year and we reassess its credit rating every year. For a corporate customer that has been assigned with a credit rating, our branch customer managers continue to monitor the customer's credit rating. We mainly monitor the customer's operation, cash flows, sales and inventory, as well as conditions such as change in regulatory and economic environment. We must downgrade the rating of a customer if our credit rating reassessment discovers certain material and adverse circumstances such as inaccuracy or misrepresentation in the loan application materials provided by the customer, financial, operational, legal or other difficulties experienced by the customer or refusal by the customer to cooperate with our inspection. If a customer's credit rating is downgraded, we would follow up with the appropriate actions such as monitoring its financial condition more closely and frequently, reducing its credit limit and demanding early repayment of the loan.

The following table shows the proportion of our corporate customers classified into each of the five levels of the rating system as of the dates indicated.

	As of December 31,			As of June 30,
	2007	**2008**	**2009**	**2010**
Corporate Customers				
AAA	3.97%	6.15%	8.46%	10.46%
AA	19.18	27.34	34.53	34.26
A	32.59	31.06	21.55	21.13
B	8.09	5.16	2.94	2.14
C	24.16	19.56	15.20	13.06
Unrated	12.01	10.73	17.32	18.95
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Collateral Appraisal

As of June 30, 2010, 53.2% and 13.2% of our total loans were secured by mortgages and pledges, respectively. The main type of our collateral is real properties which mainly consist of commercial properties, residential properties and land use rights, which together accounted for a significant portion of all of our collateral during the Track Record Period. We also accept monetary assets, accounts receivable, movable assets and intangible assets as collateral to our loans. However, as our general practice, we do not accept subordinated collaterals in granting pledged or mortgaged loans.

We have expanded the scope of acceptable collateral by introducing new types of security interests with an aim to reduce the risks. For our agriculture related customers in the County Areas, we also accept agriculture related assets such as forestry rights, farm equipment and the receivables from rural power grid construction project to meet our customers' needs.

We appraise the value of the collateral before entering into loan agreements with customers. All of the collateral used to secure our corporate loans are evaluated by third-party valuers selected and approved by us. Third-party valuers must satisfy certain requirements, such as history of operations, registered capital and qualifications and experience of the certified appraisers, in order to provide evaluation services to us. After the evaluation report is issued, we generally require our branch to determine the value of the collateral at a level lower than the evaluation report under the principle of precaution, after taking into account factors such as market conditions, net book value and condition and liquidity of the collateral.

Collateralized loans are generally subject to loan-to-value ratio limits based on the type of collateral. The table below sets forth the maximum loan-to-value ratios of certain types of collateral that are permissible under our internal policies for our own risk management purposes, some of which are lower than the maximum ratios under the PRC law.

Principal types of collateral	General maximum loan-to-value ratio based on our related credit policy (%)
Properties	
Real estate	70%
Land use rights	70
Construction in progress	50
Equipment and machinery	50
Forestry Rights	
Forestry and lumber (harvest stage)	50
Forestry and lumber (middle stage)	40
Forestry and lumber (beginning stage)	30
Monetary/Movable Assets	
Certificates of deposit, government bonds, life insurance	90
Receivables from rural power grid construction project	80
Warehouse deposit	60
Income from fixed asset and accounts receivables	50
Other movable assets and property rights	50

Credit Review and Approval

General Credit Review and Approval Procedures

After the pre-approval investigation process has been completed, the customer manager prepares a credit investigation report, which is submitted to the relevant business departments for review in accordance with our credit extension policies. If the customer meets our minimal credit extension standards, the business departments will assess the customer's applicable credit limit and analyze in detail all relevant information related to the loan application and the customer's source and sufficiency of repayment based on our credit rating system, and submit the loan application together with the credit assessment to the Credit Approval Department at our headquarters.

In April 2010, we revamped our corporate loan approval system and have established a centralized corporate loan approval system with an aim to strengthen our credit risk management ability while maintaining the efficiency of our credit review and approval process. Under the centralized system, only our headquarters has the authority to approve corporate loans. Our Credit Approval Department supervises approval and disbursement of all corporate loans. Two or more full-time credit approval officers in our Credit Approval Department will independently evaluate the customer and determine the proposed terms and conditions of the loan based on its credit rating, legality, reasonableness and economic benefits of the proposed use of funds, the amount applied for and the value and legality of the collateral and guarantee provided. They then issue independent evaluation reports for submission to our head approval officer for review and final approval, and such head approval officer can be our Vice President or a senior managerial officer in our Credit Approval Department, each with different level of credit approval authority. Our head approval officer is required to reject an application if less than half of the credit approval officers give positive opinions on the application. If more than half of the credit approval officers give positive opinions, the head approval officer can still have veto right to reject the application that he considers risky. If only half of the credit approval officers give positive opinions, the headquarters may reject the application or request the applicant to provide supplemental information for further review. To ensure the efficiency of our credit approval, we generally require the credit review and approval process to be completed within five business days.

Credit Approval Limits

We determine the credit limit of each of our corporate loans on a case-by-case basis. We are subject to the statutory credit limitation for a single customer. According to the CBRC guideline, the credit line approved for a single customer shall not exceed 10% of a bank's regulatory capital, while the credit line approved for a group customer shall not exceed 15% of a bank's regulatory capital.

Loan Disbursement

We have established measures and procedures for documentation of the loans and handling the loan documents, including guidelines for preparing, executing, categorizing and filing the loan documents. Prior to disbursement of funds, the relevant business department which approves the respective loan examines the loan documents to ensure that the documents have been validly authorized and properly executed. In addition, a specialized credit approval officer will verify whether all conditions precedent specified on the loan approval have been met and if all conditions are met, the officer will authorize the relevant business department or branches to disburse the funds.

Post-Disbursement Management

Post-disbursement loan management primarily involves post-disbursement monitoring, loan classification, collateral management and risk alert and monitoring.

Our staff at our branch and headquarters levels undertake different post-disbursement management responsibilities. Our branch staff undertake most of the routine management responsibilities of our regular customers, such as monitoring the customer's use of loan proceeds and the conditions of the guarantor and/or the collateral, and issuing risk alert to the upper level offices. Our headquarters devises management policies, manages the most important customers and oversees the post-disbursement management of our entire Bank.

Post-Disbursement Monitoring

We have established rules and procedures to monitor the repayment of our corporate loans, which require the responsible personnel to closely monitor and report the borrower's operations in a timely manner, issue repayment notices prior to the maturity date, and send reminders to borrowers to prepare for the repayments. Our monitoring process for loans to corporate customers includes maintaining regular contact with the borrower, verifying the borrower's ongoing compliance with the terms and restrictive conditions of the loan agreement, monitoring the use of funds or conditions of the collaterals, revaluating collateral, maintaining regular contact with the borrower, analyzing the borrower's financial status through periodic review of its financial statements, conducting site inspections and meetings with the borrower's management, and analyzing the condition of guarantors, if applicable, through review of their financial statements.

We generally require an initial customer follow-up inspection within 15 days of the disbursement. After the initial follow-up inspection, each corporate loan is generally inspected at least once every quarter. Customers whose outstanding loan balance is more than RMB10 million will be closely monitored by a designated staff member. If potential problems are detected, we will conduct a more detailed review of the credit quality of the borrower, considering factors such as the borrower's financial condition, ability to repay outstanding loans in the short and long term, the value of any collateral and the ability of any guarantor to repay the loan.

The Risk Management Department at our headquarters monitors the maturity profile of our loans, paying special attention to corporate loans of RMB five million or above with immediate maturity dates, to prevent loans from becoming overdue or default. For overdue loans, we seek to take remedial measures to protect our rights as a creditor and reduce the extent of impairment of the overdue loans.

Loan Classification

Prior to October 2009, we classified our loans into five categories in accordance with the PBOC and CBRC guidance on loan classification, i.e., normal, special mention, substandard, doubtful and loss. For internal risk management purposes, we adopted a 10-category classification system in October 2009 for classification of our corporate loans. Our internal 10-category loan classification system is designed to enable us to better monitor changes in the quality of our corporate loan, detect potential credit risks and more effectively conduct post-disbursement management of our corporate loan portfolio. The following table illustrates our 10-category loan classification system:

Normal			Special Mention			Substandard		Doubtful	Loss
Normal One	Normal Two	Normal Three	Special Mention One	Special Mention Two	Special Mention Three	Substandard One	Substandard Two	Doubtful	Loss

Under this loan classification system, we determine the classification of loans by considering qualitative factors such as the financial and operational conditions of the customer and its industry, credit history, performance of the loan agreement, and the collateral or guarantee provided. We believe that this system will strengthen our loan monitoring function and improve our overall credit management.

Review After Granting of Loans

Our Bank will investigate and verify the basic conditions and quality of loans and will also attempt to identify problems in the procedures for granting and management of loans, and whether the loan application procedure is complete and complies with our policy. Meanwhile, our Bank will evaluate the potential risks of loans, particularly the problems and risks faced by the borrower when applying for a loan.

Please see the section headed "Assets and Liabilities" for further information on the classification of the relevant loans.

Collateral Management

After the disbursement of loans secured with collateral, we are generally required to revalue the collateral periodically depending on its type. Immediate revaluation of the collateral is required if certain exceptional circumstances occur, such as major fluctuation in the market value of the collateral, the occurrence of any events of default or reclassification of the loan as non-performing. We may engage an external valuer to perform the revaluation if needed. After revaluation, customer managers may refer to the report and take risk prevention measures to manage and monitor the relevant loan, such as change or request additional collateral or demand early repayment.

Risk Alert and Monitoring

We have established a risk alert system and completed the reform of the risk alert system for large loans. Our basic risk alert mechanism includes the aspects of risk alert information, risk alert index, risk alert analysis and risk alert processing. We aim to promptly detect risks by monitoring a customer's account information, financial reports, information on suppliers and customers, and industry and macroeconomic policies, issue risk alert signal based on processing and analyzing such information, and mitigate the risks. Our customer managers and designated risk management personnel are required to report to the heads of their respective departments on a timely basis upon the discovery and receipt of a risk alert signal. The Risk Management Department at our headquarters will work with the relevant business departments in our headquarters to come up with risk mitigating or remedial solutions.

Post-Disbursement Loan Inspection and Evaluation

We recover loans under normal condition prior to or on the maturity date in accordance with a pre-determined repayment schedule and the relevant customer managers prepare an evaluation report for files.

Management and Collection of Problem Loans

The Risk Management Department at our headquarters is responsible for analyzing our problem loans and conducting a second review of the write-off of problem loans, while the Asset Maintenance Department at our headquarters is primarily responsible for the collection and disposal of problem loans and conducting preliminary review of the write-off of problem loans of our Bank that are above certain thresholds. The risk management and asset maintenance functions at our branch level are primarily carried out by the relevant departments at the branches.

To recover problem loans, we generally take, to the extent necessary, the following actions:

- Notification of default and cash collection: We notify problem loan borrowers and guarantors of payment defaults by telephone, in writing or in person. We may also meet with the borrowers and guarantors to determine whether payments are feasible.

- Disposal of collateral or collection on guarantees: We seek to improve the management of collateral for problem loans and preserve the value of collateral. If we dispose of collateral through auction process, we select qualified auction institutions and provide guidelines on the auction process in order to maximize the value of our collateral.

- Restructuring of non-performing loans: After we restructure our non-performing loans, we apply an observation period of half a year and we adjust the loans to the normal category only if the operation of the borrower turns better, and the borrower has stable source of income and sufficient cash flows.

- Write-offs: We write off a loan as a loss once we have exhausted all possible means of recovery and the loan meets the criteria of loss category under our five-category classification system, the Administrative Measures for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (《金融企業呆賬準備提取管理辦法》) issued by the MOF, Measures on Management and Write-off of Bad Debts of Financial Enterprises promulgated by the MOF (《金融企業呆賬核銷管理辦法》), or the measures for management and write-off of bad debts of our Bank. We also report the information relating to the defaulting borrower to the PBOC, which has a centralized database that keeps records of all defaulting borrowers in the PRC.

Credit Risk Management for Retail Loans

Our overall credit risk management procedures for retail customers are similar to those applicable to corporate customers, except the following differences in each of the areas mentioned below:

Customer Applications and Pre-Approval Investigation

Customer Credit Ratings

In November 2008, we established a four-level credit rating system for our retail customers. Under such system, we classify our retail customers into four credit levels ranging from one to four based on the overall scores of various factors including customer background, repayment ability, income, creditworthiness and relationship with us.

The following table sets forth our four-level credit rating system for retail customers and the corresponding credit scores and descriptions of the risk related financial condition of the customer represented by such ratings. In principle, retail customers, other than those applying for credit or guaranteed loans, are not required to be rated.

Credit Rating	Credit Score	Description
Level One	90-100	Good creditworthiness and is a "key supported" customer
Level Two	80-89	Relatively good creditworthiness and is a "proactively supported" customer
Level Three	70-79	Fair creditworthiness and is a "cautiously supported" customer
Level Four	60-69	Poor creditworthiness and is a "restrictively supported" customer

We consider the credit risk of the first three levels of retail customers to be manageable, and the credit risk of the fourth level of retail customers to be relatively high. We deny applications from those who are rated at the fourth level or below. For our retail customers in the County Areas, we use the same uniform four-level credit rating, but focus more on the qualitative factors, including the borrower's credibility, repayment ability, management capacity and business scale, than the quantitative factors.

The credit rating for our retail customers is generally valid for one year except that the credit rating assigned to a retail farming household customer is generally valid for a maximum of two years. The effective period of credit rating assigned to sole proprietors and major farmers (農村專業大戶) is for a maximum of one year. A customer's credit rating may be adjusted if (i) the customer experiences material operational difficulties or its financial indicators worsen; (ii) the customer is involved in illegal acts such as bribery or corruption; (iii) the customer has any act of default against the Bank or other creditors; (iv) the customer refuses to cooperate with the Bank's requests; (v) the customer is blacklisted by the PBOC or CBRC, or announced to be a dishonourable customer by banking associations; or (vi) other material circumstances in which adjustment is considered appropriate or necessary.

The following table shows the proportion of our retail customers classified into each of the four levels of the rating system as of the dates indicated.

	As of December31,			As of June 30,
	2007	2008	2009	2010
Retail Customers				
Level One	21.82%	26.24%	24.18%	22.11%
Level Two	17.83	19.48	20.08	18.74
Level Three	23.25	22.04	16.76	14.59
Level Four	16.05	10.99	6.94	6.59
Unrated	21.05	21.25	32.04	37.97
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Credit Review and Approval

Credit Approval Limit

Unlike credit applications for our corporate loans, which can only be approved at our headquarters, we allow our branches to approve credit applications for retail loans within the specified approval limits. The credit approval limit given to our branches is typically set at either RMB1 million or RMB2 million, depending on the economic environment, risk management, internal control and operational condition of the relevant branch. Credit applications sought in excess of the branch approval limit are approved by the Credit Approval Department at our headquarters.

Collateral Appraisal

Our collateral appraisal policy for retail customers is similar to that for our corporate customers, except that we generally appraise the value of the collateral internally to improve approval efficiency and reduce cost of the loan if the amount of the secured loan is lower than RMB500,000.

Post-Disbursement Management

Post-Disbursement Monitoring

Our post-disbursement loan monitoring policy for retail customers is similar to that applicable to our corporate customers. In addition, we also monitor the customer's credit, employment, health, marital status, family address and contact information. With respect to loans to our retail customers in the amount of RMB two million and above, we generally conduct post-disbursement inspection at least once every quarter. If the loan amount is lower than RMB two million, and the borrower has not shown any risk alert signals, we conduct inspection at least once every half year. For our loans to farmers, we conduct inspection at least once every year.

Loan Classification

We review periodically the classifications of our retail loans. We require review of classification of retail loans at least once every quarter. If the borrower no longer meets the initial classification criteria, the review will be on a monthly basis, or if the borrower is relocated, is laid off, experiences material natural disaster or dies, we review the loan classification promptly as needed.

Credit Risk Management for County Area Banking Business

Most of our branches are located in the County Areas. We have near 60 years' experience in County Area Banking Business and thus are familiar with various types of risks associated with the County Areas. Based on our experience in and familiarity with the County Area Banking Business, we have implemented a risk management system for our County Area Banking Business, which follows our bank-wide risk management system and procedures, with the following differentiated policies that are tailored to the credit risk characteristics of our County Area Banking Business.

- *Risk Management Policies and Procedures*. We have implemented and refined our County Area-related risk policies, which cover many aspects of risk management, to improve our ability to control and manage the credit risk of County Area loans. We have strengthened our ability to understand and identify the source of risks and implemented a uniform credit risk management policy for County Area loans by analyzing the geographic areas, industry and biographic of our customer groups.

- *Risk-Adjusted Pricing Mechanism.* Given that our County Area customers are less sensitive to pricing compared to Urban Area customers, we have relatively higher pricing power for our County Area loans. We plan to roll out our risk-adjusted pricing mechanism for our County Area banking products, which takes into account the industry, operational scale, management cost and competitiveness of our customers, and provide differentiated price to different types of customers to allow us to have better risk control ability and product adjustment ability.

- *Quantitative Measures and Risk Indicators.* We have set risk indicators which we believe reasonably commensurate with the risks involved in our County Area loans based on the differentiated risk profile and business of our County Area customers. We also monitor any change to the risk indicators in movement to improve our risk alert ability. We plan to establish a default rate probability measurement system for County Area loans and we plan to gradually implement a more refined policy for the credit extension in our County Area Banking Business.

- *Performance-Based Compensation System.* We have established a performance-based compensation system which has an element of risk management for our County Area customer managers and we have established a risk management department in each of our branches to focus on risk management.

Credit Risk Management for Credit Card Loans

We entered into the credit card business in November 2009. Our Credit Card Center in the headquarters manages the risks of our credit card operation. It devises risk management guidelines and measures, conducts credit research, review and approval, performs risk monitoring and debt collection, and reporting on bad debt write-off in relation to credit cards. We have adopted a number of practices to manage risks associated with the credit card business, including but not limited to strengthening the approval process, providing more staff training, closely monitoring the customer's credit record, and producing annual and ad hoc reports to analyze the causes, structure, and circumstances associated with the risks to enhance risk prevention capabilities.

Currently we only issue credit cards to retail customers. In evaluating credit card applications from customers, the Credit Card Center considers the applicant's background, professional conditions, financial conditions and relationship with the bank. Customers applying for our credit cards are required to provide personal identification related documents and to provide proof of employment, income and assets. We also issue credit cards to a customer who fails to provide or meet the basic requirements but has a third party to provide guarantees for the credit card, and we require the third party guarantor to provide information about itself and the certification documents relating to the assets to be pledged as collateral, and sign a guarantee agreement. Subject to the maximum credit line of no more than RMB50,000, we may provide and adjust the credit limit of each credit card customer based on our assessment of his/her risk conditions.

We will send default notices to customers who fail to make minimum payments on a timely basis. The Credit Card Center generally attempts to collect balances by contacting the borrower via phone calls, cell phone text messages, letters, face-to-face visits, legal proceedings and third party collection agencies. For credit card advances that are overdue for more than 90 days or otherwise implying a high risk, such as a drastic increase in overdrafts, we suspend the credit card and use a series of methods to pursue payment of the outstanding balance, including instituting legal proceedings.

Credit Risk Management for Treasury Operations

Our treasury operations involve investments in state treasury notes, government bonds, financial institution bonds and enterprise bonds.

Our treasury operations are exposed to credit risk through our investment activities and inter-bank lending activities. We generally establish a maximum credit line for each counterparty in our treasury business in accordance with our credit approval procedures, and our Treasury Operation Department conducts treasury operations within such limit.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at a reasonable cost and in a timely manner to fund our debt obligations. We are exposed to liquidity risks primarily arising from funding our lending, trading and investment activities and from the risks associated with managing our current assets. Our objective in liquidity risk management is to comply with relevant supervisory and regulatory requirements and to ensure that we are able to meet all our payment obligations and fund all of our investment operations and lending opportunities on a timely and cost-effective basis under all circumstances.

The relevant business departments in our headquarters carry out the policies and strategies related to our day-to-day liquidity risk under the supervision of our Asset and Liability Management Commission and with the assistance of our Risk Management Department. Our Financial Planning Department and Treasury Operation Department formulate policies and strategies relating to maintenance of the asset and investment combination. These policies and strategies are subject to the approval of our Asset and Liability Management Commission. Upon approval, the policies and strategies will be further implemented by the Financial Planning Department and Treasury Operation Department and relevant business departments. The Asset and Liability Management Commission reports directly to the President.

We manage our liquidity by monitoring the maturity profile of our assets and liabilities while actively monitoring the various liquidity indicators, including core liability dependence degree, liquidity gap, liquidity ratios, ratios for surplus deposit reserves, RMB loan-to-deposit ratios and inter-bank lending and borrowing ratios. See "Financial Information — Liquidity" for a detailed description of the maturity profile of our assets and liabilities.

MARKET RISK MANAGEMENT

Market risk is the risk that values of our assets and liabilities or net income will be adversely affected by changes in market conditions, and it mainly includes interest rate risk, equity risk, exchange risk and commodity risk. Such risk may arise from movements in market variables such as interest rates, exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments. Risk Management Committee and the Credit Approval and Risk Asset Disposal Committee are responsible for supervising overall market risk management. Our Risk Management Department, Treasury Operation Department and International Banking Department are responsible for analyzing and assessing market risks by focusing on financial and economic analysis and devising investment plans on a monthly basis.

Our major market risk exposure is interest rate risk in relation to our portfolio of interest-bearing assets and liabilities. In the future, we may acquire or launch financial structural products linked to interest rate, and therefore be subject to higher interest rate related risks.

Interest Rate Risk

Interest rate risk is the exposure of a bank's financial condition to adverse fluctuations in interest rates. The primary interest rate risk for us is mismatches of duration or repricing periods of our assets and liabilities. Mismatches may cause net interest income or the market value of our assets to be adversely affected by changes in the prevailing level of interest rates. Currently, we mainly control and manage our interest rate risk through strictly implementing PBOC and CBRC's guidelines on interest rate management.

We have undertaken, or have plans to undertake, the following initiatives in respect of our interest rate risk management objectives:

- establishing clear interest rate management and supervision guidelines and policies, and clearly outlining credit limits and responsibilities;

- monitoring and analyzing the domestic and international interest rate environment and managing our interest rate risk based on such analysis, and developing a fund transfer pricing system and internal rating system to accurately measure risk costs and to determine the price of products; and

- cautiously developing products that will help to reduce interest rate risk such as interest rate futures and forward contracts, options and swaps.

The short-term objective of our interest rate risk management is to increase our net interest income, and our long-term goal is to increase the market value of our assets.

Exchange Rate Risk

Exchange rate risk primarily results from mismatches in the currency denomination of our assets and liabilities, either on- or off- balance sheet, and currency position mismatches caused by foreign currency transactions.

We entered into the foreign currency business in November 2009. As of June 30, 2010, the size of our foreign deposit was equivalent to USD22.2 million, the size of our international settlement for the six months ended June 30, 2010 was equivalent to USD84.0 million, and the size of our foreign currency trading on behalf of clients for the same period was equivalent to USD42.9 million. We only had a very small amount of foreign currency denominated assets and liabilities as of June 30, 2010. To control and manage our exchange rate risk, we have gradually bought in foreign currency operational capital and strictly control the daily foreign exchange sale position and quota, close out open positions immediately and conduct price enquiry for each foreign exchange settlement and sale for small amounts.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from system failure, human error, inadequate or failed internal controls and procedures or external events. We are exposed to many types of operational risks, which include, among others, internal fraud, external fraud, unreliability of operational processes, security of work place, property damages, business disruption or system failure, human error and other failures related to transaction closing and execution in our business.

Incidents of Operational Breaches

In 2007, there were a total of nine criminal related incidents involving our employees. The total amount involved in these nine incidents was approximately RMB17.8 million. Among these nine incidents, five involved misappropriation of funds with a total amount of RMB7.3 million and three involved conversion with a total amount of RMB2.0 million. The last one involved illegal disbursement of loans, and the amount involved was RMB8.5 million. All of the incidents occurred at our branch level. No such incidents occurred after 2007.

Some of these incidents implicated potential internal control weakness at certain of our business units, such as the weaknesses in our credit approval infrastructure and post disbursement supervision. However, these incidents, individually or in aggregate, did not have a material adverse effect on our business, financial condition or results of operations. Other than taking the proper legal remedies to prosecute the persons responsible for the above criminal offences, we have implemented corrective measures intended to reduce the risk of similar breaches occurring in the future. For instance, we have revised two existing guidelines and issued three additional internal guidelines on the standardization of loans to farmers and strengthened the verification of customer identities in response to a number of incidents described above. These guidelines seek to better regulate and manage loans to farmers by clearly delineating and separating responsibilities of the persons involved in each step of the lending process, strengthening adherence to our internal policies and loan monitoring, and centralizing some of the decision-making powers. We also strengthened inspection and oversight of loan performances, especially performance of the loans to farmers by strengthening the enforcement of our policies. Please see “Business — Legal Procedures and Compliance” in this prospectus for further information.

Internal Control and Management of Our Operational Risk

We have implemented the following initiatives to monitor and control our operational risks and strengthen our operational risk management:

- improving our operational risk management system and regulating operation procedures to meet our commercial and regulatory needs. We allocate responsibilities among our departments, segregate positions with potential conflicts of interest, and separate front office and back office functions to establish checks and balances in our operating processes, and we have set strict limits on available cash in each branch and tightened the monitoring of cash flows at branch level;

- engaging external professional advisors to thoroughly review our internal control system and devising new policies and guidelines to rectify deficiencies;

- increasing operational risk awareness through adopting a code of conduct with strict disciplinary measures for employee misconduct, and devising a comprehensive training scheme to ensure that the employees are properly trained; and

- improving risk management for our treasury operations by re-categorizing investment transactions under new accounting rules, devising new credit authorization policies and limits, revising verification procedures, clearly delineating staff responsibilities and separating the office of treasury operations from other offices.

Our employee manual and various internal policies and rules also contain requirements designed to avoid financial loss and maintain our reputation. Our various departments are responsible for ensuring compliance with our operational risk procedures in their respective areas. The Internal Auditing Department also conducts on-site inspections at branches, issues periodic reports regarding our branches and reviews our branches' compliance with operational procedures.

We plan to further enhance our operational risk management by adopting the Basel II standards. Under this plan, we seek to further improve our operational risk management organizational structure, enhance our internal analysis and assessment system regarding operational risk management, develop and implement operational risk management measurement and alert system and increasingly separate the functions and operational process of the front-, middle- and back-offices.

See "Business — Legal Proceedings and Compliance — Regulatory Proceedings — Findings from the Regulatory Authorities" for a description of certain weaknesses identified by the CBRC in our internal controls during its inspection and review of our business.

LEGAL COMPLIANCE RISK MANAGEMENT

Legal compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage resulting from failure to comply with applicable laws, regulations, rules or other regulatory requirements. Our Board of Directors devises the compliance system and the related policies and assumes ultimate responsibility for compliance matters of our Bank's business operation. Our Board of Supervisors is responsible for supervising our compliance condition. The senior management is responsible for implementation and execution of the compliance policies. Our Compliance Department supervises the implementation of compliance risk management policies, inspects compliance matters and carries out the function independently. Under our Articles of Association, the head of our Compliance Department is a member of the senior management. Each operational department at our headquarters and at each branch and local branch outlet has at least one compliance position. Our legal compliance risk management system includes using standardized contracts, conducting routine inspection on legal matters, having legal consultation from time to time internally or with assistance from external counsels, and conducting bank-wide compliance training to promote a culture of compliance, including conducting specific training for new staff and units, skills training for professional teams and general bank-wide training.

Anti-Money Laundering

We have put in place anti-money laundering procedures in accordance with the Anti-Money Laundering Law of the PRC and other relevant anti-money laundering regulations promulgated by the PBOC. We have implemented a series of internal rules and procedures with respect to "know your customers," transaction records maintenance, suspicious transaction and large transaction reporting. We have set up a specific AML leadership team at our headquarters level, which is led by the Chairman of our Board of Directors, our President and one of our Vice Presidents. The team members consist of heads from various departments such as the Security Monitoring Department, Accounting and Settlement Department, and the Internal Audit Department. Our Security and Monitoring Department is responsible for coordinating with the various departments, branches and operating units within our Bank to undertake AML compliance works and our Accounting and Settlement Department is responsible for supervising AML activities within our Bank. To ensure our staff to timely report money laundering and other suspicious activities, we have put the number of our AML hotline on the customer services counters in each of our branch outlets and we have established an email platform for AML reporting. We have an electronic system that can identify whether a suspicious transaction is in violation of AML laws, and our employees at the Accounting and Settlement Department will also try to make a preliminary determination regarding the transaction based on our AML guidelines and report to the AML office in our Security and Inspection Department.

We also provide periodic AML training to our staff at the branch level to promote information collection of suspicious transactions and raise awareness of AML compliance. We require each branch to complete an AML status form every year to provide us with the latest update on AML compliance, such as the names of persons in charge of AML compliance, the time and types of AML training provided, and the AML awareness promotion activities conducted, AML problems identified and the rectification measures.

We set forth below the weaknesses in our AML compliance that we have identified through our internal audit and the initiatives we have taken to rectify the weaknesses. All of these weaknesses have been rectified to our internal audit's satisfaction.

Weaknesses	Rectification
Incomplete coverage of customer information	• Essential information such as nationality, occupation, validity period of certification documents have been added to the application form to open an individual banking settlement account • Essential information such as legal representative, authorized manager were added to the application form to open a corporate banking settlement account • A customer information system has been established to record all customer information for systematic customer information management
Lack of customer identification	• We have revised the management measures and operating rules for customer identification and customer identity information and transaction record storage • We have further specified and streamlined our process for customer identification
Incomplete customer due diligence information	• We have revised the reporting and administrative measures, rules and procedures of operation for significant amount transactions and suspicious transactions • We have further specified the scope of customer due diligence to assist the analysis and assessment of customer behavior
Lack of AML promotion	• We organize our branches and business units periodically for AML promotions throughout all staff levels

Weaknesses	Rectification
	• Long-term promotional display boards and promotional extracts are exhibited at business units and enquiry counter and reporting hotline has been established to enhance AML knowledge among the general public
Lack of understanding of the AML rules	• We organize periodic AML training at branch level and provide guidance to the branch administrators for launching further training programs to enhance the competence of staff
Ineffective enforcement of AML rules	• We conduct periodic AML inspection, and supervise the inspected units to take rectification measures in time

INTERNAL AUDIT

Our independent internal audit system comprises of our Internal Audit Department (審計稽核部) at our headquarters and four Regional Inspection Offices. The Internal Audit Department is mainly responsible for auditing our branches in the Urban Areas, while the Regional Inspection Offices are in charge of auditing the branches in the County Areas.

Our Internal Audit Department and the Regional Inspection Offices are primarily responsible for the following:

- performing independent audit on our operation and the management of our various risks;
- performing periodic inspection and evaluation on the effectiveness and integrity of our overall internal control system;
- auditing the performance of department heads at our headquarters and primary managerial personnel at our branches when they are relieved from their positions;
- assisting regulatory authorities in carrying out investigations on non-compliance matters; and
- providing guidance to the internal audit departments at our branches in carrying out internal audit and inspection functions.

Our Internal Audit Department and our four Regional Inspection Offices are accountable to the Board, the Board of Supervisors and our senior management team and report to them periodically on the auditing work, and at least once every year on the performance of the audit, any findings from the audit inspections, proposals and other matters. Meanwhile, our Internal Audit Department at our headquarters has set up a special inspection group to conduct comprehensive examination of the branch offices randomly. As of June 30, 2010, we employed a total of 260 internal audit staff.

Upon the listing of our H Shares on the Hong Kong Stock Exchange, transactions between us and our connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Accordingly, connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules, differ from the related party transactions set out in Note 31 and Note 41 to the Accountant's Reports set out in Appendix IA and Appendix IB to this prospectus, respectively.

Exempt Continuing Connected Transactions

We provide commercial banking services and products in the ordinary and usual course of our business to members of the public in China, which includes certain of our Directors, Supervisors and/or their respective associates. Set forth below are details of various continuing connected transactions between our Bank and certain of our Directors, Supervisors and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of our business, and are exempted from the reporting, annual review disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Commercial banking services provided in the ordinary and usual course of business — Deposit taking

We take deposits in the ordinary and usual course of our business from certain of our Directors, Supervisors and/or their respective associates at normal deposit rates and on normal commercial terms. It is likely that such connected persons will continue to place deposits with us following the Global Offering, which will constitute continuing connected transactions for us under the Hong Kong Listing Rules.

The provision of commercial banking services and products by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(4) of the Hong Kong Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Commercial banking services provided in the ordinary and usual course of business — Loans and credit facilities to connected persons

We extend loans and credit facilities in the ordinary and usual course of our business to certain of our Directors, Supervisors and/or their respective associates on normal commercial terms with reference to prevailing market rates. It is likely that our Bank will continue to provide loans and credit facilities to such connected persons following the Global Offering, which will constitute continuing connected transactions for us under the Hong Kong Listing Rules.

The provision of loans and credit facilities by our Bank to our connected persons (including our Directors, Supervisors and their respective associates) are in the ordinary and usual course of our business and on normal commercial terms and conditions available to independent third parties. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.65(1) of the Hong Kong Listing Rules (namely, financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms), and thus, will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Commercial banking services provided in the ordinary and usual course of business — Other banking services and products

We provide various commercial banking services and products (including credit/debit cards and wealth management products) in the ordinary and usual course of our business to certain of our Directors, Supervisors and/or their respective associates at normal prescription fees, service fees and charges and on normal commercial terms and conditions. It is likely that our Bank will continue to provide such services and products to such connected persons following the Global Offering, which will constitute continuing connected transactions for us under the Hong Kong Listing Rules.

It is expected that none of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the annual aggregate service and/or product fees paid to us by a particular connected person and its associates will exceed 0.1%. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.33(3) of the Hong Kong Listing Rules, and thus, will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our directors, supervisors and senior management. The business address of our directors, supervisors and senior management is No. 10, Yanghe East Road, Jiangbei District, Chongqing, China. Our directors, supervisors and members of senior management all meet the qualification requirements for their respective positions, for employees whose employment require the approval of the PRC banking regulatory management authorities, their qualifications have been reviewed and approved by the PRC banking regulatory management authorities.

Name	Age	Position	Date of Appointment	Role and Responsibilities
Directors:				
Mr. LIU Jianzhong	47	Chairman of the board of directors and executive director, Secretary of the Party committee	June 2008	Responsible for the overall operation of the Bank and managing the human resource department of the Bank
Mr. TAN Yuansheng	57	Executive director and president	June 2008	Responsible for the daily operation of the senior management of the Bank and managing the risk management department and compliance management department of the Bank
Mr. TAO Jun.	44	Non-executive director	June 2008	Performing his duties as a director through the voting process
Mr. TU Jianhua.	47	Non-executive director	June 2008	Performing his duties as a director through the voting process
Mr. WEN Honghai	45	Non-executive director	June 2008	Performing his duties as a director through the voting process
Mr. WANG Yongshu	53	Non-executive director	June 2008	Performing his duties as a director through the voting process
Mr. GAO Xiaodong.	47	Non-executive director	June 2008	Performing his duties as a director through the voting process
Mr. WU Xiufeng.	60	Non-executive director	June 2008	Performing his duties as a director through the voting process

Name	Age	Position	Date of Appointment	Role and Responsibilities
Mr. XU Bin	66	Independent non-executive director	June 2008	Performing his duties as a director through the voting process and responsible for the Risk Management Committee & the Remuneration Committee
Mr. PU Yongjian	49	Independent non-executive director	June 2008	Performing his duties as a director through the voting process and responsible for the Audit Committee and Minority Shareholders' Interest Protection Committee
Ms. RAN Hua	66	Independent non-executive director	June 2008	Performing her duties as a director through the voting process and responsible for the Related Party Transaction Supervision Committee and Nomination Committee

Name	Age	Position
Secretary to the Board and Joint Company Secretary:		
Mr. SUI Jun	42	Secretary to the board of directors and joint company secretary
Supervisors:		
Ms. YANG Mingping	57	Chairman of the board of supervisors
Mr. ZENG Jianwu	35	Shareholder representative supervisor
Ms. ZUO Ruilan	35	Shareholder representative supervisor
Mr. CHEN Fangming	46	Shareholder representative supervisor
Mr. ZHANG Yiqiao	39	Employee representative supervisor
Mr. LIU Yu	39	Employee representative supervisor
Ms. DONG Yunling	62	External supervisor
Senior Management:		
Mr. TAN Yuansheng	57	President
Mr. BAI Guiting	55	Vice president
Mr. WANG Rong	54	Vice president

Name	Age	Position
Mr. YANG Xiaotao	47	Vice president
Mr. LING Jiaquan	54	Chief controller
Mr. YUAN Xiaobo	47	Deputy secretary of the Party committee, Secretary of the Discipline Committee
Mr. SUI Jun	42	Vice president and secretary to the board of directors
Joint Company Secretary:		
Ms. CHENG Pik Yuk	53	Joint company secretary

Mr. LIU Jianzhong, chairman of our Board of Directors and an executive Director, is responsible for our business strategy and overall development. Mr. TAN Yuansheng, president and an executive Director, oversees our business development and the overall management of our business and operations. Our non-executive Directors, including our independent non-executive Directors, perform their duties through the Board and do not participate in the day-to-day management of our business operations. Our Supervisors are responsible for supervising our Board of Directors and senior management. The members of our senior management are responsible for the day-to-day management of our business operations.

Directors

Executive Directors

Mr. LIU Jianzhong, has been the chairman of the Board and an executive Director of our Bank since June 2, 2008. Mr. Liu is currently the chairman of the Board, a secretary of the Party committee and a deputy to the 3rd People's Congress of Chongqing. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including director-general, secretary to the Party committee, director-general and deputy director-general. Prior to joining our Bank and between October 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division and deputy division director of the Administration Office. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between March 1984 and September 1992. Mr. Liu has over 18 years of experience in banking. Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He is also a senior economist accredited by Chongqing Municipal Government.

Mr. TAN Yuansheng, has been the executive Director of our Bank since June 2, 2008. Mr. Tan is currently the president of our Bank and a member of Chongqing Municipal Committee of the 3rd Chinese People's Political Consultative Conference. Between April 2003 and June 2008, Mr. Tan held a number of positions at the Chongqing Rural Credit Cooperatives, including director-general, deputy director-general as well as member of the Party committee. Prior to joining our Bank and from May 1998 to April 2003, Mr. Tan was an assistant to the president, vice president, executive director and member of the Party committee of Commercial Bank of Chongqing; from September 1996 to May

1998, Mr. Tan was the vice president and executive director of Chongqing Urban Cooperative Bank; from October 1993 to September 1996, Mr. Tan was the director of Chongqing Urban Cooperative Union; and from July 1992 to October 1993, Mr. Tan was general manager of the Chongqing Stock Exchange Centre. Since 1977, Mr. Tan held various positions at the PBOC Chongqing Operations Office and the Chongqing branch of the Industrial and Commercial Bank of China. Mr. Tan has 30 years of experience in banking. Mr. Tan graduated from the Correspondence College of Sichuan Provincial Party Committee No.2 Party School majoring in Law in 1996 and is also a senior economist accredited by PBOC.

Non-Executive Directors

Mr. TAO Jun, has been a Director of our Bank since June 2, 2008. Since November 2004, Mr. Tao has been the general manager of Chongqing Yufu Assets Management Company Limited, our single largest shareholder and one of our state-owned shareholders. Mr. Tao was the Director of Yangtze River Economy United Development (Group) Co., Ltd. from March 2007 to October, 2010. From March 2004 to November 2004, Mr. Tao was deputy general manager at Chongqing Yufu Assets Management Company Limited; from May 1995 to March 2004, director of General Office at Commercial Bank of Chongqing and president of the Zou Rong Road branch; from December 1991 to May 1995, Mr. Tao was the assistant director of Chongqing Magnet Wire Plant, the deputy plant director at Chongqing Mining Machinery Factory and was also the deputy secretary of Youth League committee of Chongqing Tools Factory; from July 1987 to December 1991, Mr. Tao was a technician and the secretary of Youth League committee of Chongqing Tool Factory (take charge of work) Chongqing Magnet Wire Plant. Mr. Tao obtained a master's degree in Industrial and Senior Commercial Management from Chongqing University in 2008.

Mr. TU Jianhua, has been a Director of our Bank since June 2, 2008. Mr. Tu is currently the chairman of the board and manager at Loncin Group Co., Ltd. Mr. Tu is also the chairman of the board for a number of companies, including Chongqing Loncin Industry (Group) Co., Ltd., Chongqing Jinlong Science & Technology (Group) Co., Ltd., Chongqing Loncin Plastics Co., Ltd., Chongqing Jinlong Motor Manufacturing Co., Ltd., and Chongqing Jinlong Motor Sales Co., Ltd. Mr. Tu is a deputy to the 11th National People's Congress, an executive committee member of the 10th National Industry and Commerce Committee, deputy to the 3rd People's Congress of Chongqing, committee member of 3rd People's Congress Standing Committee Financial and Economic Office, vice president of the Chongqing Industrial and Commercial Committee and president of Chongqing Motor Trade Association. Mr. Tu has been the chairman at Loncin Group Co., Ltd since March 1996 and the chairman of the board at Loncin Holdings Limited, one of our state-owned shareholders, from January 2003 to July 2010. From March 1993 to March 1996, Mr. Tu was the general manager of Chongqing Loncin Gasoline Engine Company (the Sino-American joint venture), and between December 1990 and March 1993 was the plant director of Chongqing Loncin Transport Machinery Factory; from August 1988 to December 1990, Mr. Tu was the general manager of Chongqing Loncin Metals Company; from December 1983 to August 1988, Mr. Tu was the plant director of Xinhua Metal Products Factory; from October 1981 to December 1983, Mr. Tu was a coal miner in Zhongliangshan. Mr. Tu graduated from Correspondence Colledge of Chongqing Municipal Party Committee majoring in Economics Management in 1998.

Mr. WEN Honghai, has been a Director of our Bank since June 2008. Mr. Wen has also been the company director and vice president of Huaxin Century Investment Group Co., Ltd since March 2001. From June 2000 to March 2001, Mr. Wen was the deputy finance manager and finance manager of Huaxin Century Investment Group Co., Ltd. From 1996 to 2000, Mr. Wen was the finance manager of China Enterprise International Investment Co. Ltd. From 1992 to 1996, Mr. Wen once worked for China Rural Development Trust and Investment Company. Mr. Wen obtained a bachelor's degree in Economics and Finance from Renmin University of China in 1988.

Mr. WANG Yongshu, has been a Director of our Bank since June 2008. Mr. Wang has been the chairman of the board of directors of Chongqing Transport and Travel Investment Group Co., Ltd, one of our state-owned shareholders, since August 2008. Mr. Wang held a number of positions at Chongqing Transport and Travel Investment Group Co., Ltd. between November 2006 and August 2008, including vice chairman of the board of directors and general manager. Mr. Wang was the chairman of the board and the secretary of the Party committee for Chongqing Yangtze Agriculture Industry and Commerce Holding Group from September 2000 to November 2006; from January 1999 to September 2000, Mr. Wang was the deputy general manager, general manager and the secretary of the Party committee at Chongqing Yangtze Agriculture Industry and Commerce Union Main Office; from April 1998 to January 1999, Mr. Wang was the vice chairman of Qianjiang Development Area Administration Committee; from August 1994 to April 1998. Mr. Wen was the deputy commissioner of Qianjiang Area Administration Commission; from August 1988 to August 1994, Mr. Wang was deputy director-general, director-general and secretary of the Party committee of the Qianjiang Area Finance Bureau; from February 1980 to August 1988, Mr. Wang was an office clerk, chief and deputy director-general of the Finance Bureau of Pengshui County. Mr. Wang graduated from College of Chongqing Municipal Party Committee majoring in Politics and Economics in 1998 and is currently a senior accountant accredited by the Chinese Institute of Certified Public Accountants (CICPA) (中國註冊會計師協會) and a registered accountant.

Mr. GAO Xiaodong, has been a Director of our Bank since June 2008. Mr. Gao has been the chairman of the board of directors of Chongqing Emperor Science & Technology Co., Ltd, one of our state-owned shareholders, since May 2000, the chairman of Chongqing Guangyuan Investment & Development Co., Ltd since 1997 and the chairman of Chongqing New City Develop Build Co., Ltd since October 2006, and is currently the chairman of Chongqing Sun Kingdom International Golf Club Co., Ltd and the chairman of the board and general manager of Chongqing Tengxiang Industrials Co., Ltd. Between February 1992 and June 1997, Mr. Gao once worked for Chongqing Municipal committee as the secretary to mayor of deputy department level, the secretary to the committee's secretary, the secretary of deputy department level to the municipal committee office and the deputy director of the standing committee office of Chongqing municipal committee; from November 1988 to February 1992, Mr. Gao worked for the office of China Silian Instrument Group; from August 1983 to November 1988, Mr. Gao worked for Sichuan Instrument General Factory. Mr. Gao obtained a bachelor's degree in Precision Equipment and Construction from Shanghai School of Mechanical Engineering in 1983.

Mr. WU Xiufeng, has been a Director of our Bank since June 2008. Mr. Wu is the chairman of the board and secretary of the Party committee of Chongqing Water Group Co., Ltd. (601158-SH), one of our state-owned shareholders, the chairman of the board and president of Chongqing Water Assets Management Co., Ltd. and is the chairman of the board for Sino French Water Investment Co., Ltd., Chongqing Sino French Tangjiatuo Wastewater Treatment Co., Ltd. and Chongqing Sino French Water

Supply Co., Ltd. Mr. Wu is a deputy to the 11th National People's Congress and vice chairman of the 3rd Chongqing Urban and Rural Construction & Environmental Protection Committee of the NPC. Mr. Wu has previously served as the chairman of the board and secretary of the Party committee for Chongqing Water Holdings (Group) Co., Ltd. from December 2000 to August 2007 (also the president from December 2000 to August 2001) and was the deputy director at Chongqing Municipality Judicial and Legal Affairs Committee and preparation group leader of Chongqing Water Holdings (Group) Co., Ltd. between August 2000 and December 2000. Mr. Wu was the secretary of the Party committee and director-general of Chongqing Municipality Engineering and Public Utility Bureau from July 1997 to August 2000, the vice secretary of the Party committee and deputy director-general of Chongqing Municipality Engineering and Public Utility Bureau from October 1992 to July 1997, Company Manager of Chongqing Municipality Tap Water Ltd. from December 1989 to October 1992 and was the secretary of the Party committee and deputy secretary of the Party committee of Chongqing Municipality Tap Water Ltd. from January 1984 to December 1989. Mr. Wu was the deputy secretary of Youth League committee of Chongqing Public Bureau from September 1978 to January 1984. Mr. Wu was the deputy secretary of Youth League committee and a member of the municipal committee of Youth League of Chongqing Urban Construction Bureau from August 1972 to September 1978. Mr. Wu was the director of Youth League and an alternate member of municipal committee of Youth League of Chongqing Public Transport Company from July 1971 to August 1972. From February 1968 to July 1971, Mr. Wu was a student pilot at China Senior Civil Aviation School. Mr. Wu graduated from the People's Liberation Army Air Force No. 2 Aviation Preparatory School majoring in Flying in 1968 and is a senior economist.

Independent non-executive directors

Mr. XU Bin, has been an independent non-executive Director of our Bank since June 2, 2008. He is currently a director for Sun Life Everbright Life Insurance Co., Ltd. and an independent non-executive director for Industrial Bank Co., Ltd. (601166-SH). Mr. Xu has previously served as the chairman for Sun Life Everbright Life Insurance Co., Ltd. from September 2005 to June 2009. From February 1997 to September 2005, Mr. Xu held a number of positions including the chairman of the board and president of China Everbright Bank, vice general manager and vice chairman of China Everbright Group Limited and vice chairman of China Everbright Limited. Mr. Xu was the deputy director at the State Administration of Foreign Exchange from November 1992 to February 1997 . Mr. Xu was the office director of the PBOC in Dandong, Liaoning Province and the vice-president of the Dandong branch from 1984 to November 1992. From September 1960 to 1984, Mr. Xu engaged in professional work successively, including cashier, accounting, deposit, credit and international finance. Mr. Xu obtained a PhD in the study of currencies and banking from Southwestern University of Finance and Economics in 1998 and is a senior economist accredited by PBOC. Mr. Xu has more than 12 years' management experience serving as chairman of the board, vice general manager and vice chairman of a number of financial institutions and listed companies in banking and insurance industries. By holding such senior financial and accounting roles, Mr. Xu led decision-making process of listed companies on finance and accounting related matters and the management discussions thereof. His responsibilities include but not limited to supervising preparation of financial statements and overseeing internal control systems of such listed companies, through which he gained adequate experience in accounting and financial management related areas. Considering the totality of Mr. Xu's educational background and professional experience, the Board is of the view that Mr. Xu possesses appropriate accounting and related financial management expertise as provided under Rule 3.10(2) of the Hong Kong Listing Rules.

Mr. PU Yongjian, has been as an independent non-executive Director of our Bank since June 2, 2008. Since May 2004, Mr. Pu has been the vice president at the Development Research Center of Chongqing University and is the deputy director for the university's Institute for Sustainable Development, a professor and a doctoral tutor. Between May 1988 and June 2004, Mr. Pu was the dean of finance, the deputy director and a doctoral tutor for the Department of Economics and Commercial & Industrial Management of Chongqing University. Mr. Pu studied for the master's degree at the institute of applied physics of the University of Electronic Science and Technology of China from July 1985 to May 1988. Mr. Pu was a lecturer at the department of Mathematics of Southwest Jiaotong University from July 1983 to July 1985. Mr. Pu received a PhD in Technical Economics and Management from Chongqing University in 1997. Mr. Pu is a highly regarded scholar in the finance fields. He has been in charge of various research projects in finance related topics and has already published a number of research papers thereon. Considering the totality of Mr. Pu's educational background and professional experience, the Board is of the view that Mr. Pu possesses appropriate accounting and related financial management expertise as provided under Rule 3.10(2) of the Hong Kong Listing Rules.

Ms. RAN Hua, has been an independent non-executive Director of our Bank since June 2, 2008. Ms. Ran served previously as a senior consultant for Chongqing Construction Engineering Group from September 2006 to January 2008. Ms. Ran was re-employed by the Chongqing branch of the Industrial and Commercial Bank of China to assist in dealing with non-preforming assets and works relating to the reform of the back-office corporate regime. Ms. Ran was the departmental inspector, deputy branch control-general and office director of the Chongqing branch of the Industrial and Commercial Bank from May 1991 to April 2004 and was the deputy director of the Planning Division at the Chongqing branch of Industrial and Commercial Bank of China from December 1985 to May 1991. From February 1982 to December 1985, Ms. Ran served as the chief of the planning group at the PBOC. Ms. Ran served as deputy section chief of the Planning Section of the Nan'an Office of the PBOC from January 1972 to February 1982. Ms. Ran was the deputy branch director of the Tong Yuan Ju branch of the Nan'an Office of Chongqing branch of the People's Bank of China between December 1965 and January 1972. From September 1962 to December 1965, Ms. Ran engaged in the following work at the Nan'an Office of the People's Bank of China successively, including personnel, accounting, cashier, deposit, credit, planning and as a branch director. Ms. Ran graduated from Chongqing Radio & TV University majoring in Finance in 1991 and is a senior economist accredited by Industrial and Commercial Bank of China (中國工商銀行).

Supervisors

Ms. YANG Mingping, has been a Supervisor of our Bank since June 2, 2008. She is also currently the president of the Board of Supervisors of our Bank. From June 2008 to March 2010, Ms. Yang served several positions in our bank such as the deputy secretary of the Party committee and secretary of the Party disciplinary committee. From June 2000 to June 2008, Ms. Yang served in several positions in Chongqing Rural Credit Cooperative Union, including deputy secretary of the Party committee, secretary of the Party disciplinary committee and president of the Board of Supervisors. Prior to joining our Bank, Ms. Yang served as the deputy director of Officer Inspection Division of Chongqing Municipal Party Committee Organization Department from February 1998 to June 2000 and was an organizer (Deputy Division Director level) and Party Branch secretary for Party and Administrative Cadres Division of Chongqing Municipal Party Committee Organization

Department from May 1985 to February 1998. Ms. Yang was an instructor and a member of Party branch at the Party School of Chongqing Iron and Steel Company from August 1982 to May 1985. Ms. Yang obtained a bachelor's degree in Philosophy in 1982 from the University of Yunnan and is a senior economist accredited by Chongqing Municipal Government.

Mr. ZENG Jianwu, has been a shareholder representative Supervisor of our Bank since June 2, 2008. Mr. Zeng has been the deputy general manager of Laierfu Trading Co., Ltd since May 2001. Mr. Zeng has obtained a PhD in Financial Engineering from Xiamen University in 2008.

Ms. ZUO Ruilan, has been a shareholder representative Supervisor of our Bank since June 2, 2008. Ms. Zuo has been the chairman of Chongqing Yerui Property Development Co., Ltd. since January 2006 and the chairman of Chongqing Huayu Property Service Co., Ltd. since July 2000. Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China from July 1995 to July 2000. graduated in 2000 from Southwest University majoring in Economics Management.

Mr. CHEN Fangming, has been a shareholder representative Supervisor of our Bank since June 2, 2008 and has been the deputy general manager of Chongqing Water Conservancy Investment Group Co., Ltd since May 2008. Mr. Chen was the financial director and head of Investment Finance and Development Division for Chongqing Water Conservancy Investment Group Co., Ltd. from 2004 to 2007. Mr. Chen was the chief financial officer of Olive Cosmetics Company Limited from 2002 to 2004. Mr. Chen was the manager of the investment banking division of China Cinda Chongqing office from 1999 to 2002. Mr. Chen worked for the Chongqing branch of the Construction Bank of China from 1998 to 1999. Mr. Chen was a teacher at the Chenjia Middle School in Kai County from 1986 to 1995. Mr. Chen graduated from Southwestern University of Finance and Economics with a master's degree in Economics in 1998 and is a senior international finance manager.

Mr. ZHANG Yiqiao has been our Bank's employee representative Supervisor of our Bank since June 2, 2008 and is currently the director-general of our Guarding and Supervision Division. From February 2000 to June 2008, Mr. Zhang held several positions in Chongqing Rural Credit Cooperatives Union, including deputy director of Human Resources and Education Division and the director-general of the Guarding and Supervision Division. Prior to joining our Bank, Mr. Zhang spent his time between March 1993 and February 2000 working as cadre in the Operations Management Education Division in the PBOC Chongqing Operations Office. Mr. Zhang obtained a bachelor's degree from the People's Liberation Army Chongqing Communication College in Engineering in 2003 and is an administration engineer.

Mr. LIU Yu has been our Bank's employee representative Supervisor of our Bank since August 5, 2010 and is currently the general manager of our Risk Management Division. From January 2008 to June 2008, Mr. Liu was deputy general manager of Risk Management Division Chongqing Rural Credit Cooperatives Union. Prior to joining us, Mr. Liu held various positions in the Cooperative Financial Institution Supervision Section of Chongqing Supervision Bureau under China Banking Regulatory Commission from December 2003 to January 2008, including deputy researcher for supervision and chief of supervisory section 2, chief of supervisory section 1; and also held various positions in Cooperative Financial Institution Regulatory Section of Chongqing Operational

Management Division of the PBOC from December 1997 to December 2003, including chief of miscellaneous section, deputy chief of supervisory section 1. Mr. Liu worked for the Fuling branch of the People's Bank of China from August 1994 to December 1997. Mr. Liu obtained a bachelor of arts degree from Chongqing Normal University in 1994 and is currently an economist.

Ms. DONG Yunling, has been an extenal representative Supervisor of our Bank since June 2, 2008. From August 2006 to June 2008, Ms. Dong served as deputy inspector of China Banking Regulatory Commission Chongqing Regulatory Bureau. Ms. Dong served as a secretary of the discipline committee and a member of the Party committee of the China Banking Regulatory Commission Chongqing Regulatory Bureau between September 2003 and August 2006. Ms. Dong held a number of positions at the Chongqing Operations Management Division of PBOC from November 1986 to September 2003, including assistant inspector, director of the Discipline Committee General Office and deputy director of the Discipline Inspection and Supervision Division. Ms. Dong was the deputy secretary of the Party branch and the chairman of labor union of Chongqing Tiaosu Dianji Factory from December 1974 to November 1986. Ms. Dong was a cadre at Chongqing Battery Factory from November 1973 to December 1974. Ms. Dong was a life insurance officer at the Luzhou Shipbuilding Factory of Chongqing Shipping Company from March 1971 to November 1973. Ms. Dong graduated from Correspondence College of Chongqing Municipal Party Committee, majoring in Politics in 1986 and is a senior administration engineer accredited by PBOC (中國人民銀行).

Senior Management

For the biography of **Mr. TAN Yuansheng**, please refer to "Directors" in this section.

Mr. BAI Guiting, has been a vice president and member of the Party committee of our Bank since June 2008. He was the deputy director and a member of the Party committee of the Chongqing Rural Cooperative Union from February 2000 to June 2008. Prior to joining our Bank, Mr. Bai was the deputy finance agency director of the Operations Management Division Cooperative Financial Institutions Supervision Section in the PBOC Chongqing Operations Office from January 1999 to February 2000; the deputy division director of the Agricultural Financing Division of the PBOC Chongqing Operations Office from November 1997 to January 1999; an assistant to the director at the Leading Group for Reform of Chongqing Rural Financial System from October 1996 to November 1997; and deputy division director of the Credit Cooperative Division of Agricultural Bank of China Chongqing branch and the director of suburban sales department of the Chongqing Rural Credit Cooperative from May 1995 to October 1996. Mr. Bai was the director of the suburban sales department of the Chongqing Rural Credit Cooperative from October 1993 to May 1995. Mr. Bai worked for the Chongqing branch credit cooperative of the Agricultural Bank of China from September 1985 to October 1993, during which he studied at the department of the agricultural credit management of the Changchun Cadre Institute of the Agricultural Bank general headquarters from September 1988 to July 1989 before graduation. From October 1975 to September 1985, Mr. Bai worked at several banks and credit cooperatives as an accountant and cashier. Mr. Bai graduated from the Correspondence College of Chongqing Municipal Party Committee, majoring in Economics and Management in 1998 and is a senior economist accredited by Agricultural Bank of China Limited (中國農業銀行).

Mr. WANG Rong, has been a vice president and member of the party committee of our Bank since June 2008. He was the deputy director and a member of the Party committee of the Chongqing Rural Credit Cooperative Union from May 2004 to June 2008; and was the chairman , director and secretary of the Party committee of Chongqing Jiulongpo Rural Credit Cooperative Union from September 1996 to April 2004. Prior to joining our Bank, Mr. Wang served as the leader of Agricultural Bank of China Chongqing Jiulongpo branch Discipline Inspection Team of the Party Organization from August 1994 to August 1996; Mr. Wang graduated from the Correspondence College of Chongqing Municipal Party Committee majoring in Public Finance in 1998 and is a senior economist accredited by Chongqing Municipal Government (重慶市人民政府).

Mr. YANG Xiaotao, has been a vice president and member of the Party committee of our Bank since June 2008. From July 2003 to June 2008, Mr. Yang held a number of positions in the Chongqing Rural Credit Cooperative Union, including the deputy director-general, member of the Party committee, the director and secretary of the Party committee of Chongqing Changshou District Rural Credit Cooperative Union. Prior to joining our Bank, Mr. Yang held a number of positions at Agricultural Bank of China from November 1979 to July 2003. In that time, he has served as vice president for Chongqing Fuling Branch; president and secretary of the party committee of the Wulong County branch; vice president of the Wulong County branch. Mr. Yang graduated from the Correspondence College of Chongqing Municipal Party Committee majoring in law in 1998 and is a senior economist accredited by Chongqing Municipal Government (重慶市人民政府).

Mr. LING Jiaquan, has been the chief auditor and a member of the Party committee of our Bank since February 2009. Prior to joining our Bank, Mr. Ling assumed a number of positions as division director of the 3rd Site Inspection Division, division director of the 2nd State-owned Bank Regulation Division and Agricultural Bank Regulation Division at Banking Regulatory Commission Chongqing Bureau from October 2003 to December 2008. Mr. Ling also held a number of positions at the Chongqing business management department of the PBOC Chongqing Operations Office from August 1988 to October 2003 including, the division director and deputy division director of the Regulation Division of Agricultural Banks. Mr. Ling worked for the Chongqing Yuzhong sub-branch of the Industrial and Commercial Bank of China from June 1984 to August 1988. Mr. Ling worked for the Chongqing Yuzhong sub-branch of the People's Bank of China from December 1972 to June 1984. Mr. Ling graduated from the Correspondence College of Centre Party Committee in 1998 majoring in economic management and is an accountant.

Mr. YUAN Xiaobo, has been a deputy secretary to the Party committee of our Bank since December 2008. Mr. Yuan is currently the deputy secretary to the Party committee and secretary to the discipline committee. Prior to joining our Bank, Mr. Yuan was the division director of Entrepreneur administration Division of Chongqing State-owned Assets Supervision (training division, human resources division) from October 2003 and December 2008; Mr. Yuan was principal staff member, research assistant and deputy division director of the Cadres Division and the principal member of the Working Committee of Industrial Transport and the Cadres Division of Enterprise Executive Committee of Chongqing Municipal Party Committee from June 1998 to October 2003. Mr. Yuan worked for the Chongqing Electronics Industry Authority from March 1992 to June 1998. Mr. Yuan worked at the State-owned 907 Factory from July 1984 to March 1992. Mr. Yuan obtained a Master's degree in Project Management from Chongqing University in 2008 and is an economist.

Mr. SUI Jun, has been a vice president and a member of the Party committee of our Bank since February 2009. Mr. Sui served as a general manager of the main branch of the headquarters of the Company and general manager of Jiangjin branch from August 2008 to December 2008. He served as the president of Jiangjin sub-branch of our Bank from June 2008 to August 2008. He was the director-general and secretary of the Party committee of Jiangjin Rural Credit Cooperatives Union of Chongqing from April 2004 to June 2008. Prior to joining our Bank, Mr. Sui held several positions at China Construction Bank Nancong branch from January 1994 to April 2004 including, general and deputy general branch manager. Mr. Sui worked at the Guangan sub-branch of the Construction Bank of China from July 1990 to January 1994. Mr. Sui attended the Southwestern University of Finance and Economics and obtained a bachelor's degree in Agricultural Finance and Economics in 1990, an Executive Master of Business Administration (EMBA) degree from Chongqing University in June 2010 and is a senior economist accredited by Chongqing Municipal Government (重慶市人民政府).

Secretary to the Board and Joint Company Secretary

Mr. SUI Jun has been Secretary to the Board and Joint Company Secretary of our Bank since August 2010. For Mr. Sui's biography, please refer to "Senior Management" in this section.

Joint Company Secretary

CHENG Pik Yuk, aged 53, is a Corporate Services Director of Tricor Services Limited providing corporate secretarial services to various companies. Ms. Cheng has worked in the company secretarial departments of a number of international accounting firms and has over 25 years of experience in the company secretarial field. She has been providing corporate secretarial services to listed companies and multi-national groups. Ms. Cheng is a Fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries ("HKICS") and is also a holder of the Practitioner's Endorsement of HKICS.

Board of Directors

Currently, our Board of Directors consists of 11 Directors, three of whom are independent non-executive Directors that meet the independence requirements according to PRC rules and regulations. The Bank also intends to appoint additional independent non-executive Directors in due course after listing so that the best recommended practice under paragraph A.3.2 to Appendix 14 to the Hong Kong Listing Rules will be fully complied with. Our Directors are elected by an ordinary resolution at a shareholders' meeting to serve a term of three years, renewable upon re-election. Independent non-executive Directors are each limited to a single term of three years, at the end of term they can continue to serve as Directors, but not as independent non-executive Directors.

According to our Articles of Association, our Board is required to convene at least four regular meetings a year. As of the Latest Practicable Date, our Board of Directors have held 39 meetings since our incorporation.

Board Committees

Our Board of Directors delegates certain responsibilities to various committees. In accordance with the relevant PRC law and regulations, we have formed strategic development, audit, risk management, nomination, remuneration, related party transaction supervision and minority shareholders' interest protection committees.

Strategic Development Committee

Our board strategic development committee consists of five Directors: Mr. LIU Jianzhong, Mr. TAN Yuansheng, Mr. TAO Jun, Mr. TU Jianhua and Mr. PU Yongjian. Mr. LIU Jianzhong currently serves as the chairman of our strategic development committee. Our strategic development committee is responsible for formulating the business objective and long-term development strategy; supervise and review the execution of annual business plan and investment plan.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of two non-executive directors, being Mr. TAO Jun and Mr. WEN Honghai, and three independent non-executive directors, being Mr. PU Yongjian, an independent non-executive director with appropriate accounting qualifications as required under Rule 3.10(2) of the Hong Kong Listing Rules who serves as chairman of the committee, Mr. XU Bin and Ms. RAN Hua. Our audit committee is responsible for monitoring accounting policy, financial condition, financial reporting procedure, compliance and risk management of our Bank; annual audit and to provide evaluation report to our Board of Directors on the accuracy and completeness of our audit report.

Risk Management Committee

Our risk management committee consists of four Directors: Mr. TAO Jun, Mr. WANG Yongshu, Mr. GAO Xiaodong and Mr. XU Bin. Mr. XU Bin currently serves as the chairman of our risk management committee. Our risk management committee is responsible for supervising senior management on the control of risks such as credit risks, market risks, operating risks, liquidity risk; conducting regular evaluation on risk management status and risk tolerance level of our Bank, and providing advice on improvement of risk management and internal control.

Nomination Committee

The nomination committee consists of two executive Directors, being Mr. LIU Jianzhong and Mr. TAN Yuansheng, two non-executive Directors, being Mr. GAO Xiaodong, and Mr. WU Xiufeng, and one independent non-executive Director, being Ms. RAN Hua, who is the chairman of the nomination committee. Our nomination committee is responsible for formulating the selection procedures and criteria for members of Directors and senior management; conducting preliminary review and examination and providing advice to the Board on qualification and conditions of candidates of directors and senior management. We do not comply with the recommended best practices under paragraph A.4.4 to Appendix 14 of the Hong Kong Listing Rules as the independent non-executive Directors are not a majority of members of the nomination committee. However, we expect to comply with such requirement in due course following our listing.

Remuneration Committee

Remuneration committee consists of one executive Director, being Mr. TAN Yuansheng, one non-executive Director, being Mr. TU Jianhua and three independent non-executive Directors, being Mr. XU Bin, Mr. PU Yongjian and Ms. RAN Hua. Mr. XU Bin is the chairman of the remuneration committee. Our remuneration committee is responsible for the remuneration scheme for the members of Directors, Supervisors and senior management; providing advice to the Board on remuneration schemes and supervising the implementation of the scheme. The composition of remuneration committee is in full compliance with paragraph B.1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules as independent non-executive Directors from a majority of such committee.

Related Party Transaction Supervision Committee

We established our related party transaction supervision committee in accordance with the applicable PRC laws, regulations and rules. Our related party transaction supervision committee consists of three Directors: Mr. TU Jianhua, Mr. WANG Yongshu and Ms. RAN Hua. Ms. RAN Hua currently serves as the chairman of our related party transaction supervision committee. Our related party transaction supervision committee is responsible for the management of related party transactions of our Bank; to review and approve connected transaction in a timely manner and control the risks of related party transactions.

The scope of responsibility of the related party transaction supervision committee is primarily based on applicable PRC laws, regulations and rules, in particular the Administrative Measures on Connected Transactions between Commercial Banks and Insiders or Shareholders on determining scope of duties.

Minority Shareholders' Interest Protection Committee

Our minority shareholders' interest protection committee consists of three Directors: Mr. WEN Honghai, Mr. WU Xiufeng and Mr. PU Yongjian. Mr. PU Yongjian currently serves as the chairman of our minority shareholders' interest protection committee. Our minority shareholders' interest protection committee is responsible for the protection of minority shareholders for their legal rights and the protection of their legal interests from infringement, and supervising the supporting of Sannong by our Bank.

BOARD OF SUPERVISORS

PRC company law requires a joint stock company to establish a board of supervisors that is responsible for supervising the actions of the board of directors and senior management and monitoring financial matters. Our Board of Supervisors consists of seven Supervisors, including three shareholder representative Supervisors, three employee representative Supervisors and one external Supervisor. The chairman is elected by the Board of Supervisors. The term of office for our Supervisors is three years, renewable upon re-election.

COMPENSATION OF DIRECTORS, SUPERVISORS AND OFFICERS

We offer our executive Directors, Supervisors and senior management members, who are also employees of our Bank, various compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors and external Supervisors receive compensation based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of pre-tax compensation paid to our Directors, Supervisors and senior management members for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007 was approximately RMB2.58 million, RMB7.65 million, RMB5.60 million and RMB3.04 million, respectively.

As required by PRC regulations and rules, we participate in various social security plans and housing provident fund plans organized by provincial and municipal governments, and provide supplementary medical insurance and other benefits for our employees (including employees who are directors, supervisors and senior management members). Among the above aggregate amount of pre-tax compensation, we contributed approximately RMB0.24 million, RMB0.50 million, RMB0.37 million and RMB0.28 million in aggregate to these plans and benefits for our Directors, Supervisors and senior management members for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007, respectively.

The aggregate amount of pre-tax compensation we paid to our five highest paid individuals for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007 was approximately RMB1.15 million, RMB4.50 million, RMB2.98 million and RMB2.02 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2009, 2008 and 2007. Further, none of our directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2009, 2008 and 2007, by us or our subsidiary to our Directors.

We do not plan to change our remuneration policies after listing.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 AND 19A.15 OF THE HONG KONG LISTING RULES

Management Presence in Hong Kong

According to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, an issuer must have a sufficient management presence in Hong Kong with at least two of the issuer's executive directors ordinarily resident in Hong Kong. We conduct our operations in the PRC, and we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Most of our directors reside in the PRC. We will have certain internal arrangements to maintain effective communication with the Hong Kong Stock Exchange, including (i) appointing Mr. Sui Jun and Mr. Tan Yuansheng as our authorized representatives and Ms. Cheng Pik Yuk as alternate authorized representative to act as our principal channel of communication with the Hong Kong Stock Exchange; Each of our authorized representatives has access to our Board of Directors and senior management at all times. Each director has provided their respective mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Hong Kong Stock Exchange. Each of our directors, through the authorized representatives, will be readily contactable by telephone, facsimile or email. Each of our directors who are not ordinary residents of Hong Kong can apply for valid travel documents to visit Hong Kong and meet with the Hong Kong Stock Exchange within a reasonable period after requests from the Hong Kong Stock Exchange and (ii) retaining CMB International Capital Limited, who will have access at all times to the Bank's authorized representatives, directors and officers, as our compliance advisor to act as our additional channel of communication with the Hong Kong Stock Exchange pursuant to Rule 3A.19 and Rule 19A.06(4) of the Hong Kong Listing Rules. Accordingly, we have obtained from the Hong Kong Stock Exchange a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules which requires us to have a sufficient management presence in Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.17 AND 19A.16 OF THE HONG KONG LISTING RULES

Qualification of Joint Company Secretary

Mr. SUI Jun has been the secretary of our board and a joint company secretary since August 2010. As Mr. Sui does not possess the qualifications as stipulated under Rule 8.17(1) or (2) of the Hong Kong Listing Rules, our Bank has on November 12, 2010 appointed Ms. Cheng Pik Yuk, who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience as required under Rule 8.17(2) of the Hong Kong Listing Rules, to act as our Joint Company Secretary and assist Mr. Sui in discharging the duties of a company secretary of the Bank, for a term until the third anniversary of our Listing Date. In this regard, we also have procedures in place to provide Mr. Sui with appropriate training in order to enable Mr. Sui to acquire such necessary experience upon the expiry of such three-year period. We have applied to Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements of Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules. The waiver will be revoked if Ms. Cheng ceases to be the assistant to Mr. Sui during the three years after the Listing Date. Upon the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Sui to determine whether the requirements of Rule 8.17 of the Listing Rules can be satisfied.

COMPLIANCE ADVISOR

We will appoint CMB International Capital Limited as our compliance advisor (the "Compliance Advisor") upon listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

We expect to enter into a compliance advisor's agreement with the Compliance Advisor, the material terms of which we expect to be as follows:

- our company will appoint the Compliance Advisor as our compliance advisor for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the date of the listing of our H Shares on the Hong Kong Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the date of listing, or until the agreement is terminated, whichever is earlier;

- the Compliance Advisor shall provide us with certain services, including providing guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines and, where appropriate, acting as one of our principal channels of communication with the Hong Kong Stock Exchange;

- we will agree to indemnify the Compliance Advisor for actions against and losses incurred by the Compliance Advisor arising out of, or in connection with, certain events including the performance by the Compliance Advisor of its duties under the agreement.

As of the Latest Practicable Date, the following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our Domestic Shares:

Name of Shareholder	No. of Domestic Shares directly or indirectly held	Approximate percentage of share capital (%)
Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)	700,000,000	10.00
Chongqing City Construction Investment Company (重慶市城市建設投資公司)	669,000,000	9.56
Loncin Holdings Limited (隆鑫控股有限公司)	570,000,000	8.14
Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅遊投資集團有限公司)	471,000,000	6.73

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), our share capital will be comprised of 6,814,490,399 Domestic Shares and 2,185,509,601 H Shares, representing 75.72% and 24.28% of the total share capital of our Bank, respectively. The following sets out the shareholding of the abovementioned shareholders, immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of the shareholders subsequent to the Latest Practicable Date:

Name of Shareholder	No. of Domestic Shares directly or indirectly held	Approximate percentage of share capital (%)
Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)	638,525,581	7.09
Chongqing City Construction Investment Company (重慶市城市建設投資公司)	610,248,018	6.78
Loncin Holdings Limited (隆鑫控股有限公司)	570,000,000	6.33
Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅遊投資集團有限公司)	429,636,497	4.77

As of the Latest Practicable Date, our share capital, which comprised 7,000,000,000 Domestic Shares, is categorized as follows:

Domestic Shares	Number of shares	Approximate percentage of share capital
Domestic Shares	7,000,000,000	100.00%

Immediately after completion of the Global Offering, but without taking into account the exercise of the Over-allotment Option, our total share capital would be as follows:

Domestic Shares	Number of shares	Approximate percentage of share capital
Domestic Shares	6,814,490,399	75.72%
H Shares issued and sold pursuant to the Global Offering	2,185,509,601	24.28%
Total Share Capital	9,000,000,000	100.00%

If the Over-allotment Option is exercised in full, our total share capital would be as follows:

Domestic Shares	Number of shares	Approximate percentage of share capital
Domestic Shares	6,786,663,959	72.97%
H Shares issued and sold pursuant to the Global Offering	2,513,336,041	27.03%
Total Share Capital	9,300,000,000	100.00%

TRANSFER OF OUR DOMESTIC SHARES FOR LISTING AND TRADING ON THE OVERSEAS STOCK EXCHANGE

According to the stipulations by the State Council securities regulatory authority and our Articles of Association, our Domestic Shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such transferred shares shall have duly completed any requisite internal approval process and obtained the approval from the relevant PRC regulatory authorities, including the CSRC. In addition, such transfer and trading shall in all respect comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on the Hong Kong Stock Exchange, such transfer and conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange. We have been advised by the Hong Kong Stock Exchange that based on the methodology and procedures for the transfer and conversion of our Domestic Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, the Hong Kong Stock Exchange has advised us that it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and we will re-register such shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the conditions that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such shares would not be listed as H Shares.

So far as our directors are aware, none of our Promoters proposes to convert any of their Domestic Shares into H Shares.

RANKING

Domestic Shares and H Shares are ordinary shares in the share capital of our Bank. However, unless otherwise approved by relevant authorities, H Shares cannot be subscribed for by, or traded between, legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by, and traded between, legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi. All dividends or distributions declared, paid or made in respect of the Domestic Shares and H Shares after the date of this prospectus will rank pari passu with each other. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi.

Except as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend receiving agents, are all provided for in our Articles of Association and summarized in Appendix VII to this prospectus.

TRANSFER OF SHARES TO NSSF

In accordance with relevant PRC regulations regarding disposal of state-owned shares or its monetary equivalent based on Offer Price, our 13 state-owned shareholders are required to transfer to NSSF such number of Domestic Shares, which in aggregate is equivalent to 10% of the number of the Offer Shares (200,000,000 H Shares, before the exercise of the Over-allotment Option or 230,000,000 H Shares after the exercise in full of the Over-allotment Option). Out of the 10% state-owned shares required to be transferred by our 13 state-owned shareholders to NSSF, 92.75% (185,509,601 H Shares, before the exercise of the Over-allotment Option or 213,336,041 H Shares after the exercise in full of the Over-allotment Option) held by our 10 state-owned shareholders will be transferred to NSSF in shares and 7.25% (14,490,399 H Shares, before the exercise of the Over-allotment Option or 16,663,959 H Shares after the exercise in full of the Over-allotment Option) held by our three state-owned shareholders will be transferred to NSSF in monetary equivalent based on the Offer Price. At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. Neither we nor our 13 state-owned shareholders will receive any proceeds from the transfer by our 13 state-owned shareholders to NSSF or any subsequent disposal of such H Shares by NSSF. The transfer of state-owned shares by our 13 state-owned shareholders to NSSF was approved by SASAC on July 29, 2010. The conversion of those shares into H Shares and the offering of the Sale Shares approved by CSRC on November 16, 2010. We have been advised that both the foregoing aforementioned transfer and the conversion have been approved by the relevant authorities and are legal under PRC law.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time or listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules to accept that the minimum percentage of our issued share capital from time to time to be held by the public on the Hong Kong Stock Exchange be reduced to such percentage of our shares that are in the form of H shares and listed upon the Hong Kong Stock Exchange upon completion of the Global Offering, which shall represent no less than 24% of our enlarged issued share capital immediately upon completion of the Global Offering, provided that the value of H shares in the public hands shall be no less than HK$1.5 billion.

We will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of public float in successive annual reports after Listing.

SALE OF SALE SHARES

In accordance with relevant PRC regulations regarding disposal of state-owned shares or its monetary equivalent based on the offer price, in the event of an initial public offering or a share placement to public shareholders in overseas securities markets by a PRC joint stock company in which the state has an interest, the state-owned shareholders of such company shall transfer their state-owned shares of such company representing 10% of the total Offer Shares to the NSSF or dispose of their state-owned shares representing 10% of the net proceeds from such offering or placement and remit the proceeds from such disposal to the NSSF.

We received approval from the SASAC in relation to the disposal of the Domestic Shares held by our 13 state-owned shareholders and approval from the CSRC approving the conversion of these Domestic Shares into H Shares on a one-for-one basis at the time of the listing of our H Shares on the Hong Kong Stock Exchange. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2010] No. 133) on August 12, 2010, the NSSF approved the sales of no more than 213,336,041 H Shares converted from the Domestic Shares currently registered under the names of our 10 state-owned shareholders (i.e., the Selling Shareholders) as Sale Shares in the Global Offering and all the net proceeds from the sale of such Sale Shares will be remitted to the NSSF. In addition, the NSSF approved the remaining three state-owned shareholders to continue to hold their 14,490,399 H Shares converted from the Domestic Shares which are otherwise required to be transferred to the NSSF or disposed of in the Global Offering and allow these three shareholders to pay to the NSSF the equivalent monetary amount of these shares based on the Offer Price. We have been advised by our PRC counsel, Junhe Law Offices, that such conversion and sale have been approved by the relevant authorities and are lawful under PRC law.

THE CORPORATE PLACING

As part of the International Offering, the Joint Bookrunners and we have entered into cornerstone investment agreements with each of the 4 investors described below (the “Corporate Investors”, each a “Corporate Investor”), pursuant to which the Corporate Investors have agreed to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of US$240 million, equivalent to HK$1,861 million (the “Corporate Placing”). Assuming an Offer Price of HK$5.25 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Corporate Investors would be approximately 354.5 million, representing approximately 16.22% of the Offer Shares and approximately 3.94% of the shares in issue and outstanding upon the completion of the Global Offering, assuming the over-allotment option for the Global Offering is not exercised.

The Corporate Investors are independent third parties and are not our connected persons. To the knowledge of the Directors, the Corporate Investors are independent from each other. Details of the actual number of Offer Shares to be allocated to the Corporate Investors will be disclosed in the allotment results announcement to be issued by our Company on or before December 15, 2010.

The Corporate Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Corporate Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Corporate Investors will have any board representation in our Company, nor will any of the Corporate Investors become our substantial shareholder. The Offer Shares to be subscribed for by the Corporate Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the paragraph headed “Structure of the Global Offering-The Hong Kong Public Offering” in this prospectus.

CORPORATE INVESTORS

The following Corporate Investors have entered into cornerstone investment agreements with the Joint Bookrunners and us in respect of the Corporate Placing. The information about our Corporate Investors has been provided by each of the relevant Corporate Investors in connection with the Corporate Placing.

Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for the Hong Kong dollar equivalent of US$30 million, equivalent to HK$233 million at the Offer Price. Assuming an Offer Price of HK$5.25, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Chow Tai Fook Nominee Limited would subscribe for would be 44.3 million, representing approximately 2.03% of the Offer Shares and approximately 0.49% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Chow Tai Fook Nominee Limited is a company incorporated in Hong Kong and is principally engaged in the investment holding business. It is wholly and beneficially owned by Dato' Dr. Cheng Yu-Tung.

Fubon Life Insurance Co., Ltd.

Fubon Life Insurance Co., Ltd. has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for the Hong Kong dollar equivalent of US$30 million, equivalent to HK$233 million at the Offer Price. Assuming an Offer Price of HK$5.25, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Fubon Life Insurance Co., Ltd. would subscribe for would be 44.3 million, approximately 2.03% of the Offer Shares and representing approximately 0.49% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Fubon Life Insurance Co., Ltd. is a wholly-owned subsidiary of Fubon Financial Holding Company (Stock Code:TW2881), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange. Fubon Financial Holding Company has built a strong lineup of financial service companies. Its subsidiaries include Taipei Fubon Commercial Bank, Fubon Insurance, Fubon Life Insurance, Fubon Securities, Fubon Bank (Hong Kong) and Fubon Asset Management Company. As of June 30, 2010, Fubon Financial Holding Company is the second largest among Taiwan's publicly listed financial holding companies.

Nexus Capital Investing Ltd.

Nexus Capital Investing Ltd. has agreed to subscribe (or to procure a wholly-owned subsidiary nominated by it to subscribe) for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$100 million, equivalent to HK$775 million at the Offer Price. Assuming an Offer Price of HK$5.25, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Nexus Capital Investing Ltd. or its subsidiary would subscribe for would be 147.7 million, representing approximately 6.76% of the Offer Shares and approximately 1.64% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Nexus Capital Investing Ltd., a company incorporated in the British Virgin Islands, is a wholly owned subsidiary of Abu Dhabi International United Investments ("ADIUI"), an Abu Dhabi company wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi. His Highness Sheikh Mansour bin Zayed Al Nahyan holds a number of his investments, including his economic exposure to Barclays plc, through ADIUI and its subsidiaries.

Value Partners Limited

Value Partners Limited has agreed to procure certain investment or collective investment fund(s) and/or managed account(s) managed or advised by Value Partners Limited or its fellow subsidiary (the "Investor Funds") to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for the Hong Kong dollar equivalent of US$80 million, equivalent to HK$620 million at the Offer Price. Assuming an Offer Price of HK$5.25, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the

Investor Funds would subscribe for would be 118.2 million, representing approximately 5.41% of the Offer Shares and approximately 1.31% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Value Partners Limited acts as investment manager or investment advisor to certain investment funds. Value Partners Limited is a leading Asia Pacific asset management company headquartered in Hong Kong and a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners Limited's products include a range of absolute return long-biased equity investment funds which invest in the Asia Pacific equity markets, with some focusing on the Greater China markets. Value Partners Limited also manages hedge funds and provides investment advisory services for institutional investors. Value Partners' products and services also form part of a comprehensive range of investment solutions offered by the Value Partners Group under Value Partners brand and Sensible Asset Management brand.

CONDITIONS PRECEDENT

The subscription obligation of the Corporate Investors is subject to, among other things, the following conditions precedent:

(a) the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Offering being entered into and having become unconditional;

(b) neither of the aforesaid underwriting agreements having been terminated;

(c) the listing committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares and such approval or permission having not been revoked; and

(d) the respective representations, warranties and undertakings of the Corporate Investors remaining true and accurate at closing of the International Offering.

RESTRICTIONS ON DISPOSALS BY THE CORPORATE INVESTORS

Each of the Corporate Investors has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not or, as to Value Partners Limited, will procure the Investor Funds not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the H Shares subscribed for and acquired by it pursuant to the Corporate Placing or any shares or other securities of our Company which are derived from such H Shares pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares. Each Corporate Investor or Investor Funds may transfer the Relevant Shares to wholly-owned subsidiaries of such Corporate Investor or Investor Funds and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on the Corporate Investor or Investor Funds.

The following discussion and analysis should be read in conjunction with our consolidated financial statements, together with the accompanying notes, included in Appendix IA and Appendix IB to this prospectus. Our consolidated financial statements included in the Accountant's Report have been prepared in accordance with IFRS.

BASIS OF PRESENTATION

In June 2008, we were incorporated into a newly formed joint stock limited company as part of our Restructuring to take over the business carried out by the 39 Rural Credit Unions and the CRCU which formed the business of our Bank (the "Business"). Due to the requirements under the IFRS, we are not able to take advantage of the common control combination accounting method under the IFRS, which would otherwise allow us to adopt merger accounting to account for the Restructuring because there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and our Bank before and after the Restructuring. Therefore, the results of the Business carried out by the 39 Rural Credit Unions and CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 cannot be included in the financial statements of our Bank as a continuation of the Business. Instead, the Restructuring was accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCU by our Bank. As a result, our reporting accountants, Deloitte Touche Tohmatsu, has prepared two sets of accountants' reports included in this prospectus as Appendix IA and Appendix IB, which include the financial information of the banking business carried out by the 39 Rural Credit Unions under the management of CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 (the "**Predecessor Period**") and the financial information of our Bank for the period from June 27, 2008 to December 31, 2008, the year ended December 31, 2009, and the six months ended June 30, 2010 (the "**Post-Predecessor Period**"), respectively.

In order to help you have a better understanding of our financial condition and results of operations during the Track Record Period, we have added up the corresponding income statement line items for the period from January 1, 2008 to June 26, 2008 included in the CRCU Financial Information and for the period from June 27, 2008 to December 31, 2008 included in the Financial Information for the purposes of presenting the income statement figures for 2008 in the prospectus, except for Appendix IA and Appendix IB.

Due to the presentation adjustments mentioned above, some of the amounts and numbers presented in this prospectus are derived from calculation using the amounts and numbers in the CRCU Financial Information and the Financial Information and not directly from the CRCU Financial Information and the Financial Information themselves. See "Financial Information — Basis of Presentation" for further information on the basis of presentation and "Our History, Restructuring and Operational Reform" for further information regarding our current and historical corporate structure and the Restructuring.

In addition, because the Restructuring was accounted as an acquisition, the amounts of loans and advances to customers reported at the end of the reporting period after the Restructuring presented in Appendix IB were stated at their fair value, which represented the net amounts of the loans after allowance; while the loans and advances to customers prior to the Restructuring presented in Appendix

IA were stated at their gross amounts (i.e., the contractual amounts) after allowance. However, in order to give you a more meaningful comparison on our financial positions during the Track Record Period, the disclosure in relation to loans and advances to customers after the Restructuring in this "Assets and Liabilities" section has been prepared based on the contractual amount of these loans, which are not the same as the fair value stated of these loans presented in Appendix IB.

IMPACT OF FINANCIAL RESTRUCTURING ON OUR ASSETS

We undertook a series of financial restructurings, including in particular the four non-performing assets write-offs and disposals during the period from 2004 to 2009, which had and is expected to continue to have a significant impact on our financial condition and asset quality. In each write-off, the written-off non-performing assets remained in our possession and were entrusted to us for management and collection. We wrote off non-performing assets of approximately RMB2,291 million (all of which were non-performing loans) in 2004 through the PBOC special note arrangement. In June 2007, we entered into certain arrangements designed to write off non-performing assets of approximately RMB743 million (of which approximately RMB488.2 million was non-performing loans) and we subsequently collected RMB417.5 million of these assets and wrote off the remaining assets of approximately RMB325.5 million in 2009, of which approximately RMB188.4 million were non-performing loans. In November 2007, we received a capital injection of RMB1.0 billion by the Chongqing municipal government through Chongqing Yufu Assets Management Company Limited to dispose of our non-performing assets and RMB3.6 billion by our Promoters to write off our non-performing assets in connection with our Restructuring into a joint stock limited company. We used approximately RMB4.5 billion of such funds to write off non-performing assets of equivalent amount in 2007, of which approximately RMB4.2 billion was non-performing loans and we used the remaining approximately RMB147.0 million funds from Promoters' contribution to write off non-performing non-credit assets of equivalent amount in 2009. Each of these write-offs and disposals was made at their book value, before allowance for impairment loss.

As a result, we wrote off non-performing loans of RMB2,291.0 million in 2004, disposed of and wrote off non-performing assets of RMB4.5 billion (of which RMB4.2 billion was non-performing loans) in 2007 and wrote off non-performing assets of RMB472.5 million (of which RMB188.4 million was non-performing loans) in 2009. In addition, through the arrangement under which we were entrusted to manage and collect the non-performing assets that were written off, we had collected RMB123.5 million, RMB483.1 million and RMB661.4 million, respectively, from these assets during the three years ended December 31, 2009 and we had applied a certain of these amounts to our allowance for impairment losses in the respective year. For a description of our Financial Restructuring, see "Our History, Restructuring and Operational Reform — Our Financial Restructuring".

ASSETS

As of June 30, 2010, our total assets amounted to RMB261.6 billion, an increase of 29.9% compared to RMB201.4 billion as of December 31, 2009. Our total asset increased by 20.4% to RMB201.4 billion as of December 31, 2009 compared to RMB167.3 billion as of December 31, 2008, which in turn increased by 38.8% from RMB120.5 billion as of December 31, 2007. The growth in our total assets from December 31, 2007 to June 30, 2010 was primarily due to the growth in loans to customers and investment securities, which were the two largest components of our total assets, and reflected the overall robust growth of our business.

Other important components of our assets include cash and balances with central bank, deposits with banks and other financial institutions, financial assets held under resale agreements and other assets. The following table sets forth, at the dates indicated, the components of our total assets.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans to customers, gross	75,398.6[6]	62.6%	77,854.6	46.5%	101,821.1[9]	50.6%	114,513.3	43.8%
Allowances for impairment losses	(6,314.6)[7]	(5.2)	(5,640.8)[8]	(3.4)	(5,005.4)[10]	(2.5)	(5,097.2)	(1.9)
Loans to customers, net	69,084.0[7]	57.4	72,213.8	43.1	96,815.7[10]	48.1	109,416.1	41.9
Investment securities and other financial assets, net[1]	23,012.6	19.1	34,346.4	20.5	47,430.4	23.6	71,961.2	27.5
of which:								
Receivables[2]	1,849.9	1.5	7,829.1	4.7	15,274.1	7.6	23,219.7	8.9
Cash and balances with central bank	19,170.3	15.9	19,053.4	11.4	27,415.9	13.6	32,844.0	12.6
Deposits with banks and other financial institutions, net[3]	3,532.4	2.9	5,355.2	3.2	10,154.4	5.0	7,651.3	2.9
Financial assets held under resale agreements[4]	2,205.2	1.8	29,941.3	17.9	13,374.2	6.6	33,499.7	12.8
Goodwill	0.0	0.0	440.1	0.3	440.1	0.2	440.1	0.2
Other assets[5]	3,482.5	2.9	5,917.9	3.6	5,730.0	2.9	5,802.7	2.1
Total assets	**120,487.0**	**100.0%**	**167,268.1**	**100.0%**	**201,360.7**	**100.0%**	**261,615.1**	**100.0%**

(1) Investment securities and other financial assets consist of financial assets designated as at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as in receivables. There were no related allowance for impairment losses on investment securities at June 30, 2010 and December 31, 2009, 2008 and 2007.

(2) Receivables consist mainly of debt instruments issued by financial institutions. See "— Investment Securities — Receivables."

(3) There were no related allowance for impairment losses on deposits with banks and other financial institutions at June 30, 2010 and December 31, 2009, 2008 and 2007.

(4) Financial assets held under resale agreements consist primarily of bills and government and enterprise bonds.

(5) Other assets consist primarily of property and equipment, deferred tax assets, interest receivables, foreclosed assets and other assets.

(6) The amount of gross loans to customers at December 31, 2007 reflected the write-off of RMB4.2 billion in non-performing loans in connection with our Financial Restructuring.

(7) The amount of the allowance for impairment losses and the amount of net loans to customers at December 31, 2007 reflected the release in the amount of RMB4.2 billion from the loan loss allowance resulting from the write-off of RMB4.5 billion in non-performing assets in connection with our Financial Restructuring and the collection of RMB123.5 million from the written-off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

(8) The amount of allowance for impairment losses and the amount of net loans to customers at December 31, 2008 reflected the release in the amount of RMB483.1 million from the loan loss allowance resulting from the collection from the written off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

(9) The amount of gross loans to customers at December 31, 2009 reflected the write-off of RMB188.4 million in non-performing loans in connection with our Financial Restructuring.

(10) The amount of allowance for impairment losses and the amount of net loans to customers at December 31, 2009 reflected the release in the amount of RMB188.4 million from the loan loss allowance resulting from the write-off of RMB472.5 million in non-performing assets in connection with our Financial Restructuring and the collection from the written-off assets that were entrusted to us for collection as part of the Financial Restructuring arrangements.

Loans to Customers

We provide a broad range of loan products to our customers through our branch network, all of which are currently denominated in Renminbi. Our loans to customers, net of the allowance for impairment losses, represented 41.9%, 48.1%, 43.1%, and 57.4% of our total assets as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

Unless otherwise indicated in this prospectus, the following discussion is based on our total loans to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans to customers are reported net of the allowance for impairment losses on our consolidated balance sheet.

As of June 30, 2010, our total loans to customers amounted to RMB114.5 billion, an increase of 12.5% from RMB101.8 billion as of December 31, 2009, primarily due to our overall business growth. Our total loans to customers increased by 30.8% to RMB101.8 billion as of December 31, 2009 from RMB77.9 billion as of December 31, 2008, which in turn increased by 3.3% from RMB75.4 billion as of December 31, 2007. The increase of loans to customers from 2008 to 2009 resulted primarily from the expansion of our corporate and retail banking business in the Urban Areas following the incorporation of our Bank in 2008 and the PRC government's fiscal stimulus package and moderately loose monetary policies. The increase of loans to customers from 2007 to 2008 was primarily due to the strong growth in corporate loans as we expanded our corporate banking business and our Financial Restructuring related non-performing loan write-offs in the amount of RMB4.2 billion in 2007.

Distribution of Loans by Business Line

For a description of the products we offer, see "Business — Our Principal Business Activities." The following table sets forth, at the dates indicated, our loans to customers by business lines.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount(1)	% of total	Amount	% of total	Amount(2)	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Short-term loans (3)	8,460.5	11.2%	6,691.0	8.6%	13,316.4	13.1%	10,881.6	9.5%
Medium- and long-term loans (4)	21,468.6	28.5	31,562.4	40.5	44,252.6	43.4	63,559.0	55.5
Subtotal	29,929.1	39.7	38,253.4	49.1	57,569.0	56.5	74,440.6	65.0
Discounted bills								
Bank acceptance bills	18,885.1	25.0	13,594.5	17.5	16,148.6	15.9	6,471.5	5.7
Commercial acceptance bills	0.0	0.0	474.9	0.6	0.0	0.0	0.0	0.0
Subtotal	18,885.1	25.0	14,069.4	18.1	16,148.6	15.9	6,471.5	5.7
Retail loans								
Residential mortgage and personal commercial property loans (5)	7,163.1	9.5	8,622.3	11.1	12,333.6	12.1	16,939.8	14.8
Personal business and re-employment loans (6)	8,840.7	11.7	8,804.9	11.3	8,717.8	8.6	8,902.1	7.8
Loans to farmers (7)	8,024.7	10.6	5,783.7	7.4	4,321.7	4.2	3,824.3	3.3
Others (8)	2,555.9	3.5	2,320.9	3.0	2,730.4	2.7	3,935.0	3.4
Subtotal	26,584.4	35.3	25,531.8	32.8	28,103.5	27.6	33,601.2	29.3
Total loans to customers	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**

(1) The amount at December 31, 2007 reflected the effect of the Financial Restructuring — related disposal and write-off of RMB4.2 billion in non-performing loans in 2007.

(2) The amount at December 31, 2009 reflected the effect of the Financial Restructuring-related write-off of RMB472.5 million in non-performing loans in 2009.

(3) Short-term loans primarily consist of loans with contracted maturities of one year or less.

(4) Medium- and long-term loans primarily consist of loans with contracted maturities over one year.

(5) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan and second mortgage loans and loans to retail customers to acquire property for small business purposes, such as store premises.

(6) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and reemployment related small amount loans.

(7) Loans to farmers primarily consists of rural cross-guaranteed loans, rural small credit loans and certain rural home appliance consumption loans.

(8) Others primarily consists of personal car loans, financing for personal durable goods and personal education loans.

During the six months ended June 30, 2010 and the three years ended December 31, 2009, corporate loans had been the largest component of our loan portfolio, and their proportion in our overall loan portfolio had steadily increased over the six months ended June 30, 2010 and the three years ended December 31, 2009 as we continued to expand our corporate banking business.

Retail loans had remained steady in terms of amount and we have also improved the mix of our retail loan portfolio. As a percentage of our total loans, retail loans had steadily increased over the six months ended June 30, 2010, primarily due to our increased effort to expand our retail loan business while continuing the expansion of our corporate loan business. As a percentage of our total loan, retail loans had decreased over three years ended December 31, 2009 because a majority of the non-performing loans we wrote off and disposed of during the period from 2004 to 2009 comprised non-performing loans from personal business and re-employment loans and loans to farmers.

Discounted bills are an important component of our total loan portfolio. Historically, almost all of our discounted bills were bank acceptance bills because they are backed by the credit of banks and are assigned with lower risk weightings than commercial acceptance bills. Discounted bills as a percentage of total loans to customers decreased during the six months ended June 30, 2010 and the three years ended December 31, 2009 primarily due to our adjustment in the mix of our loans after taking into account the lower market rate and less attractive yield of discounted bills.

Corporate Loans

Corporate loans represented 65.0%, 56.5%, 49.1%, and 39.7% of our total loans to customers as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. The following table sets forth, at the dates indicated, our corporate loans by product type.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans	8,460.5	28.3%	6,691.0	17.5%	13,316.4	23.1%	10,881.6	14.6%
Medium- and long-term loans	21,468.6	71.7	31,562.4	82.5	44,252.6	76.9	63,559.0	85.4
Total corporate loans	**29,929.1**	**100.0%**	**38,253.4**	**100.0%**	**57,569.0**	**100.0%**	**74,440.6**	**100.0%**

As of June 30, 2010, corporate loans amounted to RMB74.4 billion, an increase of 29.3% from RMB57.6 billion as of December 31, 2009. Corporate loans increased by 50.5% to RMB57.6 billion as of December 31, 2009 from RMB38.3 billion as of December 31, 2008, which in turn increased by 27.8% from RMB29.9 billion as of December 31, 2007. The overall increase in corporate loans from December 31, 2007 to June 30, 2010 was in line with our continued business expansion and our strategy to further consolidate and develop our competitiveness in corporate banking. Corporate loans increased in the first half of 2010, primarily due to our continued effort to expand our corporate banking business. The growth rate from 2008 to 2009 was higher compared to the growth rate from 2007 to 2008 mainly because we were able to coordinate and use resources more efficiently to expand our corporate loan business in 2009 after our conversion from a rural cooperative into a joint stock company in June 2008. It also reflected the strong growth in Chongqing's economy, especially in the manufacturing industries, as well as the increased financing needs from corporate business in China as a result of the PRC government's macroeconomic measures and policies to boost the economic growth of China in 2009.

As of June 30, 2010, short-term loans amounted to RMB10.9 billion, a decrease of 18.3% from RMB13.3 billion as of December 31, 2009, primarily because (i) we actively increased the contribution of medium- and long-term loans to match the maturity profile of our liabilities and to foster long-term relationship with our customers, and (ii) customers preferred medium- and long-term loans in an environment of tightened credit in the PRC. Short-term loans increased by 99.0% to RMB13.3 billion as of December 31, 2009 from RMB6.7 billion as of December 31, 2008, primarily due to the economic recovery and the PRC government's fiscal stimulus package to increase domestic demand. Short-term loans decreased by 20.9% from RMB8.5 billion as of December 31, 2007 to RMB6.7 billion as of December 31, 2008, primarily due to the strong demand for longer term loans from our customers to secure funding during the global financial crisis. As a percentage of our total corporate loan portfolio, short-term loans accounted for 14.6%, 23.1%, 17.5%, and 28.3% of our total corporate loans as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. A substantial majority of our short-term loans are working capital loans.

As of June 30, 2010, medium- and long-term loans amounted to RMB63.6 billion, an increase of 43.6% from RMB44.3 billion as of December 31, 2009, which primarily reflected the reasons for the decrease of short-term loans mentioned above as well as our continued effort to expand corporate banking business by lending to good quality clients and infrastructural projects, which provide higher and more stable returns over longer periods of time. Medium- and long-term loans increased by 40.2% to RMB44.3 billion as of December 31, 2009 from RMB31.6 billion as of December 31, 2008, which in turn increased by 47.0% from RMB21.5 billion as of December 31, 2007. The increase primarily reflected (i) the stronger demand in infrastructure and project loans as a result of the PRC government's stimulus package in 2009 in response to the global financial crisis, (ii) our efforts to improve the composition of our loan portfolio by increasing medium- and long-term loans in order to match our assets and liabilities and (iii) our continued effort to expand corporate banking business by lending to good quality clients and infrastructural projects, which provide higher and more stable returns over longer periods of time. As a percentage of our total corporate loan portfolio, medium- and long-term loans accounted for 85.4%, 76.9%, 82.5%, and 71.7% of our total corporate loans as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. In the first half of 2010, medium- and long-term loans as a percentage of total corporate loans increased mainly due to the reasons mentioned above. From December 31, 2008 to December 31, 2009, medium- and long-term loans as a percentage of the total corporate loans decreased mainly due to the economic recovery in China and the more sufficient capital supply in 2009 as compared to 2008, resulting in stronger demand from our customers for short-term loans as opposed to medium- and long-term loans to reduce financing cost. Medium- and long-term loans consist primarily of long term working capital loans, infrastructure-related loans, fixed asset and other project loans.

We manage the risks associated with our medium- and long-term loans by (i) placing emphasis on compliance with government economic and industrial policies, development plans and regulations when we make credit extension decisions and (ii) strengthening the credit approval process on medium- and long-term loans by requiring consultation with experts for loans extended to the top five to ten industries with the highest loan concentration, conducting critical studies on feasibility reports, and strengthening the post-disbursement management of loans to ensure the loans are used for their designated purposes.

Distribution of Corporate Loans by Industry

The following table sets forth, at the dates indicated, the distribution of our corporate loans by industry classifications.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Manufacturing								
Manufacturing of transport equipment	2,448.4	8.2%	3,574.8	9.3%	5,124.9	8.9%	5,876.5	7.9%
Chemical materials and products	234.3	0.8	793.1	2.1	2,031.4	3.5	2,564.5	3.4
Non-metallic mineral products	922.5	3.1	956.0	2.5	1,120.6	1.9	865.1	1.2
Smelting and pressing of non-ferrous metals	280.7	0.9	277.1	0.7	928.2	1.6	790.9	1.1
General purpose machinery	294.9	1.0	561.5	1.5	875.8	1.5	1,929.8	2.6
Metal products	460.7	1.5	1,023.8	2.7	847.2	1.5	1,208.7	1.6
Smelting and pressing of ferrous metals	119.3	0.4	43.9	0.1	840.9	1.5	309.5	0.4
Food processing	239.5	0.8	193.1	0.5	630.3	1.1	360.9	0.5
Pharmaceutical	359.9	1.2	390.1	1.0	556.8	1.0	713.8	1.0
Special purpose equipment	122.9	0.4	202.1	0.5	551.2	1.0	588.1	0.8
Others	1,993.6	6.7	2,106.6	5.6	3,513.3	6.1	4,125.6	5.5
Subtotal	7,476.7	25.0	10,122.1	26.5	17,020.6	29.6	19,333.4	26.0
Real estate	9,971.6	33.3	12,278.3	32.1	14,157.5	24.6	15,889.2	21.3
Water, environment and public utility management	555.1	1.9	633.3	1.7	4,161.8	7.2	8,823.9	11.9
Construction	1,680.7	5.6	1,740.2	4.5	3,026.2	5.3	5,200.4	7.0
Production and supply of electronic power, gas and water	1,443.6	4.8	2,648.6	6.9	4,948.8	8.6	4,489.7	6.0
Retail and wholesale	1,768.1	5.9	2,130.6	5.6	2,718.5	4.7	4,152.1	5.6
Rental, commercial and servicing(1)	2,940.5	9.8	3,788.0	9.9	4,021.5	7.0	1,998.0	2.7
Others(2)	4,092.8	13.7	4,912.3	12.8	7,514.1	13.0	14,553.9	19.5
Total corporate loans	**29,929.1**	**100.0%**	**38,253.4**	**100.0%**	**57,569.0**	**100.0%**	**74,440.6**	**100.0%**

(1) Rental, commercial and servicing consist primarily of lending to asset management, leasing, commercial and services.

(2) Others consist primarily of (i) transportation, storage and postal services, (ii) education, (iii) farming, lumbering, herding and fishing, and (iv) culture, sport and entertainment.

The aggregate amount of loans to borrowers in the (i) manufacturing, (ii) real estate, (iii) water, environment and public utility management, (iv) construction, (v) production and supply of electricity, gas and water, and (vi) retail and wholesale, which are the top six largest industries in terms of our aggregate loan exposure, represented 77.8%, 80.0%, 77.3%, and 76.5% of our total corporate loans as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. The concentration of loans in these industries reflected the development of Chongqing's economy.

The percentage of loans in the water, environment and publicity utility management industry increased from 7.2% at December 31, 2009 to 11.9% at June 30, 2010 primarily because the state policies encouraged the development of this industry, and we expanded lending to this industry as a result.

We grant loans to selected quality customers, devise credit policy guidelines for different industries, and revise such policy guidelines every year based on our risk preference, business development plans and our assessment on government industrial policies. These guidelines set out the requirements for loan approval, criteria for preferred customers and credit quotas for particular industries. For instance, our current policy with respect to the real estate industry is that we only support good quality real estate developers who are located in the Urban Areas and have good credit history with us.

Distribution of Corporate Loans by Size of Borrowers

The following table sets forth, at the dates indicated, the distribution of our corporate loans by the size of the borrowers:

	As of December 31,						**As of June 30,**	
	2007		**2008**		**2009**		**2010**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except percentages)							
SME loans	25,158.5	84.1%	32,206.6	84.2%	48,876.3	84.9%	63,345.8	85.1%
Non-SME loans	4,770.6	15.9	6,046.8	15.8	8,692.7	15.1	11,094.8	14.9
Total corporate loans	**29,929.1**	**100.0%**	**38,253.4**	**100.0%**	**57,569.0**	**100.0%**	**74,440.6**	**100.0%**

Loans extended to Small and Medium Enterprises as of June 30, 2010 and December 31, 2009, 2008 and 2007 represented a significant majority of our corporate loans as of the relevant dates. This was in line with our strong SME franchise and our strategy to continue to strengthen our market position in the SME loan sector.

Distribution of Corporate Loans by Exposure Size

The following table sets forth, at the dates indicated, the distribution of the outstanding amounts of our corporate loan exposures to borrowers by size.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB5 million	3,469.5	11.6%	3,064.8	8.0%	5,554.7	9.6%	2,977.9	4.0%
Over RMB5 million to RMB10 million	3,652.5	12.2	2,799.2	7.3	5,095.8	8.9	3,299.9	4.4
Over RMB10 million to RMB50 million	7,416.2	24.8	7,343.9	19.2	17,903.0	31.1	10,828.5	14.5
Over RMB50 million to RMB100 million	2,474.3	8.3	3,258.3	8.5	10,331.4	17.9	7,746.1	10.4
Over RMB100 million to RMB500 million	9,871.5	33.0	17,557.2	45.9	17,247.3	30.0	36,425.2	48.9
Over RMB500 million	3,045.1	10.1	4,230.0	11.1	1,436.8	2.5	13,163.0	17.8
Total corporate loans	**29,929.1**	**100.0%**	**38,253.4**	**100.0%**	**57,569.0**	**100.0%**	**74,440.6**	**100.0%**

Discounted bills

Discounted bills represented 5.7%, 15.9%, 18.1%, and 25.0% of our total loans to customers as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. The following table sets forth, at the dates indicated, our discounted bills by type of obligor.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Bank acceptance bills	18,885.1	100.0%	13,594.5	96.6%	16,148.6	100.0%	6,471.5	100.0%
Commercial acceptance bills	0.0	0.0	474.9	3.4	0.0	0.0	0.0	0.0
Total discounted bills	**18,885.1**	**100.0%**	**14,069.4**	**100.0%**	**16,148.6**	**100.0%**	**6,471.5**	**100.0%**

Bank acceptance bills substantially form all of our discounted bills portfolio. As they are readily accepted by other commercial banks, discounting bank acceptance bills generally present lower credit risk than discounting commercial acceptance bills, which are issued by non-bank corporate entities. As of June 30, 2010, our discounted bank acceptance bills decreased by 59.9% to RMB6.5 billion, from RMB16.1 billion as of December 31, 2009, primarily reflecting our effort to put more emphasis on our loan business in order to pursue higher return on funds. As of December 31, 2009, our discounted bank acceptance bills increased by 18.8% to RMB16.1 billion from RMB13.6 billion at December 31, 2008, primarily reflecting our proactive efforts in adjusting the composition of our risk-weighted assets by holding more discounted bills to increase return on funds. Discounted bank acceptance bills decreased by 28.0% to RMB13.6 billion at December 31, 2008 from RMB18.9 billion at December 31, 2007, primarily because a large amount of our discounted bills became mature prior to December 31, 2008 and we chose not to increase our holding of discounted bills to adjust the composition of our risk-weighted assets to enhance our risk-adjusted asset yield. We had a commercial acceptance bill balance of RMB474.9 million as of December 31, 2008 primarily because we procured from other banks certain commercial acceptance bills with provisions that require the selling bank to buy back the bills in the future.

Retail Loans

Retail loans represented 29.3%, 27.6%, 32.8%, and 35.3% of our total loans to customers as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. The following table sets forth, at the dates indicated, our retail loans by product type.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Residential mortgage and personal commercial property loans [(1)]	7,163.1	26.9%	8,622.3	33.8%	12,333.6	43.9%	16,939.8	50.4%
Personal business and re-employment loans [(2)]	8,840.7	33.3	8,804.9	34.5	8,717.8	31.0	8,902.1	26.5
Loans to farmers [(3)]	8,024.7	30.2	5,783.7	22.6	4,321.7	15.4	3,824.3	11.4
Others [(4)]	2,555.9	9.6	2,320.9	9.1	2,730.4	9.7	3,935.0	11.7
Total retail loans	**26,584.4**	**100.0%**	**25,531.8**	**100.0%**	**28,103.5**	**100.0%**	**33,601.2**	**100.0%**

(1) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan and second mortgage loans and loans to retail customers to acquire property for small business purposes, such as store premises.

(2) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and reemployment-related small amount loans.

(3) Loans to farmers primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

(4) Others primarily consist of personal car loans, financing for personal durable goods and personal education loans.

As of June 30, 2010, our retail loans amounted to RMB33.6 billion, an increase of 19.6% from RMB28.1 billion as of December 31, 2009, primarily reflecting our strategy of developing our retail loan business, especially our strategy of developing residential mortgage and personal commercial property loans, and other business and consumption loans such as personal car loans, financing for personal durable goods and personal education loans. Retail loans increased by 10.1% to RMB28.1 billion as of December 31, 2009 from RMB25.5 billion as of December 31, 2008, primarily reflecting the increase in mortgage and personal commercial property loans and also the PRC government's effort to stimulate consumption. Retail loans decreased by 4.0% to RMB25.5 billion as of December 31, 2008 from RMB26.6 billion as of December 31, 2007, primarily due to the decrease in consumption demand as a result of the global financial crisis and our effort to collect and write off non-performing loans.

As of June 30, 2010, our residential mortgage and personal commercial property loans amounted to RMB16.9 billion, an increase of 37.3% from RMB12.3 billion as of December 31, 2009, primarily due to the increase in customer demand and our effort to expand this type of loan as part of our strategy at the beginning of 2010. Residential mortgage and personal commercial property loans increased by 43.0% to RMB12.3 billion as of December 31, 2009 from RMB8.6 billion as of December 31, 2008, which in turn increased by 20.4% from RMB7.2 billion as of December 31, 2007. The increases throughout the period primarily reflected the increase in demand in the real estate market in Chongqing as it recovered from the market downturn and our increasing focus to target this market after the incorporation of our Bank in June 2008.

As of June 30, 2010, personal business and re-employment loans amounted to RMB8.9 billion, an increase of 2.1% from RMB8.7 billion as of December 31, 2009, which primarily reflected our effort to develop personal business and re-employment loans under the condition of tightened credit approval procedures. Personal business and re-employment loans decreased slightly by 1.0% to RMB8.7 billion as of December 31, 2009 from RMB8.8 billion as of December 31, 2008, and remained stable at RMB8.8 billion as of December 31, 2008 as compared to RMB8.8 billion as of December 31, 2007, primarily reflecting our enhanced credit approval procedures and our focus on encouraging repayment from customers with lower credit-worthiness following the incorporation of our Bank in June 2008. Re-employment loan is a fast-growing product among our retail loans. Re-employment loans further increased to RMB1.1 billion as of December 31, 2009 from RMB464.8 million as of December 31, 2008, which increased from RMB380.4 million as of December 31, 2007, reflecting our focus on this product which we believe has high return and low risk.

Loans to farmers primarily consists of rural cross-guaranteed loans, rural small credit loans, and rural home appliance consumption loans, each of which are subject to a maximum cap of RMB50,000 per loan and are generally not secured by collaterals. As of June 30, 2010, loans to farmers amounted to RMB3.8 billion, a decrease of 11.5% from RMB4.3 billion as of December 31, 2009. Loans to farmers decreased by 25.3% to RMB4.3 billion as of December 31, 2009 from RMB5.8 billion as of December 31, 2008, which in turn decreased by 27.9% from RMB8.0 billion as of December 31, 2007. The decrease in loans to farmers from 2007 to the first half of 2010 was primarily due to the following factors: (i) the decreasing demand for such loans as the PRC government increased policy-related subsidies to agriculture and rural areas; (ii) our shift in retail banking business with more focus on large-scale rural industrial and specialized enterprises and less focuses on individual farmers; and (iii) our ongoing efforts in loan collection and write-offs of non-performing loans to farmers.

Other retail loans primarily consists of personal car loans, financing for personal durable goods and personal education loans. As of June 30, 2010, other retail loans amounted to RMB3.9 billion, an increase of 44.1% from RMB2.7 billion as of December 31, 2009, primarily reflecting our effort to encourage the development of consumption related loans. Other retail loans increased by 17.6% to RMB2.7 billion as of December 31, 2009 from RMB2.3 billion as of December 31, 2008, which reflected the PRC government's effort to stimulate consumption and our increased focus on extending these loans to our retail customers in the Urban Areas. Other retail loans decreased slightly by 9.2% to RMB2.3 billion as of December 31, 2008 from RMB2.6 billion as of December 31, 2007 primarily due to the global financial crisis in 2008, which resulted in a decrease in consumption demand.

Distribution of Loans by Geographical Region

We classify loans geographically by separating them into two categories: those originating from our Urban Area Branches and those originating from our County Area Branches. The following table sets forth, at the dates indicated, our corporate and retail loans to customers and discounted bills by geographical region. As most of our discounted bill transactions are carried out at our headquarters after our Restructuring into a joint stock limited company in June 2008, we have excluded the amounts of discounted bills for the purposes of discussing the distribution of our loans in the County Areas and Urban Areas. Accordingly, we present the percentage of the respective corporate and retail loans to our total loans excluding discounted bills in the following table.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010(4)	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
County Areas								
Corporate loans	20,107.2	26.7%	23,772.5	30.5%	26,847.9	26.4%	30,552.0	26.7%
Retail loans	20,367.2	27.0	18,249.9	23.4	18,495.8	18.2	21,564.8	18.8
Subtotal	40,474.4	53.7(1)	42,022.4	53.9(1)	45,343.7	44.6(1)	52,116.8	45.5(1)
Discounted bills	4,214.2	5.6(2)	1,031.4	1.4(2)	756.7	0.7(2)	1,876.2	1.6(2)
Subtotal County Area loans	44,688.6	59.3(2)	43,053.8	55.3(2)	46,100.4	45.3(2)	53,993.0	47.1(2)
Urban Areas								
Corporate loans	9,821.9	13.0	14,480.9	18.6	30,721.1	30.2	43,888.6	38.3
Retail loans	6,217.2	8.2	7,281.9	9.4	9,607.7	9.4	12,036.4	10.5
Subtotal	16,039.1	21.2(1)	21,762.8	28.0(1)	40,328.8	39.6(1)	55,925.0	48.8(1)
Discounted bills	14,670.9	19.5(2)	13,038.0	16.7(2)	15,391.9	15.1(2)	4,595.3	4.1(2)
Subtotal Urban Area loans	30,710.0	40.7(2)	34,800.8	44.7(2)	55,720.7	54.7(2)	60,520.3	52.9(2)
Total corporate and retail loans	**56,513.5**	**74.9**	**63,785.2**	**81.9**	**85,672.5**	**84.2**	**108,041.8**	**94.3**
Total loans to customers(3)	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**

(1) Represented the subtotal percentage to our total loans excluding discounted bills.

(2) Calculated by dividing the discounted bills and the respective subtotal of County Area loans and Urban Area loans to our total loans including discounted bills.

(3) Including discounted bills.

(4) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

As of June 30, 2010 and December 31, 2009, 2008 and 2007, Urban Area loans excluding discounted bills represented 48.8%, 39.6%, 28.0% and 21.2%, respectively, of our total loans to customers. As of June 30, 2010, Urban Area loans excluding discounted bills amounted to RMB55.9 billion, an increase of 38.7% from RMB40.3 billion as of December 31, 2009. Urban Area loans excluding discounted bills increased by 85.3% to RMB40.3 billion as of December 31, 2009 from RMB21.8 billion as of December 31, 2008, which in turn increased by 35.7% from RMB16.0 billion as of December 31, 2007. Due to our increased efforts to expand our Urban Area banking business, in particular our Urban Area corporate loans, our Urban Area loans excluding discounted bills increased from December 31, 2007 to June 30, 2010, while our County Area loans as a percentage of our total loans (excluding discounted bills) decreased from 2007 to 2009, though it increased slightly in the first half of 2010. In addition, the growth rate of Urban Area loans was higher from 2008 to 2009 than from 2007 to 2008 primarily due to (i) the incorporation of our Bank in 2008, which increased our capital and lending limits and subsequently our ability to market to medium- and large-size corporate customers and (ii) the recovery of the PRC economy and the real estate market in Chongqing.

As of June 30, 2010 and December 31, 2009, 2008 and 2007, County Areas loans excluding discounted bills represented 45.5%, 44.6%, 53.9% and 53.7%, respectively, of our total loans to customers. As of June 30, 2010, County Area corporate loans amounted to RMB30.6 billion, an increase of 13.8% from RMB26.8 billion as of December 31, 2009. County Area corporate loans increased by 12.9% to RMB26.8 billion as of December 31, 2009 from RMB23.8 billion as of December 31, 2008, which in turn increased by 18.2% from RMB20.1 billion as of December 31, 2007. The increase over the periods was mainly due to our shift in business to focus more on rural enterprises and specialized cooperatives and less on individual farmers as the structure of the rural economy evolved to become more industrialized. We extended more loans to rural enterprises in farm products processing and distribution, mining, equipment manufacturing and production of gas and electricity.

As of June 30, 2010, County Area retail loans amounted to RMB21.6 billion, an increase of 16.6% from RMB18.5 billion as of December 31, 2009, primarily reflecting our effort in adjusting loan structure to achieve balanced growth by extending loans to quality retail customers in the County Area. County Area retail loans increased by 1.3% to RMB18.5 billion as of December 31, 2009 from RMB18.2 billion as of December 31, 2008, which in turn decreased by 10.4% from RMB20.4 billion as of December 31, 2007. The overall decrease in County Area retail loans from December 31, 2007 to December 31, 2009, in absolute amounts, primarily reflected the reduced demand for such loans and our shifted focus from individual farmers to rural enterprises and enhanced our credit approval process.

As of June 30, 2010, Urban Area corporate loans amounted to RMB43.9 billion, an increase of 42.9% from RMB30.7 billion as of December 31, 2009. Urban Area corporate loans increased by 112.1% to RMB30.7 billion as of December 31, 2009 from RMB14.5 billion as of December 31, 2008, which in turn increased by 47.4% from RMB9.8 billion as of December 31, 2007. The increase over the Track Record Period was primarily due to our continued effort to expand Urban Area corporate banking business by selecting high quality customers and conducting targeted marketing campaigns.

As of June 30, 2010, Urban Area retail loans amounted to RMB12.0 billion, an increase of 25.3% from RMB9.6 billion as of December 31, 2009. Urban Area retail loans increased by 31.9% to RMB9.6 billion as of December 31, 2009 from RMB7.3 billion as of December 31, 2008, which in turn increased by 17.1% from RMB6.2 billion as of December 31, 2007. The increase over the Track Record Period was primarily due to the increase in residential real estate mortgage lending as a result of the recovery of the real estate market in Chongqing and the more favorable mortgage rates we can set under the PBOC guidelines.

Distribution of Loans by Collateral

Loans secured by mortgages, pledges and guarantees represented, in aggregate terms, 85.7%, 86.8%, 90.7%, and 87.5% of our total loan portfolio as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. If a loan is secured by more than one form of collateral, the distribution is based on the primary form of security interest.

The following table sets forth, at the dates indicated, the distribution of our loan portfolio by the type of collateral.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount(1)	% of total	Amount	% of total	Amount(1)	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Secured loans								
- Collateralized loans (2)	37,216.8	49.4%	42,166.1	54.2%	50,276.0	49.4%	60,912.9	53.2%
- Pledged loans (3)	21,907.2	29.1	18,028.1	23.2	23,429.6	23.0	15,150.7	13.2
Guaranteed loans	6,806.9	9.0	10,321.1	13.3	14,643.6	14.4	22,150.9	19.3
Unsecured loans	9,467.7	12.5	7,339.3	9.3	13,471.9	13.2	16,298.8	14.3
Total loans to customers	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**

(1) The amounts at December 31, 2009 and 2007 reflected the effect of the Financial Restructuring-related non-performing loans write-offs of disposal in the respective year.

(2) Collateralized loans represent loans secured by mortgages comprised primarily of tangible assets remaining in the borrower's possession, such as real property, land use rights, building, plant and equipment.

(3) Pledged loans represent loans secured by pledges comprising primarily of certificates of bond, equity securities, deposits, financial instruments (including discounted bills) and rights to future cash flows, by taking possession of or registering against such assets.

As of June 30, 2010, unsecured loans amounted to RMB16.3 billion, an increase of 21.0% from RMB13.5 billion as of December 31, 2009, primarily reflecting the purchase of approximately RMB4 billion corporate credit assets from other banks before March 2010. These corporate credit assets were acquired through various separate transactions with these banks, at a time when the financial markets had a high liquidity and the interest rate levels were generally lower while the rate of return from these corporate credit assets were at least 4.2% per annum, which is higher than the rate of return of other investments and money market funds. In addition, we performed our internal credit approval procedures prior to acquiring these credit assets and these assets were acquired from reputable financial institutions such as Bank of China, Minsheng Bank and China Merchants Bank, all of whom have stringent credit approval standards, which we believe would effectively limit the default risks of such credit assets. Moreover, these credit assets were related to loans extended to borrowers in the infrastructure, electricity, metallurgical and higher educational industries, which were actively supported by state policies and have good prospects. Approximately RMB1,393 million, or 35%, of these credit assets have a short tenor maturing during the 2010 calendar year. We believe these assets met our investment criteria at the time of acquisition.

Unsecured loans increased by 83.6% to RMB13.5 billion as of December 31, 2009 from RMB7.3 billion as of December 31, 2008, primarily due to the purchase of approximately RMB5 billion corporate credit assets from other banks in 2009 to increase our capital utilization efficiency, the majority of which were unsecured loans, and to a certain extent also due to our efforts to develop more high quality corporate customers with higher credit ratings and loans made to these customers did not require security interest under our credit policies. Unsecured loans decreased by 22.5% to RMB7.3 billion as of December 31, 2008 from RMB9.5 billion as of December 31, 2007, mainly because we tightened our credit approval policy following the incorporation of our Bank and reduced the amount of unsecured loans to retail clients.

In order to effectively manage and control potential risks associated with unsecured loans, we have implemented restrictive conditions for granting unsecured loans. We generally require certain conditions to be met for granting unsecured loans to a corporate loan applicant, such as the credit rating and financial ratios of the customers, the business relationship with us and the size of the loan.

Loans secured by tangible assets are generally subject to loan-to-value ratio limits based on the type of collateral. See "Risk Management — Credit Risk Management — Credit Risk Management for Corporate Loans — Collateral Appraisal."

With respect to guaranteed loans, guarantors are subject to the same credit approval process as borrowers. Since guaranteed loans are generally not secured by any assets of the guarantors, and some guarantors are related parties to the borrowers or otherwise have business relationships with the borrowers, we have implemented stringent credit policies on guaranteed loans. As a percentage of our loan portfolio, guaranteed loans increased to 19.3% as of June 30, 2010 from 14.4% as of December 31, 2009, and from 13.3% as of December 31, 2008 and 9.0% as of December 31, 2007. The overall expansion of our guaranteed loans, in both absolute amounts and as a percentage of our total loans, from December 31, 2007 to June 30, 2010, were mainly driven by the growth of our guaranteed loans to our high quality corporate clients.

The following table sets forth the distribution of our loans by collateral under each of our business lines:

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount(1)	% of total	Amount	% of total	Amount(1)	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Secured loans								
- Collateralized loans(2)	22,270.2	29.5%	25,243.5	32.4%	29,062.5	28.5%	33,882.3	29.6%
- Pledged loans(3)	2,867.3	3.8	3,832.8	4.9	7,142.6	7.0	8,523.4	7.4
Guaranteed loans	4,135.6	5.5	8,218.5	10.6	12,662.5	12.4	20,220.9	17.7
Unsecured loans	656.0	0.9	958.6	1.2	8,701.4	8.6	11,814.0	10.3
Subtotal	29,929.1	39.7	38,253.4	49.1	57,569.0	56.5	74,440.6	65.0
Retail loans								
Secured loans								
- Collateralized loans(2)	14,946.6	19.9	16,922.6	21.7	21,213.5	20.8	27,030.6	23.6
- Pledged loans(3)	154.8	0.2	125.9	0.2	138.4	0.1	155.8	0.1
Guaranteed loans	2,671.3	3.5	2,102.6	2.7	1,981.1	1.9	1,930.0	1.7
Unsecured loans	8,811.7	11.7	6,380.7	8.2	4,770.5	4.8	4,484.8	3.9
Subtotal	26,584.4	35.3	25,531.8	32.8	28,103.5	27.6	33,601.2	29.3
Discounted bills								
Secured loans (2)(3)	18,885.1	25.0	14,069.4	18.1	16,148.6	15.9	6,471.5	5.7
Guaranteed loans	—	—	—	—	—	—	—	—
Unsecured loans	—	—	—	—	—	—	—	—
Subtotal	18,885.1	25.0	14,069.4	18.1	16,148.6	15.9	6,471.5	5.7
Total	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**

(1) The amounts at December 31, 2009 and 2007 reflected the effect of the Financial Restructuring-related non-performing loans write-offs of disposal in the respective year.

(2) Collateralized loans represent loans secured by mortgages comprised primarily of tangible assets remaining in the borrower's possession, such as real property, land use rights, building, plant and equipment.

(3) Pledged loans represent loans secured by pledges comprising primarily of certificates of bond, equity securities, deposits, financial instruments (including discounted bills) and rights to future cash flows, by taking possession of or registering against such assets.

Borrower Concentration

In accordance with applicable PRC banking laws and regulations, we are subject to a lending limit of 10% of our regulatory capital to any single borrower and 15% of our regulatory capital to any single group borrower. We monitor customer concentration through a set of risk indicators specified by the CBRC, and may require our operating departments to take measures to reduce concentration such as demanding early repayment from, or suspending issuance of new loans to, certain customers if indicators show that the risk becomes too high.

According to the Guidelines on the Management of Risks of Credits Granted by Commercial Banks to Group Clients, published by the CBRC on October 23, 2003, a commercial bank may determine the scope of single and group customers according to the CBRC's guidelines. We have implemented policies and procedures designed to identify borrower applicants belonging to the same group in our credit extension process. However, information regarding the group affiliations of individual corporate entities may not be available to us on a timely basis or at all. See "Risk Factors — Risks Relating to Our Business — Our current risk management system may not adequately protect us against credit, operation, market, liquidity and all other risks" and "Risk Factors — Risks Relating to the PRC Banking Industry — The effectiveness of our credit risk management is affected by the quality and scope of information available in China."

As of June 30, 2010 and December 31, 2009 and 2008, our largest aggregate loan exposure to a single borrower was 9.1%, 8.1% and 28.7%, respectively, of our regulatory capital, and such loan exposure to a single borrower as of December 31, 2008 exceeded the 10% maximum regulatory limit. See "Risk Factors — Risks Relating to Our Business — We are subject to various PRC regulatory guidelines and requirements, and our past non-compliance could result in fines, sanctions or other penalties."

The following table sets forth, as of June 30, 2010, the loans to our ten largest single borrowers (excluding group borrowers), all of which were performing at that date.

		As of June 30, 2010		
	Industry	**Amount**	**% of total**	**% of regulatory capital [1]**
		(in millions of RMB, except percentages)		
Borrower A	Water, Environmental and public utility management	1,315	1.15%	9.13%
Borrower B	Construction	1,260	1.10	8.75
Borrower C	Water, Environmental and public utility management	1,170	1.02	8.12
Borrower D	Water, Environmental and public utility management	1,100	0.96	7.64
Borrower E	Water, Environmental and public utility management	570	0.50	3.96
Borrower F	Real Estate	560	0.49	3.89
Borrower G	Manufacturing	550	0.48	3.82
Borrower H	Rental, Commercial and Servicing	538	0.47	3.74
Borrower I	Real Estate	500	0.44	3.47
Borrower J	Transportation, logistics and postal services	500	0.44	3.47
Total		**8,063**	**7.05%**	**55.98%**

(1) Represents loan amounts as a percentage of our regulatory capital, which consists of our core capital and supplementary capital less deductions, each calculated in accordance with CBRC statutory requirements under PRC GAAP. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Other Operational and Risk Management Ratios." For a calculation of our regulatory capital at June 30, 2010, see "Financial Information — Capital Resources — Capital Adequacy."

As of June 30, 2010, the aggregate amount of loans to our ten largest group borrowers amounted to RMB8.4 billion, representing 7.36% of our total loans to customers and 58.53% of our regulatory capital. As of December 31, 2008, our loans to the largest single group borrower represented 28.7% of our total regulatory capital, which exceeded the 15% maximum regulatory limit. As of June 30, 2010, none of our loans to any group borrowers exceeded 15% of our regulatory capital.

The following table sets forth, as of June 30, 2010, the loans to our ten largest group borrowers (excluding single borrowers), all of which were performing at that date.

		As of June 30, 2010		
	Industry	**Amount**	**% of total loans**	**% of regulatory capital [1]**
		(in millions of RMB, except percentages)		
Borrower A	Real Estate	1,259	1.10%	8.74%
Borrower B	Real Estate	961	0.84	6.67
Borrower C	Manufacturing	920	0.80	6.39
Borrower D	Manufacturing	910	0.79	6.32
Borrower E	Real Estate	900	0.79	6.25
Borrower F	Real Estate	800	0.70	5.55
Borrower G	Retail and Wholesale	720	0.63	5.00
Borrower H	Rental, Commercial and Servicing	700	0.61	4.86
Borrower I	Manufacturing	700	0.61	4.86
Borrower J	Construction	560	0.49	3.89
Total		**8,430**	**7.36%**	**58.53%**

(1) Represents loan amounts as a percentage of our regulatory capital, which consists of our core capital and supplementary capital less deductions, each calculated in accordance with CBRC statutory requirements under PRC GAAP. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Other Operational and Risk Management Ratios." For a calculation of our regulatory capital at June 30, 2010, see "Financial Information — Capital Resources — Capital Adequacy."

Maturity Profile of Loan Portfolio

The following table sets forth, as of June 30, 2010, our loan products by remaining maturity.

	Due less than 1 year	Due between 1 and 5 years	Due more than 5 years	Overdue (1)	Total
	(in millions of RMB)				
Corporate loans					
Short-term loans	10,523.3	0.0	0.0	358.3	10,881.6
Medium- and long-term loans	10,255.1	37,276.0	14,715.6	1,312.3	63,559.0
Subtotal	20,778.4	37,276.0	14,715.6	1,670.6	74,440.6
Retail loans	8,125.3	7,961.7	15,513.4	2,000.8	33,601.2
Discounted bills	6,468.6	0.0	0.0	2.9	6,471.5
Total loans to customers, gross	**35,372.3**	**45,237.7**	**30,229.0**	**3,674.3**	**114,513.3**

(1) Over due loans include loans of which principal payment is past due but exclude those of which interest payment is past due but principal payment is not past due. For installment loans, only the installments that are due but remain unpaid are treated as overdue.

As of June 30, 2010, 30.9% of our total loans to customers were due in one year or less. Short-term corporate loans primarily consist of working capital loans and discounted bills. Approximately 39.5% of our total loans to customers were due between one and five years, and they primarily consist of fixed asset loans, which included loans related to infrastructure construction projects, production equipment purchase and upgrade, and real estate development. We renew a portion of our performing corporate loans at maturity at the borrower's request and, when we do so, these loans are treated, and are subject to the same credit approval policies and procedures, as newly-granted loans. A large portion of our retail loans had terms of more than five years, primarily because the largest component of our retail loans consisted of residential mortgage loans, which are generally long-term loans.

Loan Interest Rate Profile

Interest rates have historically been highly regulated in China and are gradually being liberalized. Since January 1, 2004, under applicable regulations of the PRC government, banks have been allowed to negotiate the terms of interest rates on newly granted RMB-denominated loans with a maturity of longer than one year subject to a floor of 90% of the PBOC lending rate. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Pricing of Products and Services." We generally set floating interest rates on medium- and long-term loans and we generally reset the interest rates of such loans (i) following a change to the applicable PBOC benchmark rates on the anniversary date of the loans or (ii) in accordance with the terms of the loan agreements, which are determined based on our negotiation with customers and our assessment of customers' overall condition. We generally reset the mortgage rate for our mortgage loans on the first day of January of the next year following the adjustment of the benchmark rate. With respect to loans with a maturity of one year or less, we generally set fixed interest rates, although we sometimes set floating rates depending on our agreement with customers.

In October 2008, the CBRC announced a policy that allowed commercial banks to set the rates of RMB denominated residential mortgage loans at no lower than 70% of the applicable benchmark lending rates and to set the minimum down payments for qualified home buyers below 20% of the purchase price. These changes have resulted in the growth of mortgage loans, a narrowing of the net interest spread and a decline in the net interest margin of the PRC commercial banks, including us, in 2009. On April 17, 2010, the State Council published the Notice of Resolutely Restraining Excessive Growth of Housing Price in Some Cities (關於堅決遏制部分城市房價過快上漲的通知). The notice stipulated a set of stringent credit policies on mortgage loans based on the type of houses and different lending rates based on different circumstances. For example, the mortgage rate for a buyer trying to buy a second home shall not be lower than 110% of the benchmark lending rate. Out of business considerations, we adjusted our minimum mortgage rate for first time home buyers to 35% of the PBOC benchmark lending rate on November 2, 2010.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio using a five-category loan classification system in compliance with the CRBC guidelines. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Loan Classification, Allowances and Write-offs— Loan Classification." Since October 2009, we have adopted, solely for internal credit risk management purposes, a 10-grade loan classification system for our corporate loans, which further refines our five-category loan classification system. For a description of our internal loan classification system, see "Risk Management — Credit Risk Management — Credit Risk Management for Corporate Loans."

Loan Classification Criteria

In determining the classification of our loan portfolio, we apply a series of criteria that are derived from the CBRC guidelines. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the loan. Our loan classification criteria focus on a number of factors, to the extent applicable, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's cash flows, financial condition and other non-financial factors affecting the borrower's repayment ability; (ii) the borrower's repayment record; (iii) the borrower's willingness to repay; (iv) the profitability of the project; (v) the net realizable value of any collateral and the prospect for support from any guarantor; and (vi) the length of time by which payment of principal or interest on a loan is overdue.

Corporate Loans and Discounted Bills

We apply the above criteria to corporate loans and discounted bills. We set forth below certain key factors for each loan classification, which are not intended to be a complete list of all factors taken into account in classifying our corporate loans and discounted bills.

Normal. A loan is classified as normal if the borrower is able to honor the terms of its loans, there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis or the borrower has demonstrated willingness to repay and is in normal operational or financial condition.

Special Mention. A loan is classified as special mention if the borrower is currently able to service its loans, but there have been factors that may adversely affect the borrower's ability to repay the loans, such as:

- there have been signs of sales revenue decline, profit decline or liquidity insufficiency of the borrower, or certain key financial indicators of the borrower, such as the liquidity ratio, asset to liability ratio, profit to sales ratio, profit to equity ratio, account receivable turnover, inventory turnover, shareholders' equity and cash flow have shown abnormal adverse changes or are lower than the industry average;

- there have been significant adverse changes to the fixed assets loan projects of the borrower, such as significant budget overruns and delays in the progress for construction projects, which may adversely affect the borrower's ability in repaying our loans;

- there have been adverse changes to the borrower's business operations or the borrower fails to use the loans for the agreed purpose or there has been a relatively large increase of the borrower's contingent liability compared to the previous period;

- there have been significant changes to the borrower's corporate structure, such as spin-offs, mergers and acquisitions, joint venture or share-holding reform, which may adversely affect the borrower's ability to repay the loans;

- there have been changes to the borrower's legal representative or major managers' reputations which adversely affect the loan repayment or there have been significant adverse changes to the borrower's major shareholders, associate companies, parent companies or subsidiaries;

- there have been changes to the external factors, such as the macro economy, market, industry and management policies, which adversely affect the borrower's business and may affect the borrower's ability to repay the loans;

- there has been a decrease in the value of the collateral, we lose control over the collateral or there is a problem with the validity of the guarantee, which may adversely affect the repayment of the loans; or

- the repayment of principal or interest of the loans is overdue for 90 days or less or 30 days or less for off-balance sheet loans.

Substandard. A loan is classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay principal and interest, and losses may ensue even when collateral or guarantees are invoked. Loans are generally classified as substandard if any of the following circumstances arises:

- the borrower has experienced an operating loss, has difficulties in obtaining financing and has negative operating cash flows;
- the borrower is unable to repay debts owed to other creditors or is forced to sell major operational fixed assets to maintain its operation or to resort to sale of collateral or performance of guarantee for repayment of the loan;
- the borrower obtained the loan through improper means such as misrepresentation;
- there have been problems with the borrower's internal management, which causes substantial damage to the borrower's normal business operation and adversely affect the borrower's timely and full repayment ability; or
- the repayment of principal or interest of the loans is overdue between 91 days and 180 days (or between 31 days and 90 days for loans to off-balance sheet business).

Doubtful. A loan is considered to be doubtful if the borrower cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked. Loans are generally classified as doubtful if any of the following circumstances arises:

- the borrower's operations have been suspended or partially suspended, or its fixed asset investment project is halted or delayed;
- the borrower is insolvent or in the liquidation process;
- the borrower or its legal representative is involved in material litigations which have significant impacts on the borrower's normal business operation;
- the borrower has undergone restructuring and is unable to repay the loan after restructuring; or
- the repayment of principal or interest of the loans is overdue for more than 181 days (or more than 91 days for loans to off-balance sheet business).

Loss. A loan is classified as loss if only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.

Retail Loans

In applying the loan classification criteria to retail loans, we primarily consider, among others, the type of the retail loans, the length of time by which payments of principal or interest are overdue, and the collateral and guarantee provided to such loans. Set forth below are further details on the qualititative information with respect to loan classification for (i) loans to farming household (including microfinance loans to farming households, farming household joint security loans and student loans) and retail loans in the amount of not more than RMB1.0 million, (ii) retail loans in the amount of more than RMB1.0 million, and (iii) mortgage loans.

Loans to farmers irrespective of amount and other retail loans in the amount of not more than RMB1.0 million.

Such loans are classified based on a number of factors including the borrower's credt rating, the type of securtiy and the length of time by which payments of principal or interst on a loan are overdue. We set forth below quantitative information for loan classification based on the credit rating of the borrowers of such loans.

The following table sets forth classification standards of such loans for customers with credit rating of level one.

Security Type	Normal	Special Mention	Substandard	Doubtful	Loss
Credit	Not due or overdue for not more than 60 days	Overdue between 61 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	Only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.
Guarantee . . .	Not due or overdue for less than 60 days	Overdue between 61 and 90 days	Overdue between 91 and 270 days	Overdue for more than 270 days	
Mortgage	Not due or overdue for not more than 90 days	Overdue between 91 and 180 days	Overdue between 181 and 270 days	Overdue for more than 270 days	
Pledge	Not due or overdue for not more than 90 days	Overdue between 91 and 180 days	Overdue between 181 and 360 days	Overdue for more than 360 days	

The following table sets forth the classification standards of such loans for customers with credit rating of level two.

Security Type	Normal	Special Mention	Substandard	Doubtful	Loss
Credit	Not due or overdue for not more than 30 days	Overdue between 31 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	Only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.
Guarantee . . .	Not due or over due for not more than 30 days	Overdue between 31 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	
Mortgage	Not due or overdue for not more than 60 days	Overdue between 61 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	
Pledge	Not due or overdue for not more than 90 days	Overdue between 91 and 180 days	Overdue between 181 and 270 days	Overdue for more than 270 days	

The following table sets forth the classification standards of such loans for customers with credit rating of level three, level four and unrated customers.

Security Type	Normal	Special Mention	Substandard	Doubtful	Loss
Credit	Not due	Overdue for not more than 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	Only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.
Guarantee . . .	Not due	Not more than 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	
Mortgage	Not due or overdue for not more than 30 days	Overdue between 31 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	
Pledge	Not due or overdue for not more than 60 days	Overdue between 61 and 90 days	Overdue between 91 and 270 days	Overdue for more than 270 days	

Retail loans in the amount of more than RMB1.0 million.

These loans are classified based on the quantitative standards set forth below in accordance with the credit rating of the borrowers.

Credit Rating	Normal	Special Mention	Substandard	Doubtful	Loss
Level One . . .	Not due or overdue for not more than 60 days	Overdue between 61 and 90 days	Overdue between 91 and 270 days	Overdue for more than 270 days	Only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.
Level Two . . .	Not due or overdue for not more than 30 days	Overdue between 31 and 90 days	Overdue between 91 and 180 days	Overdue for more than 180 days	
Level Three, Level Four and Unrated . .	Not due	Overdue for not more than 90 days	Overdue between 91 and 120 days	Overdue for more than 120 days	

Mortgage loans.

Mortgage loans such as housing loans and automobile are classified based on the standards below.

Normal. The borrower is able to fully repay the principle and interests before maturity.

Special Mention. The borrower breaches his/her obligation consecutively for 3 times or payments of interest or principal are overdue for not more than 90 days.

Substandard. The borrower breaches his/her obligation consecutively for 4 to 6 times or payments of interest or principal are overdue between 91 and 180 days.

Doubtful. The borrower breaches his/her obligation consecutively for more than 6 times; payments of interest or principal are overdue for more than 180 days.

Loss. A mortgage loan is classified as loss if only a very small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted or if it meets the criteria of a bad loan as set out in the Notice by the 2005 Measures on Management and Write-off of Bad Debts of Financial Enterprise issued by the MOF, as amended in 2008 and 2010.

Distribution of Loans by Loan Classification

The following table sets forth, at the dates indicated, the distribution of our loan portfolio by loan classification category. We use the term "non-performing loans", "impaired loans" and "NPL" synonymously to refer to the loans identified as "impaired loans and advances" in Note A(2)(b) and Note A(2)(b) to the Accountant's Report in Appendices IA and IB, respectively, to this prospectus. Under the five-category loan classification system, under the applicable circumstances, our non-performing loans are classified as substandard, doubtful and loss, as applicable.

	As of December 31,						As of June 30,	
	2007[1]		2008		2009[1]		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Normal	46,522.0	61.7%	52,583.4	67.5%	81,083.1	79.6%	95,476.0	83.4%
Special Mention	18,905.2	25.1	18,510.4	23.8	16,792.0	16.5	15,612.8	13.6
Subtotal	65,427.2	86.8	71,093.8	91.3	97,875.1	96.1	111,088.8	97.0
Substandard	5,479.9	7.3	2,483.4	3.2	1,018.4	1.0	734.7	0.6
Doubtful	4,236.0	5.6	4,081.0	5.2	2,854.1	2.8	2,661.0	2.4
Loss	255.5	0.3	196.4	0.3	73.5	0.1	28.8	0.0
Subtotal	9,971.4	13.2	6,760.8	8.7	3,946.0	3.9	3,424.5	3.0
Total loans to customers	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**
NPL ratio[2]	**13.22%**		**8.68%**		**3.88%**		**2.99%**	

(1) The amounts at December 31, 2009 and 2007 reflected the effect of the Financial Restructuring-related non-performing loans write-offs or disposal in the respective year.

(2) Calculated by dividing total non-performing loans by total loans.

The following table sets forth, at the dates indicated, the distribution of our loans by product type under the five-category loan classification system.

	As of December 31,						As of June 30,	
	2007[(1)]		2008		2009[(1)]		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Normal	7,176.8	24.0%	17,768.5	46.4%	40,154.5	69.8%	58,511.4	78.6%
Special mention	16,363.1	54.7	16,740.6	43.8	15,459.2	26.9	14,389.1	19.3
Substandard	4,129.8	13.8	1,670.4	4.4	526.1	0.9	425.5	0.6
Doubtful	2,054.7	6.9	1,923.7	5.0	1,355.7	2.4	1,085.8	1.5
Loss	204.7	0.6	150.2	0.4	73.5	0.0	28.8	0.0
Subtotal	29,929.1	100.0	38,253.4	100.0	57,569.0	100.0	74,440.6	100.0%
NPL ratio[(2)]	**21.35%**		**9.79%**		**3.40%**		**2.07%**	
Retail loans								
Normal	20,460.1	77.0	20,745.5	81.3	24,780.0	88.2	30,493.1	90.8%
Special mention	2,542.1	9.6	1,769.8	6.9	1,332.8	4.7	1,223.7	3.6
Substandard	1,350.1	5.1	813.0	3.2	492.3	1.8	309.2	0.9
Doubtful	2,181.3	8.2	2,157.3	8.4	1,498.4	5.3	1,575.2	4.7
Loss	50.8	0.1	46.2	0.2	0.0	0.0	0.0	0.0
Subtotal	26,584.4	100.0	25,531.8	100.0	28,103.5	100.0	33,601.2	100.0%
NPL ratio[(2)]	**13.47%**		**11.81%**		**7.08%**		**5.61%**	
Discounted bills								
Normal[(3)]	18,885.1	100.0	14,069.4	100.0	16,148.6	100.0	6,471.5	100.0%
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Subtotal	18,885.1	100.0	14,069.4	100.0	16,148.6	100.0	6,471.5	100.0%
NPL ratio[(2)]	0.00%		0.00%		0.00%		0.0%	
Total loans to customers	75,398.6		77,854.6		101,821.1		114,513.3	
Total NPL ratio[(2)]	13.22%		8.68%		3.88%		2.99%	

(1) The amounts at December 31, 2009 and 2007 reflected the effect of the Financial Restructuring-related non-performing loans write-offs or disposal in the respective year.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) Our discounted bills in the three years ended December 31, 2009 and six months ended June 30, 2010 were all in the normal category.

The non-performing loan ratios for our total loan portfolio were 2.99%, 3.88%, 8.68%, and 13.22% as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

The overall improvement in the non-performing loan ratio from December 31, 2007 to June 30, 2010 reflected an overall improvement in the asset quality of our loan portfolio, in particular an improvement in the non-performing loan ratio of our corporate loan portfolio. The improvement in our non-performing loan ratio was primarily attributable to the following factors:

(i) the write-off of non-performing loans in the amount of RMB4.2 billion in 2007 and the write-off of non-performing loans in the amount of approximately RMB188.4 million in 2009;

(ii) our continued efforts to strengthen our credit risk management capability, including improvements in our risk forecast ability and our ability to devise reliable risk management policies based on our assessment of the macroeconomic trends and changes in regulatory policies in the PRC and Chongqing, and increased use of quantitative risk assessment techniques to analyze risk tolerance and resistance, such as conducting stress tests on the real estate industry in 2009;

(iii) our continued efforts to strengthen our credit policies and procedures, including strengthening our overall post-loan disbursement management and monitoring by providing early risk alert for corporate loans with outstanding balance larger than RMB5 million and retail loans with outstanding balance larger than RMB500,000, and with respect to our corporate loans, adopting industry-specific guidelines on credit approval and post-disbursement monitoring;

(iv) our various actions to reduce our non-performing loan ratio such as strengthening our efforts to collect and write off non-performing loans and dispose of collateral for loans through third parties; and

(v) the overall growth of our higher quality loan portfolio reflecting our efforts to expand higher quality customer base and selectively disburse loans to high quality and creditworthy customers.

The above measures significantly reduced the non-performing loan ratio for our loans. With respect to our retail loans, the impairment loan ratio decreased less significantly because retail loans had not grown as fast as corporate loans. However, the outstanding balance of the non-performing retail loans had declined substantially.

The following table sets forth, as the dates indicated, the distribution of our loan portfolio by loan classification in the County Areas and Urban Areas:

	As of December 31,						As of June 30,	
	2007(1)		2008		2009(1)		2010(3)	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
County Areas								
Normal	23,830.3	53.3%	25,162.4	58.4%	32,929.8	71.4%	41,527.8	76.9%
Special mention	12,937.3	28.9	12,371.9	28.7	9,852.6	21.4	9,509.2	17.6
Substandard	4,249.0	9.5	2,102.7	4.9	901.3	2.0	678.9	1.3
Doubtful	3,500.9	7.8	3,272.4	7.6	2,383.3	5.2	2,266.8	4.2
Loss	171.1	0.5	144.4	0.4	33.4	0.0	10.3	0.0
Subtotal	44,688.6	100.0%	43,053.8	100.0%	46,100.4	100.0%	53,993.0	100.0%
NPL ratio(2)	**17.72%**		**12.82%**		**7.20%**		**5.47%**	
Urban Areas								
Normal	22,691.7	73.9%	27,421.0	78.8%	48,153.3	86.4%	53,948.2	89.1%
Special mention	5,967.9	19.4	6,138.5	17.6	6,939.4	12.5	6,103.6	10.1
Substandard	1,230.9	4.0	380.7	1.1	117.1	0.2	55.8	0.1
Doubtful	735.1	2.4	808.6	2.3	470.8	0.8	394.2	0.7
Loss	84.4	0.3	52.0	0.2	40.1	0.1	18.5	0.0
Subtotal	30,710.0	100.0%	34,800.8	100.0%	55,720.7	100.0%	60,520.3	100.0%
NPL ratio(2)	**6.68%**		**3.57%**		**1.13%**		**0.77%**	

(1) The amounts at December 31, 2009 and 2007 reflected the effect of the Financial Restructuring-related non-performing loans write-offs or disposal in the respective year.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

Changes to the Asset Quality of Our Loan Portfolio

The following table sets forth, at the dates indicated, the changes in the outstanding amounts of the non-performing loans of our loan portfolios.

	Amount	NPL Ratio
	(in millions of RMB, except percentage)	
At December 31, 2006	**17,711**	**31.68%**
Downgrades [1]	3,051	
Upgrades	(1,229)	
Recoveries	(5,333)	
Transfers out	—	
Write-offs	(4,229)	
At December 31, 2007	**9,971**	**13.22%**
Downgrades [1]	2,575	
Upgrades	(755)	
Recoveries	(4,172)	
Transfers out	—	
Write-offs	(858)	
At December 31, 2008	**6,761**	**8.68%**
Downgrades [1]	1,218	
Upgrades	(229)	
Recoveries	(2,487)	
Transfers out	—	
Write-offs	(1,317)	
At December 31, 2009	**3,946**	**3.88%**
Downgrades [1]	576	
Upgrades	(233)	
Recoveries	(865)	
Transfers out	—	
Write-offs	—	
At June 30, 2010	**3,424**	**2.99%**

(1) Represents downgrades of loans classified as normal or special mention at the end of last year and loans newly made in the current year to non-performing classifications.

The following table sets forth, for the periods indicated, the migration ratios of loans granted by us, calculated in accordance with the regulatory requirements of CBRC.

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Migration ratios of normal and special mention loans[1]	6.77%	7.91%	2.82%	0.94%
Migration ratios of normal loans[2]	12.70	20.41	9.60	4.21
Migration ratios of special mention loans[3]	12.26	12.71	4.61	2.21
Migration ratios of substandard loans[4]	12.07	42.95	39.30	27.48
Migration ratios of doubtful loans[5]	1.03	0.72	2.80	0.12

(1) Represents migration ratios of loans classified as normal or special mention which were downgraded to other classifications. Migration ratio of normal and special mention loans = (loans classified as normal at the beginning of the period and downgraded to non-performing classifications at the end of the period + loans classified as special mention at the beginning of the period and downgraded to non-performing classifications at the end of the period)/(the balance of normal loans at the beginning of the period-decrease over the period in the loans which were classified as normal at the beginning of the period + the balance of special mention loans at the beginning of the period—decrease over the period in the loans which were classified as special mention at the beginning of the period) × 100%.

(2) Represents migration ratio of loans classified as normal which were downgraded to other classifications. Migration ratio of normal loans = loans classified as normal at the beginning of the period and downgraded to lower classifications/(the balance of normal loans at the beginning of the period—decrease over the period in the loans which were classified as normal at the beginning of the period) × 100%.

(3) Represents migration ratio of loans classified as special mention which were downgraded to other classifications. Migration ratio of special mention loans = loans classified as special mention at the beginning of the period and downgraded to lower classifications/(the balance of special mention loans at the beginning of the period-decrease over the period in the loans which were classified as special mention at the beginning of the period) × 100%.

(4) Represents migration ratio of loans classified as substandard which were downgraded to other classifications. Migration ratio of substandard loans = loans classified as substandard at the beginning of the period and downgraded to lower classifications/(the balance of substandard loans at the beginning of the period-decrease over the period in the loans which were classified as substandard at the beginning of the period) × 100%.

(5) Represents migration ratio of loans classified as doubtful which were downgraded to other classifications. Migration ratio of doubtful loans = loans classified as doubtful at the beginning of the period and downgraded to lower classifications/(the balance of doubtful loans at the beginning of the period-decrease over the period in the loans which were classified as doubtful at the beginning of the period) × 100%.

Distribution of Non-Performing Loans by Product Type

The following table sets forth, at the dates indicated, our non-performing loans by product type.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount[1]	% of total	NPL ratio[2]	Amount	% of total	NPL ratio[2]	Amount[3]	% of total	NPL ratio[2]	Amount[3]	% of total	NPL ratio[2]
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term loans	1,379.8	13.8%	16.3%	675.3	10.0%	10.1%	441.7	11.2%	3.3%	337.8	9.9%	3.1%
Medium-and long-term loans	5,009.4	50.3	23.3	3,069.0	45.4	9.7	1,513.6	38.4	3.4	1,202.3	35.1	1.9
Subtotal	6,389.2	64.1	21.3	3,744.3	55.4	9.8	1,955.3	49.6	3.4	1,540.1	45.0	2.1
Discounted Bills	—	—	—	—	—	—	—	—	—	—	—	—
Retail loans												
Residential mortgage and personal commercial property loans	159.2	1.6	2.2	252.7	3.7	2.9	212.2	5.4	1.7	148.0	4.3	0.9
Personal business and re-employment loans	1,137.6	11.4	12.9	965.0	14.3	11.0	687.6	17.4	7.9	606.8	17.7	6.8
Loans to farmers	1,820.5	18.3	22.7	1,412.5	20.9	24.4	815.5	20.7	18.9	868.4	25.4	22.7
Others[4]	464.9	4.6	18.2	386.3	5.7	16.6	275.4	6.9	10.1	261.2	7.6	6.6
Subtotal	3,582.2	35.9	13.5	3,016.5	44.6	11.8	1,990.7	50.4	7.1	1,884.4	55.0	5.6
Total NPLs	**9,971.4**	**100.0%**	**13.2%**	**6,760.8**	**100.0%**	**8.7%**	**3,946.0**	**100.0%**	**3.9%**	**3,424.5**	**100.0%**	**3.0%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-offs in 2009.

(4) Consists primarily of personal car loans, financing for personal durable goods, and personal education loans and employment-related small amount loans.

The overall decrease in the non-performing loan ratio of our corporate loan portfolio, from 21.3% at December 31, 2007 to 2.1% at June 30, 2010, was primarily due to a combination of (i) the non-performing loan write-offs and disposal in 2007 and 2009 in connection with the Financial Restructuring, (ii) the continued strengthening of our credit risk management, including our selective exposure to industries adversely affected by the PRC government's macroeconomic control measures and more proactive post-loan disbursement monitoring over large-sized loans, (iii) our efforts to improve our corporate customer profile and expand our high quality customer base, (iv) our increased focus on recovering non-performing loans, and (v) the overall growth in the size of our corporate loan portfolio.

The NPL ratio of short-term loans decreased to 3.1% as of June 30, 2010 from 3.3% as of December 31, 2009, and from 10.1% as of December 31, 2008, which in turn decreased from 16.3% as of December 31, 2007. The NPL ratio of medium-and long-term loans decreased to 1.9% as of June 30, 2010 from 3.4% as of December 31, 2009, and from 9.7% as of December 31, 2008, which in turn decreased from 23.3% as of December 31, 2007. The decrease of the NPL ratio of our short-term and medium- and long-term loans from 2007 to first half of 2010 was primarily due to our increased efforts to manage and collect impaired loans and improve asset quality. In addition, for medium- and long-term loans, we devised stricter disbursement policies as described above.

The overall improvement in the non-performing loan ratio of our retail loan portfolio, from 13.5% as of December 31, 2007 to 5.6% as of June 30, 2010, was primarily attributable to (i) the non-performing loan write-offs in 2007 and 2009 in connection with the Financial Restructuring, a majority of which were non-performing retail loans, (ii) an adjustment in the composition of our retail loan portfolio by reducing our exposure to loans to farmers, which historically had higher risks and high NPL ratio, and increasing residential mortgage and personal commercial property loans, which has lower assigned credit risk weightings, and (iii) our increased efforts in collecting non-performing retail loans.

As of June 30, 2010, the non-performing loan ratio of mortgage and commercial property loans decreased to 0.9% from 1.7% as of December 31, 2009. The non-performing loan ratio of mortgage and commercial property loans decreased to 1.7% as of December 31, 2009 from 2.9% as of December 31, 2008. The decrease from December 31, 2008 to June 30, 2010 was primarily due to reasons mentioned above. It increased from 2.2% as of December 31, 2007 to 2.9% as of December 31, 2008 primarily due to the global financial crisis, which negatively affected the income stability of some customers and their repayment ability.

As of June 30, 2010, the non-performing loan ratio of loans to farmers increased to 22.7% from 18.9% as of December 31, 2009, primarily because of the small increase in non-performing loans and the decrease of loans in this category. The non-performing loans to farmers increased by RMB52.9 million as of June 30, 2010 compared to December 31, 2009 primarily due to the reserve loans to farmers that we disbursed before the Restructuring. Such type of loans is for the purpose of agricultural production, and due to the mismatch between the interest payment arrangements and the long agricultural production cycle, the borrowers cannot fully repay the principal and interest during the middle of the year. Normally at year end, the borrowers will repay the principal and interests when they have sufficient funds as the agricultural production cycle ends. To solve this problem, we have revised relevant policies based on the particular risks of loans to farmers so that the agricultural production cycle matches the loan disbursement schedule so as to lower the risks. The non-performing loan ratio of loans to farmers decreased from 24.4% as of December 31, 2008 to 18.9% as of December 31, 2009 primarily due to reasons mentioned above. It increased from 22.7% as of December 31, 2007 to 24.4% as of December 31, 2008 primarily due to the decrease in the balance of loans to farmers. The decrease in loans to farmers from 2007 to the first half of 2010 was primarily due to the following factors: (i) the decreasing demand for such loans as the PRC government increased policy-related subsidies to agriculture and rural areas; (ii) our shift in retail banking business with more focus on rural enterprises and less focuses on individual farmers; and (iii) our ongoing efforts in loan collection and write-offs of non-performing loans to farmers.

The non-performing loan ratio of personal business and re-employment loans decreased from 12.9% as of December 31, 2007 to 11.0% as of December 31, 2008 and 7.9% as of December 31, 2009. As of June 30, 2010, the non-performing loan ratio of personal business and re-employment loans further decreased to 6.8% from 7.9% as of December 31, 2009. The decrease from December 31, 2007 to June 30, 2010 was primarily due to our efforts to enhance risk management and collect non-performing loans.

The non-performing loan ratio of others decreased from 18.2% as of December 31, 2007 to 16.6% as of December 31, 2008 and further to 10.1% as of December 31, 2009. As of June 30, 2010, the non-performing loan ratio of others decreased to 6.6% from 10.1% as of December 31, 2009. The decrease from December 31, 2007 to June 30, 2010 was primarily due to our efforts to enhance risk management and collect non-performing loans.

Distribution of Corporate Non-performing Loans by Industry

The following table sets forth, at the dates indicated, the distribution of our non-performing corporate loans (excluding discounted bills) by industry.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount(1)	% of total	NPL ratio(2)	Amount	% of total	NPL ratio(2)	Amount(3)	% of total	NPL ratio(2)	Amount(3)	% of total	NPL ratio(2)
	(in millions of RMB, except percentages)											
Manufacturing	1,400.7	21.9%	18.7%	701.3	18.7%	6.9%	513.2	26.2%	3.0%	434.9	28.2%	2.2%
Real estate	2,290.9	35.9	23.0	1,320.6	35.3	10.8	750.6	38.4	5.3	387.8	25.2	2.4
Water, environment and public utility management	9.9	0.2	1.8	8.8	0.2	1.4	0.4	0.0	0.0	11.9	0.8	0.1
Construction	377.8	5.9	22.5	197.3	5.3	11.3	89.4	4.6	3.0	50.9	3.3	1.0
Production and supply of electronic power, gas and water	69.8	1.1	4.8	62.0	1.7	2.3	40.2	2.1	0.8	29.7	1.9	0.7
Retail and wholesale	481.1	7.5	27.2	395.7	10.6	18.6	110.3	5.6	4.1	78.5	5.1	1.9
Rental, commercial and servicing(4)	161.4	2.5	5.5	145.2	3.9	3.8	18.0	0.9	0.4	127.9	8.3	6.4
Others(5)	1,597.6	25.0	39.0	913.4	24.3	18.6	433.2	22.2	5.8	418.5	27.2	2.9
Total corporate loans	**6,389.2**	**100.0%**	**21.3%**	**3,744.3**	**100.0%**	**9.8%**	**1,955.3**	**100.0%**	**3.4%**	**1,540.1**	**100.0%**	**2.1%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(4) Consist primarily of lending to asset management, leasing, commercial and services.

(5) Others consist primarily of (i) transportation, storage and postal services, (ii) education, (iii) farming, lumbering, warding and fishing, and (iv) culture, sport and entertainment.

The non-performing loan ratio of our corporate loans in the six largest industries in terms of loan balance as of June 30, 2010, namely the (i) manufacturing, (ii) real estate, (iii) water, environment and public utility management (iv) construction, (v) production and supply of electricity, gas and water, and (vi) retail and wholesale decreased significantly each year from 18.7%, 23%, 1.8%, 22.5%, 4.8% and 27.2% respectively as of December 31, 2007 to 6.9%, 10.8%, 1.4%, 11.3%, 2.3%, and 18.6% respectively as of December 31, 2008, and further to 3.0%, 5.3%, 0.0%, 3.0%, 0.8%, and 4.1% respectively as of December 31, 2009 primarily due to our non-performing loan write-offs in connection with our Financial Restructuring, our improved credit approval policies and our enhanced collection efforts, which are further discussed below. The non-performing loan ratios of these industries were 2.2%, 2.4%, 0.1%, 1.0%, 0.7% and 1.9% respectively as of June 30, 2010, which, except that for the water, environment and public utility management industry, decreased as compared to December 31, 2009 due to the same reason mentioned. For the same reason, the impaired loan ratio of our loans in most other industries decreased significantly each year from December 31, 2007 to December 31, 2009, and further to June 30, 2010.

The non-performing loan ratio of corporate loans in the manufacturing industry decreased during the Track Record Period because we had issued industry-specific guidelines on loan disbursement and management, which allowed us to improve the quality of loans in this industry. In addition, the manufacturing industry was particularly affected by the global financial crisis, as many of our customers experienced cash flow problems and were unable to repay their loans on time. The economic recovery improved their cash flow and allowed us to improve collection of non-performing loans in this industry.

The non-performing loan ratio of corporate loans in the real estate industry decreased during the Track Record Period because we established stricter credit approval guidelines for this industry according to the new state regulations, which sought to prevent overheating in this industry. The strong growth in Chongqing's real estate industry in the past few years also improved the financial conditions of some customers and allowed them to repay some of the non-performing loans. We also collected non-performing loans from some customers.

The non-performing loan ratio of corporate loans in the construction industry decreased during the Track Record Period because we considered the industry to be related to the real estate industry. As much, we analyzed the causes of the non-performing loans and improved the efficiency of collection by collecting the non-performing loans in the two industries together. The economic recovery, which strengthened the real estate industry, also strengthened the construction industry and subsequently the financial conditions of borrowers in the industry.

The non-performing loan ratio of the water, environmental and public utility management industry decreased because we adopted more stringent credit approval standards after the state issued policies to strengthen credit control for this industry. The rapid industrialization of Chongqing also helped the development of this industry and allowed borrowers to repay the non-performing loans.

The non-performing loan ratio of the retail and wholesale industry decreased mainly due to our revised guidelines on large-amount retail loans, such as automobile loans and household appliance loans. The state stimulus package on consumption also helped borrowers in the industry to improve their financial conditions and to repay the non-performing loans. We also took a more flexible approach for borrowers in this industry by helping borrowers to restructure their loans and to sell the collaterals to reduce loss.

The non-performing loan ratios of other industries decreased over the Track Record Period due to the state's policies supporting the development of educational and agricultural industries, and also our improved collection efforts.

As of June 30, 2010, non-performing loans in the real estate industry and the manufacturing industry accounted for 24.0% of our total non-performing loans, primarily reflecting our lending concentration in these two industries. To manage the credit risk exposure to industries, we have put into practice industry selection, entry and exit policies. See "— Distribution of Corporate Loans by Industry".

Distribution of Non-performing Loans by Geographical Region

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by geographical region.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010[4]		
	Amount[1]	% of total	NPL ratio[2]	Amount	% of total	NPL ratio[2]	Amount[3]	% of total	NPL ratio[2]	Amount[3]	% of total	NPL ratio[2]
	(in millions of RMB, except percentages)											
County Areas												
Corporate loans	4,459.5	44.7%	22.2%	2,664.0	39.4%	11.2%	1,455.4	36.9%	5.4%	1,153.7	33.7%	3.8%
Retail loans	3,461.5	34.7	17.0	2,855.5	42.2	15.6	1,862.6	47.2	10.1	1,802.3	52.6	8.4
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	7,921.0	79.4	17.7	5,519.5	81.6	12.8	3,318.0	84.1	7.2	2,956.0	86.3	5.5
Urban Areas												
Corporate loans	1,929.7	19.4	19.6	1,080.3	16.0	7.5	499.9	12.7	1.6	386.4	11.3	0.9
Retail loans	120.7	1.2	1.9	161.0	2.4	2.2	128.1	3.2	1.3	82.1	2.4	0.7
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	2,050.4	20.6	6.7	1,241.3	18.4	3.6	628.0	15.9	1.1	468.5	13.7	0.8
Total NPLs	**9,971.4**	**100.0%**	**13.2%**	**6,760.8**	**100.0%**	**8.7%**	**3,946.0**	**100.0%**	**3.9%**	**3,424.5**	**100.0%**	**3.0%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(4) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

In general, our Urban Area loans have higher credit quality than County Area loans and thus lower non-performing loan ratio. This is primarily attributable to (i) the inherent risks associated with agriculture-related industries and County Area economy, which tend to be higher than Urban Area and (ii) our slower loan growth in the County Areas than Urban Areas. Please refer to the description of "— Distribution of loans by loan classification" above in this section.

County Area loans. As of June 30, 2010, the non-performing loan ratio of County Area loans decreased to 5.5% from 7.2% as of December 31, 2009. The non-performing loan ratio of County Area loans decreased to 7.2% as of December 31, 2009 from 12.8% as of December 31, 2008, which decreased from 17.7% as of December 31, 2007. The decrease over the Track Record Period mainly reflected our increased efforts to manage risks associated with the Country Area, which reduced non-performing County Area loans.

As of June 30, 2010, the non-performing loan ratio of County Area corporate loans decreased to 3.8% from 5.4% as of December 31, 2009. The non-performing loan ratio of County Area corporate loans decreased to 5.4% as of December 31, 2009 from 11.2% as of December 31, 2008, which decreased from 22.2% as of December 31, 2007. The decrease over the Track Record Period was primarily due to our increased effort to manage and collect non-performing loans and more stringent credit policies.

As of June 30, 2010, the non-performing loan ratio of County Area retail loans decreased to 8.4% from 10.1% as of December 31, 2009. The non-performing loan ratio of County Area retail loans decreased to 10.1% as of December 31, 2009 from 15.6% as of December 31, 2008, which decreased from 17.0% as of December 31, 2007. The decrease over the Track Record Period was primarily due to our increased effort to manage and collect non-performing loans and more stringent credit policies.

Urban Area loans. The overall improvement of the non-performing loan ratio of Urban Area loans reflected our improved loan management, prudent loan disbursement policies, and more stringent credit approval policies. As of June 30, 2010, the non-performing loan ratio of Urban Area loans decreased to 0.8% from 1.1% as of December 31, 2009. The non-performing loan ratio of Urban Area loans decreased from 3.6% as of December 31, 2008 to 1.1% as of December 31, 2009, primarily due to our expansion of Urban Area loans and the higher credit quality of our Urban Area customers, reflecting our efforts to improve the compositions of our corporate customer base, apart from our write off of non-performing loans in 2009 in connection with our Financial Restructuring. It was reduced significantly from 6.7% as of December 31, 2007 to 3.6% as of December 31, 2008 mainly because we adopted a series of measures to increase our efforts to reduce non-performing loans.

As of June 30, 2010, the non-performing loan ratio of Urban Area corporate loans decreased to 0.9% from 1.6% as of December 31, 2009. The non-performing loan ratio of Urban Area corporate loans decreased to 1.6% as of December 31, 2009 from 7.5% as of December 31, 2008, which further decreased from 19.6% as of December 31, 2007. The decrease over the Track Record Period was primarily due to our increased effort to manage and collect non-performing loans and more stringent credit policies.

As of June 30, 2010, the non-performing loan ratio of Urban Area retail loans decreased to 0.7% from 1.3% as of December 31, 2009. The non-performing loan ratio of Urban Area retail loans decreased to 1.3% as of December 31, 2009 from 2.2% as of December 31, 2008. The decrease over the Track Record Period was primarily due to the write-off and collection of non-performing loans. However, the non-performing loan ratio of Urban Area retail loans increased to 2.2% as of December 31, 2008 from 1.9% as of December 31, 2007 primarily due to the global financial crisis in 2008, which negatively affected the income stability and mortgage repayment ability of some retail customers.

Distribution of Non-performing Loans by Collateral

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by collateral type under each of our business lines.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount(1)	% of total	NPL ratio(2)	Amount	% of total	NPL ratio(2)	Amount(3)	% of total	NPL ratio(2)	Amount	% of total	NPL ratio(2)
	(in millions of RMB, except percentages)											
Corporate loans												
Unsecured loans	191.1	1.9%	29.1%	136.0	2.0%	14.2%	43.7	1.1%	0.5%	41.9	1.2%	0.4%
Guaranteed loans	596.7	6.0	14.4	464.9	6.9	5.7	124.7	3.2	1.0	120.3	3.5	0.6
Secured loans												
— Collateralized loans	5,111.6	51.3	23.0	2,853.7	42.2	11.3	1,671.1	42.3	5.7	1,251.0	36.6	3.7
— Pledged loans	489.8	4.9	17.1	289.7	4.3	7.6	115.8	3.0	1.6	126.9	3.7	1.5
Subtotal	6,389.2	64.1	21.3	3,744.3	55.4	9.8	1,955.3	49.6	3.4	1,540.1	45.0	2.1
Retail loans												
Unsecured loans	2,055.0	20.5	23.3	1,547.3	22.8	24.3	923.5	23.4	19.4	1,040.3	30.3	23.2
Guaranteed loans	594.1	6.0	22.2	518.8	7.7	24.7	402.3	10.2	20.3	335.7	9.8	17.4
Secured loans												
— Collateralized loans	923.5	9.3	6.2	944.0	14.0	5.6	660.5	16.7	3.1	505.2	14.8	1.9
— Pledged loans	9.6	0.1	6.3	6.4	0.1	5.0	4.4	0.1	3.2	3.2	0.1	2.1
Subtotal	3,582.2	35.9	13.5	3,016.5	44.6	11.8	1,990.7	50.4	7.1	1,884.4	55.0	5.6
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total NPLs	**9,971.4**	**100.0%**	**13.2%**	**6,760.8**	**100.0%**	**8.7%**	**3,946.0**	**100.0%**	**3.9%**	**3,424.5**	**100.0%**	**3.0%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

The overall decrease in most of the categories of non-performing loans by collateral type from 2007 to June 30, 2010 was in line with the overall improvement of our asset and loan quality. The non-performing loan ratios for unsecured and guaranteed retail loans increased from 2007 to 2008 even though the absolute amounts of non-performing loans under these categories decreased in the respective years, primarily due to the global financial crisis, which negatively affected the income stability of some retail customers.

Distribution of Non-performing Loans by Term of Loans

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by terms of loans under each of our business lines.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount[(1)]	% of total	NPL ratio[(2)]	Amount	% of total	NPL ratio[(2)]	Amount[(3)]	% of total	NPL ratio[(2)]	Amount	% of total	NPL ratio[(2)]
	(in millions of RMB, except percentages)											
Corporate loans												
Less than one year	1,379.7	13.8%	21.0%	675.3	10.0%	10.1%	441.7	11.2%	3.3%	337.8	9.9%	3.1%
One to five years	4,356.9	43.7	20.3	2,610.6	38.6	9.3	1,371.6	34.8	3.8	1,087.1	31.7	2.3
More than five years	652.6	6.6	34.9	458.4	6.8	12.9	142.0	3.6	1.7	115.2	3.4	0.7
Subtotal	6,389.2	64.1	21.3	3,744.3	55.4	9.8	1,955.3	49.6	3.4	1,540.1	45.0	2.1
Retail loans												
Less than one year	1,825.3	18.3	20.3	1,456.3	21.5	20.7	761.7	19.3	14.3	697.3	20.4	3.1
One to five years	1,648.5	16.5	14.7	1,435.4	21.2	13.0	1,113.1	28.2	9.5	1,120.1	32.7	1.9
More than five years	108.4	1.1	1.7	124.8	1.9	1.7	115.9	2.9	1.0	67.0	1.9	0.2
Subtotal	3,582.2	35.9	13.5	3,016.5	44.6	11.8	1,990.7	50.4	7.1	1,884.4	55.0	5.6
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total NPLs	**9,971.4**	**100.0%**	**13.2%**	**6,760.8**	**100.0%**	**8.7%**	**3,946.0**	**100.0%**	**3.9%**	**3,424.5**	**100.0%**	**3.0%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

Ten Largest Non-performing Borrowers

The following table sets forth, as of June 30, 2010, our borrowers with the ten largest non-performing loan balances outstanding.

		As of June 30, 2010			
	Industry	Amount	Classification	% of Total NPLs	% of total regulatory capital[(1)]
		(in millions of RMB, except percentages)			
Borrower A	Real Estate	55.9	Doubtful	1.63%	0.39%
Borrower B	Others	44.0	Doubtful	1.28	0.31
Borrower C	Manufacturing	37.9	Substandard	1.11	0.26
Borrower D	Real Estate	34.3	Doubtful	1.00	0.24
Borrower E	Rental, commercial and servicing	34.2	Doubtful	1.00	0.24
Borrower F	Rental, commercial and servicing	33.5	Doubtful	0.98	0.23
Borrower G	Real Estate	29.1	Doubtful	0.85	0.20
Borrower H	Others	27.0	Doubtful	0.79	0.19
Borrower I	Manufacturing	23.5	Doubtful	0.69	0.16
Borrower J	Rental, commercial and servicing	23.3	Doubtful	0.68	0.16
Total NPLs		**342.7**		**10.01%**	**2.38%**

(1) Represents loan amounts as a percentage of our regulatory capital, which consists of our core capital and supplementary capital less deductions, each calculated in accordance with CBRC statutory requirements under PRC GAAP. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Other Operational and Risk Management Ratios." For a calculation of our regulatory capital at June 30, 2010, see "Financial Information — Capital Resources — Capital Adequacy."

Loan Aging Schedule

The following table sets forth, at the dates indicated, our loan aging schedule for our loans to customers.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount[(1)]	% of total	Amount	% of total	Amount[(2)]	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Current loans	64,184.8	85.1%	68,982.3	88.6%	96,274.2	94.6%	109,202.9	95.4%
Loans past due for 1 to 90 days[(3)]	1,227.8	1.7	3,296.8	4.2	1,834.2	1.8	1,484.3	1.3
past due for 91 days to 360 days[(3)]	3,336.5	4.4	2,253.8	2.9	1,828.3	1.8	1,170.6	1.0
past due for 361 days or more[(3)]	6,649.5	8.8	3,321.7	4.3	1,884.4	1.8	2,655.5	2.3
Subtotal[(3)]	11,213.8	14.9	8,872.3	11.4	5,546.9	5.4	5,310.4	4.6
Total loans to customers	**75,398.6**	**100.0%**	**77,854.6**	**100.0%**	**101,821.1**	**100.0%**	**114,513.3**	**100.0%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(3) Represents the principal amount of the loans on which principal or interest is overdue. For loans that are repayable in installments, if any portion of the loan is overdue, only that portion is classified as overdue.

Allowance for Impairment Losses on Loans to Customers

We assess our loans for impairment, determine a level of allowance for impairment losses, and recognize any related provisions made in a year, using the concept of impairment under IAS39. Our loans are reported net of the allowance for impairment losses on our consolidated balance sheet. Where there is objective evidence of impairment as a result of events occurring after the initial recognition of loans which affect the estimated future cash flows of the loans, we perform individual assessments on individually significant loans with objective evidence of impairment to determine the allowance for impairment losses. The allowance for impairment losses of loans is measured as the difference between the carrying value and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including, among other things, the recoverable value of the collateral up to the carrying amount.

Individually significant loans for which no evidence of impairment has been individually identified consist of loans classified as normal and special mention. These loans are assessed collectively for the purpose of determining the allowance for impairment losses. Homogeneous groups of loans that are not considered individually significant represent retail loans. These loans are also collectively assessed for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of the collectively assessed loans is determined primarily based on our historical loss experience in similar portfolios and on current economic conditions.

For a description of our methodologies in calculating the estimated recoverable amount of loans, see "Financial Information — Critical Accounting Estimates and Judgments — Impairment Losses on Loans and Advances to Customers" and Notes A(2)(b) and A(2)(b) to our consolidated financial statements included in Appendix IA and Appendix IB to this prospectus, respectively.

Distribution of Allowance for Impairment Losses by Loan Classification

The following table sets forth, at the dates indicated, the distribution of our allowance for impairment losses by loan classification category.

	At December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount(1)	% of Total	Allowance to loans(2)	Amount	% of Total	Allowance to loans(2)	Amount(3)	% of Total	Allowance to loans(2)	Amount	% of Total	Allowance to loans(2)
	(in millions of RMB, except percentages)											
Normal	988.7	15.7%	2.1%	981.7	17.4%	1.9%	1,796.9	35.9%	2.2%	2,038.8	40.0%	2.1%
Special mention	604.2	9.6	3.2	774.6	13.7	4.2	778.9	15.6	4.6	841.7	16.5	5.4
Substandard	1,600.3	25.3	29.2	805.8	14.3	32.4	354.2	7.1	34.8	260.2	5.1	35.4
Doubtful	2,886.5	45.7	68.1	2,895.9	51.3	71.0	2,007.9	40.1	70.4	1,928.5	37.8	72.5
Loss	234.9	3.7	91.9	182.8	3.3	93.1	67.5	1.3	91.8	28.0	0.6	97.2
Total allowance	**6,314.6**	**100.0%**	**8.4%**	**5,640.8**	**100.0%**	**7.2%**	**5,005.4**	**100.0%**	**4.9%**	**5,097.2**	**100.0%**	**4.5%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

The following table sets forth, at the dates indicated, the distribution of our allowance for impairment losses by loan classification category under each business line.

	At December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount(1)	% of Total	Allowance to loans(2)	Amount	% of Total	Allowance to loans(2)	Amount(3)	% of Total	Allowance to loans(2)	Amount	% of Total	Allowance to loans(2)
	(in millions of RMB, except percentages)											
Corporate loans												
Normal	101.3	1.6%	1.4%	180.4	3.2%	1.0%	680.5	13.6%	1.7%	846.5	16.6%	1.4%
Special mention	399.9	6.3	2.4	615.1	10.9	3.7	666.2	13.3	4.3	738.8	14.5	5.1
Substandard	944.6	15.0	22.9	413.8	7.3	24.8	134.4	2.7	25.5	113.6	2.2	26.7
Doubtful	1,377.6	21.8	67.0	1,245.1	22.1	64.7	782.7	15.6	57.7	639.5	12.5	58.9
Loss	192.8	3.1	94.2	141.7	2.5	94.3	67.5	1.3	91.8	28.0	0.6	97.2
Subtotal	3,016.2	47.8	10.1	2,596.1	46.0	6.8	2,331.3	46.5	4.0	2,366.4	46.4	3.2
Retail loans												
Normal	787.0	12.5	3.8	726.3	12.9	3.5	1,026.2	20.5	4.1	1,116.9	21.9	3.7
Special mention	204.3	3.2	8.0	159.5	2.8	9.0	112.7	2.3	8.5	102.9	2.0	8.4
Substandard	655.7	10.4	48.6	392.0	6.9	48.2	219.8	4.4	44.6	146.6	2.9	47.4
Doubtful	1,508.9	23.9	69.2	1,650.8	29.3	76.5	1,225.2	24.5	81.8	1,289.0	25.3	81.8
Loss	42.1	0.7	82.8	41.1	0.7	89.0	0.0	0.0	—	0.0	0.0	—
Subtotal	3,198.0	50.7	12.0	2,969.7	52.6	11.6	2,583.9	51.7	9.2	2,655.4	52.1	7.9
Discounted bills												
Normal	100.4	1.5	0.5	75.0	1.4	0.5	90.2	1.8	0.6	75.4	1.5	1.2
Special	—	—	—	—	—	—	—	—	—	—	—	—
Substandard mention	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	100.4	1.5	0.5	75.0	1.4	0.5	90.2	1.8	0.6	75.4	1.5	1.2
Total allowance	**6,314.6**	**100.0%**	**8.4%**	**5,640.8**	**100.0%**	**7.2%**	**5,005.4**	**100.0%**	**4.9%**	**5,097.2**	**100.0%**	**4.5%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

Changes to the Allowance for Impairment Losses

The following table sets forth, for the years indicated, the changes to the allowance for impairment losses on loans to customers.

	Amount
	(in millions of RMB)
As of January 1, 2007	**10,120.9**
New allowance, net(1)	865.9
Amount written off during the year as uncollectible	(4,237.6)
Recoveries of loans written off in previous years (收回原核銷貸款導致的轉回)	133.1
Unwinding of discounts(2) (貸款因折現價值上升導致轉回)	(567.7)
As of December 31, 2007	**6,314.6**
New allowance, net(1)	244.9
Amount written off during the year as uncollectible	(907.8)
Recoveries of loans written off in previous years (收回原核銷貸款導致的轉回)	384.1
Unwinding of discounts(2) (貸款因折現價值上升導致轉回)	(395.0)
As of December 31, 2008	**5,640.8**
New allowance, net(1)	117.5
Amount written off during the year as uncollectible	(1,322.0)
Recoveries of loans written off in previous years (收回原核銷貸款導致的轉回)	798.3
Unwinding of discounts(2) (貸款因折現價值上升導致轉回)	(229.2)
As of December 31, 2009	**5,005.4**
New allowance, net(1)	(125.5)
Amount written off during the year as uncollectible	0.0
Recovery of loan written off in previous years (收回原核銷貸款導致的轉回)	293.0
Unwinding of discount(2) (貸款因折現價值上升導致轉回)	(75.7)
As of June 30, 2010	**5,097.2**

(1) Represents the amount of new allowance provided during the relevant period, after deducting the amount of releases from loan loss allowances during the same period.

(2) Represents the interest income we recognize on impaired loans as a result of subsequent increases in their present values due to the passage of time.

June 30, 2010 Compared to December 31, 2009. Our allowance for impairment losses as of June 30, 2010 was RMB5.1 billion, which remained relatively stable compared to RMB5.0 billion as of December 31, 2009. This was primarily due to recovery of loans written off in previous years offset by the net new allowance and the unwinding of discount.

The amount of recoveries of loans written off in previous years decreased significantly by 63.3% from RMB798.3 million in December 31, 2009 to RMB293.0 million as of June 30, 2010, primarily due to the increased difficulties in recovering the remaining off-balance non-performing assets.

The net new allowance provided for the year decreased to a net decrease of RMB125.5 million as of June 30, 2010 compared to a net increase of RMB117.5 million in 2009, primarily due to the overall improvement of asset quality.

The amount of unwinding of discounts increased from a net decrease of RMB229.2 million as at December 31, 2009 to a net decrease of RMB75.7 million as of June 30, 2010, primarily due to the decrease of the amount of non-performing loans over the period.

December 31, 2009 Compared to December 31, 2008. Our allowance for impairment losses as of December 31, 2009 was RMB5.0 billion, a decrease of 11.3% from RMB5.6 billion as of December 31, 2008, primarily due to amount written off during the year as uncollectible and improvement of quality of loans and advances.

The net new allowance provided for the year decreased by 52.0% to RMB117.5 million in 2009 compared to RMB244.9 million in 2008, primarily due to the improvement in the quality of our loans.

The loans written off during the year as uncollectible increased by 45.6% to RMB1,322.0 million in 2009 from RMB907.8 million in 2008, primarily due to the deterioration of quality of non-performing loans which were considered as uncollectible since 2007.

The amount of recoveries of loans written off in previous years increased significantly from RMB384.1 million in 2008 to RMB798.3 million in 2009.

The amount of unwinding of discounts increased from a net decrease of RMB395.0 million as at December 31, 2008 to a net decrease of RMB229.2 million as at December 31, 2009.

December 31, 2008 Compared to December 31, 2007. Our allowance for impairment losses as of December 31, 2008 was RMB5.6 billion, a decrease of 10.7% from RMB6.3 billion as of December 31, 2007, primarily due to amount written off during the year as uncollectible and improvement of quality of loans and advances.

The net new allowance provided for the year decreased significantly by 71.7% to RMB244.9 million in 2008 compared to RMB865.9 million in 2007, primarily due to the improvement in the quality of our loans.

The amount of loans written off during the year as uncollectible decreased significantly to RMB907.8 million in 2008 from RMB4,237.6 million in 2007, primarily due to a significant reduction in the remaining balance of our non-performing loans available for being written off in 2008.

The amount of recoveries of loans written off in previous years increased significantly to RMB384.1 million in 2008 from RMB133.1 million in 2007.

The amount of unwinding of discounts decreased from RMB567.7 million as at December 31, 2007 to RMB395.0 million as at December 31, 2008.

The amount of shareholder capital injection for asset exchange was nil in 2008 as compared to RMB4.2 billion in 2007 primarily due to our reorganization to prepare for the incorporation of our Bank in June 2008.

Primarily as a result of the above factors, the coverage ratio of our total allowance for impairment losses to total non-performing loans increased to 148.8% as of June 30, 2010 from 126.8% as of December 31, 2009 from 83.4% as of December 31, 2008, and 63.3% as of December 31, 2007.

Distribution of Allowance for Impairment Losses by Product Type

The following table sets forth, at the dates indicated, the distribution of the allowance for impairment losses for our loans to customers by product type under each of our business lines.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount[(1)]	% of total	Allowance to NPLs[(2)]	Amount	% of total	Allowance to NPLs[(2)]	Amount[(3)]	% of total	Allowance to NPLs[(2)]	Amount	% of total	Allowance to NPLs[(2)]
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term	603.9	9.6%	43.8%	361.3	6.4%	53.5%	373.0	7.4%	84.5%	422.6	8.3%	125.1%
Medium and long-term	2,412.3	38.2	48.2	2,234.8	39.6	72.8	1,958.3	39.1	129.4	1,943.8	38.1	161.7
Subtotal	3,016.2	47.8	47.2	2,596.1	46.0	69.3	2,331.3	46.5	119.2	2,366.4	46.4	153.7
Discounted bills[(4)]	100.4	1.6%	—	75.0	1.3%	—	90.2	1.8%	—	75.4	1.5%	—
Retail loans												
Residential mortgage loans and personal commercial property loans	190.6	3.0%	119.7%	333.8	5.9%	132.1%	522.7	10.5%	246.3%	775.4	15.2%	523.9%
Personal business and re-employment loans	1,066.7	16.9	93.8	988.5	17.5	102.4	836.8	16.7	121.7	847.5	16.6	139.7
Loans to farmers	1,335.7	21.2	73.4	1,178.8	20.9	83.5	897.8	17.9	110.1	761.5	14.9	87.7
Others[(5)]	605.0	9.5	130.1	468.6	8.4	121.3	326.6	6.6	118.6	271.0	5.4	103.8
Subtotal	3,198.0	50.6	89.3	2,969.7	52.7	98.4	2,583.9	51.7	129.8	2,655.4	52.1	140.9
Total allowance	**6,314.6**	**100.0%**	**63.3%**	**5,640.8**	**100.0%**	**83.4%**	**5,005.4**	**100.0%**	**126.8%**	**5,097.2**	**100.0%**	**148.8%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the amount of non-performing loans in that category.

(3) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(4) No non-performing loan was recorded.

(5) Consists primarily of personal car loans, financing for personal durable goods and personal education loans.

Distribution of Allowance for Impairment Losses by Geographical Areas

The following table sets forth, at the dates indicated, the allowance for impairment losses of our County Area loans and Urban Area loans.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010[(4)]		
	Amount[(1)]	% of total	Allowance to NPLs[(3)]	Amount	% of total	Allowance to NPLs[(3)]	Amount[(2)]	% of total	Allowance to NPLs[(3)]	Amount	% of total	Allowance to NPLs[(3)]
	(in millions of RMB, except percentages)											
County Areas												
Allowance for impairment losses	5,111.8	81.0%	64.5%	4,470.2	79.2%	81.0%	3,565.3	71.2%	107.5%	3,500.2	68.7%	118.4%
Urban Areas												
Allowance for impairment losses	1,202.8	19.0	58.7	1,170.6	20.8	94.3	1,440.1	28.8	229.3	1,597.0	31.3%	340.9
Total allowance	**6,314.6**	**100.0%**	**63.3%**	**5,640.8**	**100.0%**	**83.4%**	**5,005.4**	**100.0%**	**126.8%**	**5,097.2**	**100.0%**	**148.8%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(3) Calculated by dividing the amount of the allowance for impairment losses on loans in each geographical area by the amount of non-performing loans in that area.

(4) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

Distribution of Allowance for Impairment Losses for Corporate Loans by Industry

The following table sets forth, at the dates indicated, the allowance for impairment losses for our corporate loans excluding discounted bills by industry.

	As of December 31,									As of June 30,		
	2007			2008			2009			2010		
	Amount(1)	% of total	Allowance to impaired loan(3)	Amount	% of total	Allowance to impaired loan(3)	Amount(2)	% of total	Allowance to impaired loan(3)	Amount	% of total	Allowance to impaired loan(3)
	(in millions of RMB, except percentages)											
Manufacturing	630.1	20.9%	45.0%	469.3	18.1%	66.9%	433.7	18.6%	84.5%	786.3	33.2%	180.8%
Real estate	1,008.2	33.4	44.0	1,087.1	41.9	82.3	948.0	40.7	126.3	686.8	29.0	177.1
Water, environment and public utility management	20.7	0.7	209.1	16.3	0.6	185.2	87.6	3.8	21,900.0	98.7	4.2	829.4
Construction	170.5	5.7	45.1	94.5	3.6	47.9	69.0	3.0	77.2	104.5	4.4	205.3
Production and supply of electronic power, gas and water	92.4	3.1	132.4	68.4	2.6	110.3	113.3	4.9	281.8	73.2	3.1	246.5
Retail and wholesale	270.9	9.0	56.3	258.2	9.9	65.3	92.5	4.0	83.9	110.5	4.7	140.8
Rental, commercial and servicing(4)	80.2	2.7	49.7	78.3	3.0	53.9	267.9	11.5	1,488.3	99.2	4.2	77.6
Others(5)	743.2	24.5	46.5	524.0	20.3	57.4	319.3	13.5	73.7	407.2	17.2	97.3
Total allowance to corporate loans	**3,016.2**	**100.0%**	**47.2%**	**2,596.1**	**100.0%**	**69.3%**	**2,331.3**	**100.0%**	**119.2%**	**2,366.4**	**100.0%**	**153.7%**

(1) The amount at December 31, 2007 reflected the effect of the RMB4.2 billion Financial Restructuring-related non-performing loan write-offs and disposal in 2007.

(2) The amount at December 31, 2009 reflected the effect of approximately RMB188.4 million Financial Restructuring-related non-performing loan write-off in 2009.

(3) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the amount of non-performing loans in that category.

(4) Consist primarily of lending to asset management, leasing, commercial and services.

(5) Others consist primarily of (i) transportation, warehousing and postal services, (ii) education, (iii) farming, lumbering, warding and fishing, and (iv) culture, sport and entertainment.

Investment Securities

The second largest component of our total assets is our investment securities, which primarily consist of Renminbi-denominated debt instruments. Investment securities represented 27.5%, 23.6%. 20.5%, and 19.1% of our total assets as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively. We classify our investment assets into (i) financial assets designated as at fair value through profit or loss, (ii) available-for-sale financial assets, (iii) held-to-maturity investments and (iv) debt securities classified as receivables, primarily based on our intentions with respect to these assets and pursuant to the requirements of IAS 39. Financial assets at fair value through profit or loss primarily consist of debt instruments (理財產品) issued by other financial institutions, of which the underlying investments are money market instruments, bonds or other investments.

Investment securities increased by 51.7% to RMB72.0 billion as of June 30, 2010 from RMB 47.4 billion as of December 31, 2009. Investment securities increased by 38.1% to RMB47.4 billion as of December 31, 2009 from RMB34.3 billion as of December 31, 2008, which in turn increased by 49.3% from RMB23.0 billion as of December 31, 2007. The increase from December 31, 2007 to June 30, 2010 reflected our overall strategy to diversify our asset portfolio and enhance risk-adjusted investment return by purchasing more bonds and debt instruments issued by financial institutions while improving the quality of our risk weighted assets given the strong growth of our business. We hold a relatively small proportion of available-for-sale financial assets because we need to revalue and recognize gains or losses for such assets at the end of each accounting period, and they also affect our capital adequacy ratio. The following table sets forth, at the dates indicated, the components of our investment securities.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Financial assets at fair value through profit or loss	1,577.6	6.9%	2,714.6	7.9%	6,548.6	13.8%	21,264.0	29.5%
Available-for-sale financial assets	3,964.4	17.2	2,673.9	7.8	1,400.4	3.0	927.6	1.3
Held-to-maturity investments	15,620.7	67.9	21,128.8	61.5	24,207.3	51.0	26,549.9	36.9
Debt securities classified as receivables	1,849.9	8.0	7,829.1	22.8	15,274.1	32.2	23,219.7	32.3
Total investment securities	**23,012.6**	**100.0%**	**34,346.4**	**100.0%**	**47,430.4**	**100.0%**	**71,961.2**	**100.0%**

A majority of our investments in receivables are in the form of debt instruments issued by financial institutions (理財產品). These products are non-callable before maturity with fixed interest rate and not quoted in active markets. These debt instruments issued by financial institutions issued by other commercial banks and backed by third party loans, trusts, discounted bills and money market funds. We have a large holding of such products because of their higher risk-adjusted returns. As of June 30, 2010, the balance of debt instruments issued by financial institutions was RMB23.2 billion, an increase of 52.0% compared to RMB15.3 billion as of December 31, 2009. The balance of debt instruments issued by financial institutions increased to RMB15.3 billion as of December 31, 2009 from RMB7.8 billion as of December 31, 2008 and from RMB1.8 billion as of December 31, 2007.

The balance and proportion of financial assets at fair value through profit and loss increased significantly from RMB6.5 billion, or 13.8% of our total investment securities as of December 31, 2009 to RMB21.3 billion, or 29.5% of our total investment securities as of June 30, 2010. They also increased steadily from 2007 to 2009. The increase was due to: (1) the rapid increase in the Bank's deposits, which made more funds available to the Bank for investment purpose; (2) compared to other investment securities, such financial assets provide higher return under similar risk level; and (3) the source of funds to purchase such financial assets at fair value through profit and loss was mostly from the sale of financial assets under repurchase agreement. To ensure liquidity, the Bank acquired more financial assets at fair value through profit and loss in order to match their maturity with the maturity of the financial assets under repurchase agreement so that the Bank could have sufficient funds to repurchase those assets when they become due.

Distribution of Our Investment Securities by Debt and Equity

The majority of our investment securities are debt securities and only a small portion of our investment securities are equity securities. The following table sets forth, at the dates indicated, the distribution of our investment securities by type of investment.

	As of December 31,						As of June 30,	
	2007	% of total	2008	% of total	2009	% of total	2010	% of total
	(in millions of RMB, except percentages)							
Debt securities[1]	22,735.8	98.8%	34,184.1	99.5%	47,184.6	99.5%	71,889.5	99.9%
Equity securities	276.8	1.2	162.3	0.5	245.8	0.5	71.7	0.1
Total investment securities	**23,012.6**	**100.0%**	**34,346.4**	**100.0%**	**47,430.4**	**100.0%**	**71,961.2**	**100.0%**

(1) Include investment designated as receivables even though the components are not just debt.

Debt Securities

The following table sets forth, at the dates indicated, the components of our investment in debt securities.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Government bonds	6,478.8	28.5%	10,118.9	29.6%	11,310.3	24.0%	12,513.2	17.4%
Policy bank bonds	5,011.7	22.0	5,436.1	15.9	5,500.7	11.7	8,434.0	11.7
Corporate bonds	4,675.3	20.6	4,684.6	13.7	6,443.0	13.7	8,718.8	12.1
PBOC special bills	375.0	1.6	117.4	0.3	—	0.0	—	0.0
Financial institution bonds[1]	3,494.3	15.4	3,765.2	11.0	3,848.0	8.2	3,161.6	4.4
Debt instruments issued by financial institutions	2,700.7	11.9	10,061.9	29.5	20,082.6	42.4	39,061.9	54.4
Total debt securities	**22,735.8**	**100.0%**	**34,184.1**	**100.0%**	**47,184.6**	**100.0%**	**71,889.5**	**100.0%**

(1) Consist of bonds issued by other financial institutions

As of June 30, 2010, the portion of government bonds decreased to 17.4% from 24.0% as of December 31, 2009. It decreased from 29.6% as of December 31, 2008 to 24.0% as of December 31, 2009, and increased slightly from 28.5% as of December 31, 2007 to 29.6% as of December 31, 2008. The proportion of policy bank bonds remained stable at 11.7% as of June 30, 2010 compared to 11.7% as of December 31, 2009. It decreased from 15.9% as of December 31, 2008 to 11.7% as of December 31, 2009, and from 22.0% as of December 31, 2007 to 15.9% as of December 31, 2008. As of June 30, 2010, the portion of corporate bonds decreased to 12.1% as of June 30, 2010 from 13.7% as of December 31, 2009. It remained stable at 13.7% as of December 31, 2008 and as of December 31, 2009, and decreased from 20.6% as of December 31, 2007. The proportion of financial bonds decreased to 4.4% as of June 30, 2010 from 8.2% as of December 31, 2009. It decreased from 15.4% as of December 31, 2007 to 11.0% as of December 31, 2008, and further to 8.2% as of December 31, 2009. The proportion of debt instruments issued by financial institutions increased to 54.4% as of June 30, 2010 from 42.4% as of December 31, 2009. It increased from 29.5% as of December 31, 2008 to 42.4% as of December 31, 2009, and from 11.9% as of December 31, 2007 to 29.5% as of December 31, 2008, The change in the combination of debt securities from December 31, 2007 to June 30, 2010 reflected the larger amount of debt instruments issued by financial institutions we bought in order to increase our risk-adjusted investment return.

Equity Securities

Our equity securities consist of legacy equity holdings we acquired in earlier years, mostly due to defaulted borrowers repaying the loans with equity. Equity instruments net of allowance decreased to RMB71.7 million at June 30, 2010 from RMB245.8 million at December 31, 2009, primarily due to our effort to dispose of these equity interests. It increased from RMB162.3 million at December 31, 2008 to RMB245.8 million at December 31, 2009, which in turn decreased by 41.4% from RMB276.8 million at December 31, 2007. The fluctuation in the value of our equity instruments between 2009 and 2007 was due to the fluctuation in their market value. We intend to continue to dispose of these equity interests following the Global Offering. See “Risk Factors — Risks Relating to Our Business — We are subject to various PRC regulatory guidelines and requirements, and our past non-compliance could result in fines, sanctions and other penalties.”

Maturity Profile of Investment Portfolio

The following table sets forth, as of June 30, 2010, our investment securities (excluding equity securities) by remaining maturity.

	As of June 30, 2010						
	Undated	Due less than 1 month	Due between 1 to 3 months	Due over 3 months to 1 year	Due between 1 and 5 years	Due more than 5 years	Total
	(in millions of RMB)						
Financial assets at fair value through profit or loss	0.0	6,744.3	5,919.6	4,565.1	500.0	0.0	17,729.0
Financial assets held for trading	0.0	0.0	0.0	0.0	1,104.1	2,430.8	3,534.9
Available-for-sale securities	71.7	0.0	0.0	0.0	245.2	610.7	927.6
Held-to-maturity securities	0.0	20.0	49.9	4,776.6	5,705.0	15,998.5	26,550.0
Debt securities classified as receivables	0.0	720.4	1,784.6	7,257.4	12,592.0	865.3	23,219.7
Total	**71.7**	**7,484.7**	**7,754.1**	**16,599.1**	**20,146.3**	**19,905.3**	**71,961.2**

Carrying Value and Market Value

All investment securities classified as available-for-sale and all financial assets held for trading purposes are stated at market value. Financial assets designated as at fair value through profit or loss are stated at fair value. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the clear intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. The following table sets forth, as of the dates indicated, the carrying value and the fair value of the held-to-maturity investments and debt securities classified as receivables in our investment securities portfolio.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB)							
Financial assets at fair value through profit or loss	1,577.6	1,577.6	2,714.6	2,714.6	6,548.6	6,548.6	17,729.0	17,729.0
Financial assets held for trading	0.0	0.0	0.0	0.0	0.0	0.0	3,534.9	3,534.9
Available-for-sale financial assets	3,964.4	3,964.4	2,673.9	2,673.9	1,400.4	1,400.4	927.6	927.6
Held-to-maturity investments	15,620.7	14,411.6	21,128.8	23,372.8	24,207.3	25,144.1	26,550.0	27,903.6
Debt securities classified as receivables	1,849.9	1,828.8	7,829.1	7,852.8	15,274.1	15,364.7	23,219.7	23,182.3
Total	23,012.6	21,782.4	34,346.4	36,614.1	47,430.4	48,457.8	71,961.2	73,277.4

Investment Concentration

The following table sets forth, as of June 30, 2010, each of the investments that exceeds 5% of our shareholder's equity. Of these investments, approximately 33.4% were issued by Industrial Bank Co., Ltd., Chongqing Branch and approximately 47.3% were issued by China Minsheng Banking Corp., Ltd. Chongqing Branch in terms of market/fair value.

	As of June 30, 2010				
	Issuer	**Carrying value**	**% of total debt securities**	**% of total shareholders' equity(5)**	**Market/Fair value**
		(in millions of RMB, except percentages)			
Investment A	Industrial Bank Co., Ltd., Chongqing Branch (興業銀行重慶市分行)(1)	2,500.0	3.48%	19.71%	2,530.3
Investment B	Industrial Bank Co., Ltd., Chongqing Branch (興業銀行重慶市分行)(1)	2,000.0	2.78	15.77	2,024.2
Investment C	Bank of Chongqing (重慶銀行)(2)	1,500.0	2.09	11.83	1,522.2
Investment D	Industrial Bank Co., Ltd., Chongqing Branch (興業銀行重慶市分行)(1)	1,500.0	2.09	11.83	1,500.2
Investment E	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,015.3
Investment F	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,014.7
Investment G	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,014.6
Investment H	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,014.3
Investment I	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,010.3
Investment J	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,004.0
Investment K	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	1,000.0	1.39	7.88	1,004.2
Investment L	Bank of Chongqing (重慶銀行)(2)	998.0	1.39	7.87	1,007.2
Investment M	The Ministry of Railway (鐵道部)(4)	995.0	1.38	7.84	967.2
Investment N	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	800.0	1.11	6.31	801.5
Investment O	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行重慶市分行)(3)	700.0	0.97	5.52	701.2
	Total	**17,993.0**	**25.02%**	**141.84%**	**18,131.4**

(1) A commercial bank operating primarily in the PRC.

(2) A commercial bank operating primarily in the PRC.

(3) A commercial bank operating primarily in the PRC.

(4) A ministry of the PRC government.

(5) For calculation of total shareholders' equity, see "Financial Information — Capital Resources — Shareholders' Equity."

Other Components of Our Assets

Other components of our assets primarily consist of (i) cash and balances with central bank, (ii) deposits with banks and other financial institutions; and (iii) financial assets held under resale agreements.

Cash and balances with central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at the PBOC. The minimum level is determined as a percentage of our deposits from customers. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves. As of June 30, 2010, our cash and balances with the PBOC amounted to RMB32.8 billion, an increase of 19.8% from RMB27.4 billion as of December 31, 2009, primarily because of the increase of our customer deposits toward the end of the period. As of December 31, 2009, our cash and balances with the PBOC amounted to RMB27.4 billion, an increase of 43.9% from RMB19.1 billion as of December 31, 2008, primarily due to (i) our need to satisfy the PBOC reserve requirement as our deposits from customers grew over the period and (ii) our increased available funds from the proceeds of our issuance of subordinated bonds on December 29, 2009, a majority of which was deposited with central bank. As of December 31, 2008, our cash and balances with the PBOC amounted to RMB19.1 billion, a decrease of 0.6% from RMB19.2 billion as of December 31, 2007, primarily due to the lowering of the statutory reserve ratio in 2008. For the discussion of the change in the average balances of balance with central bank and its impact on our interest income, see "Financial Information — Results of Operations for the Year Ended December 31, 2009, 2008 and 2007 — Net Interest Income".

As of June 30, 2010, our deposits with banks and other financial institutions amounted to RMB7.7 billion, a decrease of 24.7% from RMB10.2 billion as of December 31, 2009, primarily because of the adjustment in our asset structure at the end of the period. Our deposits with banks and other financial institutions increased significantly by 89.6% to RMB10.2 billion as of December 31, 2009 from RMB5.4 billion as of December 31, 2008. The increase reflected the growth of our deposits from customers, and our increased needs to settle trading positions with other banks and additional funds from our issuance of the subordinated bonds in December 2009. Deposits with banks and other financial institutions increased by 51.6% to RMB5.4 billion as of December 31, 2008 from RMB3.5 billion as of December 31, 2007, mainly due to the greater availability of funds for deposits with banks and financial institution as we moved the funds from various branches to our headquarters for centralized management for the first time. For a discussion of the change in the average balances of amounts deposits with banks and other financial institutions and its impact on our interest income, see "Financial Information — Results of Operations for the Years Ended December 31, 2009, 2008 and 2007 — Net Interest Income."

As of June 30, 2010, financial assets held under resale agreements amounted to RMB33.5 billion, an increase of 150.5% compared to RMB13.4 billion as of December 31, 2009, primarily because we had adjusted the structure of risk assets. Financial assets held under resale agreements decreased to RMB13.4 billion as of December 31, 2009 from RMB29.9 billion as of December 31, 2008. It significantly increased to RMB29.9 billion as of December 31, 2008 from RMB2.2 billion as of December 31, 2007. Financial assets held under resale agreements primarily consists of bills and government and enterprise bonds. The decrease in financial assets held under resale agreement from 2008 to 2009 was primarily due to the fact that we adjusted our asset structure to increase our asset yield on a risk-adjusted basis. The increase in financial assets held under resale agreement from 2007 to 2008 was primarily due to the increase in surplus funds as a result of the centralized management of funds following our incorporation. For a discussion of the change in the average balances of amounts due from banks and other financial institutions and its impact on our interest income, see "Financial Information — Results of Operations for the Years Ended December 31, 2009, 2008 and 2007 — Net Interest Income."

LIABILITIES AND SOURCES OF FUNDS

The following table sets forth, at the dates indicated, the components of our total liabilities.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Deposits from customers	96,350.8	79.8%	117,282.5	73.6%	153,776.4	80.1%	185,402.1	74.5%
Deposits from banks and other financial institutions	800.1	0.7	2,176.8	1.4	4,135.6	2.2	10,938.6	4.4
Subordinated bonds	—	—	—	—	2,300.0	1.2	2,300.0	0.9
Others(1)	23,528.3	19.5	39,917.0	25.0	31.671.4	16.5	50,289.8	20.2
Total liabilities	**120,679.2**	**100.0%**	**159,376.3**	**100.0%**	**191,883.4**	**100.0%**	**248,930.5**	**100.0%**

(1) Others consist primarily of interest payable, salary payable and financial assets sold under repurchase agreements.

Our total liabilities increased by 29.7% to RMB248.9 billion as of June 30, 2010 compared to RMB191.9 billion as of December 31, 2009, which in turn increased by 20.4% from RMB159.4 billion as of December 31, 2008, and increased by 32.1% from RMB120.7 billion as of December 31, 2007. The increase in our total liabilities over the period was mainly attributable to the growth of our deposits from customers.

Deposits from customers is our primary source of funding and represented 74.5%, 80.1%, 73.6%, and 79.8% of our total liabilities as of June 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

Total deposits from our customers increased by 20.6% to RMB185.4 billion as of June 30, 2010 compared to RMB153.8 billion as of December 31, 2009 which increased by 31.1% from RMB117.3 billion as of December 31, 2008, and increased by 21.7% from RMB96.4 billion as of December 31, 2007.

Deposits from Customers

We provide demand and time deposit products to our customers. The following table sets forth, at the dates indicated, our deposits from customers by product type and maturity term of our deposit.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate deposits								
Demand deposits	17,435.2	18.1%	17,372.9	14.8%	31,097.2	20.2%	42,649.3	23.0%
Time deposits	726.4	0.8	1,091.7	0.9	2,675.3	1.7	3,663.6	2.0
Subtotal	18,161.6	18.9	18,464.6	15.7	33,772.5	21.9	46,312.9	25.0
Retail deposits								
Demand deposits	18,466.1	19.2	23,324.4	19.9	31,742.4	20.6	37,459.4	20.2
Time deposits	58,869.9	61.1	74,232.5	63.3	85,160.3	55.4	96,718.7	52.2
Subtotal	77,336.0	80.3	97,556.9	83.2	116,902.7	76.0	134,178.1	72.4
Security deposits[(1)]	817.7	0.8	1,019.1	0.9	3,033.3	2.0	4,842.0	2.6
Other deposits[(2)]	35.5	0.0	241.9	0.2	67.9	0.1	69.1	0.0
Total	**96,350.8**	**100.0%**	**117,282.5**	**100.0%**	**153,776.4**	**100.0%**	**185,402.1**	**100.0%**

(1) Consist of bank acceptance bill deposits and other guarantees.

(2) Consist of outgoing and incoming remittances.

As of June 30, 2010, our total deposits from customers amounted to RMB185.4 billion, an increase of 20.6% from RMB153.8 billion at December 31, 2009, attributable to increases in both our corporate deposits and retail deposits. At June 30, 2010, our corporate deposits and retail deposits represented 25.0% and 72.4% of our total deposits from customers, respectively. Our corporate deposits increased, as a percentage of our total deposits, to 21.9% at December 31, 2009 from 15.7% at December 31, 2008, primarily reflecting the combined effect of our increased marketing efforts with respect to corporate deposits and the increased liquidity in the market. Our retail deposits decreased, as a percentage of our total deposits, to 72.4% at June 30, 2010 from 76.0% at December 31, 2009, primarily reflecting the slower growth of retail deposits than the growth of our corporate deposits.

At December 31, 2009, our total deposits from customers amounted to RMB153.8 billion, an increase of 31.1% from RMB117.3 billion at December 31, 2008, attributable to increases in both our corporate deposits and retail deposits. At December 31, 2009, our corporate deposits and retail deposits represented 21.9% and 76.0% of our total deposits from customers, respectively. Our corporate deposits increased, as a percentage of our total deposits, to 21.9% at December 31, 2009 from 15.7% at December 31, 2008, primarily reflecting the combined effect of our increased marketing efforts with respect to corporate deposits and the increased liquidity in the market. Our retail deposits decreased, as a percentage of our total deposits, to 76.0% at December 31, 2009 from 83.2% at December 31, 2008, primarily reflecting the slower growth of retail deposits than the growth of our corporate deposits.

Our total deposits from customers increased by 21.7% to RMB117.3 billion at December 31, 2008 from RMB96.4 billion at December 31, 2007, primarily due to an increase in our retail deposits. Our retail deposits increased both in absolute amounts and as a percentage of our total deposits to RMB97.6 billion and 83.2% at December 31, 2008 from RMB77.3 billion and 80.3% at December 31, 2007, respectively, primarily due to an increase in time deposits from our retail customers. This increase primarily reflected our retail customers' choice for lower risk investments during the downturn of China's securities markets and the decline of China's real estate market accompanying the global financial crisis in 2008.

As of June 30, 2010, our time deposits and demand deposits represented 54.2% and 43.2% of our total deposits from customers, respectively. At December 31, 2009, our time deposits and demand deposits represented 57.1% and 40.8% of our total deposits from customers, respectively. Demand deposit increased, as a percentage of our total deposits, to 43.2% of our total deposits from customers as of June 30, 2010 from 40.8% at December 31, 2009. It increased, as a percentage of our total deposits, to 40.8% at December 31, 2009 from 34.7% at December 31, 2008. These increases were primarily due to our effort to improve the overall deposit structure to increase in the mix of corporate deposits which had a higher proportion of demand deposits. At December 31, 2008, our time deposits and demand deposits represented 64.2% and 34.7% of our total deposits, respectively. Demand deposits decreased, as a percentage of our total deposits, to 34.7% at December 31, 2008 from 37.3% at December 31, 2007, primarily reflecting the shift to higher yielding time deposits by our retail customers to increase yield following the PBOC deposit rate cuts and the shift of investment from the stock market to lower risk time deposits as a result of the volatility of China's stock markets.

Distribution of Deposits by Geographical Region

The following table sets forth, as of the dates indicated, the distribution of our corporate and retail deposits from customers in the County and Urban Areas.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010(1)	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
County Areas								
Deposits from customers	71,368.2	74.1%	87,092.5	74.3%	107,166.7	69.7%	124,194.5	67.0%
Urban Areas								
Deposits from customers	24,982.6	25.9	30,190.0	25.7	46,609.7	30.3	61,207.6	33.0%
Total	**96,350.8**	**100.0%**	**117,282.5**	**100.0%**	**153,776.4**	**100.0%**	**185,402.1**	**100.0%**

(1) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

Distribution of Deposits by Remaining Maturity

The following table sets forth, as of June 30, 2010, the distribution of our corporate and retail deposits from customers by remaining maturity.

	As of June 30, 2010												
	Repayable on demand		Due less than 1 month		Due over 1 month up to 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due more than 5 years		
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Total
	(in millions of RMB, except percentages)												
Corporate deposits[(1)]	43,152.8	23.3%	1,008.5	0.5%	1,853.2	1.0%	4,441.7	2.4%	693.2	0.4%	74.6	0.0%	51,224.0
Retail deposits	42,845.4	23.1	4,982.0	2.7	12,338.9	6.7	61,811.7	33.3	12,200.1	6.6	0.0	0.0	134,178.1
Total deposits from customers	**85,998.2**	**46.4%**	**5,990.5**	**3.2%**	**14,192.1**	**7.7%**	**66,253.4**	**35.7%**	**12,893.3**	**7.0%**	**74.6**	**0.0%**	**185,402.1**

(1) Including margin deposits and other deposits

Distribution of Deposits by Currency

Historically, most of our deposits were denominated in RMB. We started our foreign currency business in late 2009 and have had foreign currency deposits equivalent to USD1.8 million as of June 30, 2010. We expect the amount of foreign currency deposits to increase in the future as we further develop our foreign currency businesses.

Other Components of Our Liabilities

Other components of our liabilities primarily consist of deposits from banks and other financial institutions and subordinate debt payable.

As of June 30, 2010, deposits from banks and other financial institutions was RMB10.9 billion, a significant increase of 164.5% compared to RMB4.1 billion as of December 31, 2009. Deposits from banks and other financial institutions significantly increased by 90.0% to RMB4.1 billion as of December 31, 2009 from RMB2.2 billion as of December 31, 2008. It also significantly increased by 172.1% to RMB2.2 billion as of December 31, 2008 from RMB800.1 million as of December 31, 2007. The significant increase in deposits from banks and other financial institutions from 2007 to the first half of 2010 reflected our effort to attract more low interest rate funds from other financial institutions and use these funds to purchase more investments with higher returns in order to increase the net return.

As of June 30, 2010, financial assets sold under repurchase agreement was RMB44.2 billion, a significant increase of 66.9% compared to RMB26.5 billion as of December 31, 2009. Financial assets sold under repurchase agreement decreased by 23.8% from RMB34.8 billion as of December 31, 2008. It increased by 76.6% from RMB19.7 billion as of December 31, 2007. The overall increase from 2007 to the first half of 2010 also reflected our effort to increase low interest rate funds and use these funds to purchase more investments with higher returns in order to increase the net return. The decrease seen on December 31, 2009 was due to our inability to significantly expand our high yielding investments due to constraints in our capital adequacy.

Subordinate debt payable is primarily related to the RMB2.3 billion subordinated debt securities issued by us on December 29, 2009. For a description of our issued debt securities, see "Our History, Restructuring and Operational Reform — Financial Restructuring — Issuance of Subordinated Bonds."

The following discussion and analysis should be read in conjunction with our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and as of and for the six months ended June 30, 2010, together with the accompanying notes included in Appendix IA and Appendix IB to this prospectus. Our consolidated financial statements have been audited and prepared in accordance with IFRS. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and are based on our financial statements prepared in accordance with PRC GAAP. The capital adequacy ratios are not part of the Accountant's Report and have not been audited.

OVERVIEW

We are the largest bank in Chongqing in terms of total assets and total deposits according to the CBRC Chongqing Bureau, with RMB261.6 billion in total assets and RMB185.4 billion in total deposits as of June 30, 2010. We have the most extensive distribution network covering a broad and diversified customer base in Chongqing. As of June 30, 2010, we had a total of 1,763 outlets comprising one headquarters, one main branch under the headquarters, 42 branches and 1,719 branch outlets and deposit-taking outlets, and 672 ATMs.

We are also the market leader in Chongqing in various banking service segments. According to PBOC Chongqing Operations Office, we had the largest market share in each of County Area deposits, County Area loans and SME loans as of June 30, 2010, accounting for 27.6%, 25.5% and 16.6% market share in Chongqing respectively. As a leading bank in Chongqing, we have benefited from Chongqing's strong economic growth and favorable economic development policies. From December 31, 2007 to June 30, 2010, our total loans and total deposits grew rapidly at a CAGR of 18.1% and 29.9%.

FINANCIAL IMPACT OF OUR FINANCIAL RESTRUCTURING

We undertook a series of financial restructuring initiatives including four non-performing assets write-offs and disposals during the period from 2004 to 2009, which had and is expected to continue to have a significant impact on our results of operations and financial condition. As a result of the Financial Restructuring, we wrote-off non-performing loans of RMB2,291 million in 2004, wrote-off and disposed of non-performing assets of RMB4.5 billion (of which RMB4.2 billion was non-performing loans) in 2007 and wrote-off non-performing assets of RMB472.5 million (of which RMB188.4 million was non-performing loans) in 2009. In addition, we were entrusted to manage and collect the non-performing assets that were written off. During the three years ended December 31, 2009, we had collected RMB123.5 million, RMB483.1 million and RMB661.4 million, respectively, from these assets. We had applied certain of these amounts to our allowance for impairment losses in the respective year. For a description of our Financial Restructuring, see "Our History, Restructuring and Operational Reform — Financial Restructuring" and "Assets and Liabilities — Impact of Financial Restructuring on Our Assets".

On June 27, 2008, we were incorporated into a joint stock limited company. In connection with the incorporation, our newly established joint stock limited company acquired all assets and liabilities of the CRCU, our predecessor bank and the 39 credit cooperative unions that formed part of the CRCU. The consideration paid was 1,639,930,000 shares newly issued by us with par value of RMB1.00 per share. The acquisition was accounted for using the purchase accounting method. As a result, the amount of goodwill generated from the acquisition was RMB440 million. In addition, we conducted an appraisal of the value of our net assets at June 27, 2008. The table below shows the impact of such appraisal.

	Acquiree's carrying amount before combination	Fair value Adjustments	Fair value
		(in millions of RMB)	
Cash and deposits with central banks	22,079.5	—	22,079.5
Deposits with banks and other financial institutions	5,624.9	—	5,624.9
Financial assets designated as at fair value through profit or loss	830.8	—	830.8
Financial instruments held under resale agreements	12,144.0	—	12,144.0
Loans and advances to customers	64,984.3	—	64,984.3
Available-for-sale financial assets	2,078.1	—	2,078.1
Held-to-maturity investments	20,561.3	(1,243.0)	19,318.3
Debt securities classified as receivables	6,972.4	(16.0)	6,956.4
Property and equipment	1,824.6	282.3	2,106.9
Deferred tax assets	—	1,747.1	1,747.1
Other assets	1,785.8	575.5	2,361.3
Deposits from banks and other financial institutions	(70.5)	—	(70.5)
Financial assets sold under repurchase agreements	(22,217.0)	—	(22,217.0)
Due to customers	(106,942.3)	—	(106,942.3)
Accrued staff costs	(1,368.7)	—	(1,368.7)
Other liabilities	(7,355.3)	—	(7,355.3)
Total	**931.9**	**1,345.9**	**2,277.8**

On December 29, 2009, we issued 10-year subordinated bonds with an aggregate principal amount of RMB2.3 billion. Proceeds from the issuance of the subordinated bonds are considered supplementary capital to strengthen our capital adequacy. As we received the proceeds at the end of 2009, we deposited most of the funds with central banks for further lending or investment. This is one of the reasons that our ending balances with central banks increased by 45.2% to RMB25.4 billion as of December 31, 2009 from RMB17.5 billion as of December 31, 2008.

BASIS OF PRESENTATION

In June 2008, we were incorporated into a newly formed joint stock limited company as part of our Restructuring to take over the business carried out by the 39 Rural Credit Unions and the CRCU which formed the business of our Bank (the "Business"). Due to the requirements under the IFRS, we are not able to take advantage of the common control combination accounting method under the IFRS, which would otherwise allow us to adopt merger accounting, to account for the Restructuring because there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and our Bank before and after the Restructuring. Therefore, the results of the Business carried out by the 39 Rural Credit Unions and CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 cannot be included in the financial statements of our Bank as a continuation of the Business. Instead, the Restructuring is accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCU by our Bank. For further information regarding our current and historical corporate structure and the Restructuring, please refer to the section headed "Our History, Restructuring and Operational Reform".

Due to the above reasons, our reporting accountants, Deloitte Touche Tohmatsu, have prepared two sets of accountants' reports included in this prospectus as Appendix IA and Appendix IB:

- the accountants' report on the financial information of the banking business carried out by the 39 credit cooperative unions under the management of CRCU for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008 (the "**Predecessor Period**"), which includes the combined income statements, combined statements of comprehensive income and combined statements of cash flow for the Predecessor Period and the combined statements of financial position and combined statements of changes in equity as at December 31, 2007 and June 26, 2008 (the "**CRCU Financial Information**"), is included as Appendix IA of this prospectus; and

- the accountants' report on the financial information of our Bank for the period from June 27, 2008 to December 31, 2008, the year ended December 31, 2009, and the six months ended June 30, 2010 (the "**Post-Predecessor Period**"), which includes the income statements, statements of comprehensive income and statements of cash flow for the Post-Predecessor Period and the statements of financial position and statements of changes in equity as at December 31, 2008 and 2009 and as at June 30, 2010 (the "**Financial Information**"), is included as Appendix IB of this prospectus.

The CRCU Financial Information has been presented as if the 39 credit cooperative unions had been combined as a single reporting entity for carrying out the banking business during the Predecessor Period. Both the CRCU Financial Information and the Financial Information were prepared using accounting policies conforming to the IFRS.

In order to help you have a better understanding of our financial condition and results of operations during the Track Record Period, we have added up the corresponding income statement line items for the period from January 1, 2008 to June 26, 2008 in the CRCU Financial Information and for the period from June 27, 2008 to December 31, 2008 in the Financial Information for the purposes of presenting the income statement figures for 2008 in this section, the Financial Information section and other sections of the prospectus, except for Appendix IA and Appendix IB.

Due to the presentation adjustments mentioned above, some of the amounts and numbers presented in this prospectus were derived from calculations using the amounts and numbers in the CRCU Financial Information and the Financial Information and not directly from the CRCU Financial Information and the Financial Information themselves.

In addition, because the Restructuring was accounted as an acquisition, the amounts of loans and advances to customers reported at the end of the reporting period after the Restructuring presented in Appendix IB were stated at their fair value, which represented the net amounts of the loans after allowance; while the loans and advances to customers prior to the Restructuring presented in Appendix IA were stated at their gross amounts (i.e., the contractual amounts) after allowance. However, in order to give you a more meaningful comparison on our financial positions during the Track Record Period, the disclosure in relation to loans and advances to customers after the Restructuring in this "Financial Information" section has been prepared based on the contractual amount of these loans, which are not the same as the fair value stated of these loans presented in Appendix IB.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The Economic Condition of China, the agriculture-related Industries and Chongqing

Our results of operations and financial condition are significantly affected by China's economic conditions and the economic measures undertaken by the PRC government, especially those relating to the county area development and the development of agriculture-related industries in China, and also those relating to the economic development of Chongqing. China has experienced rapid economic growth over the past three decades, largely as a result of the PRC government's extensive economic reforms, which have been focused on transforming China's centrally planned economy to a more market-based economy. The real growth of China's overall economy, ranging from 8.0% to 13.0% annually between 2002 and 2009, according to the National Bureau of Statistics of China, has led to increased corporate activities as well as significant increases in personal wealth. These increases in corporate activities and personal wealth have led to rapid growth in the corporate and retail banking businesses of Chinese commercial banks, including lending in the Sannong related industries in China, SME banking and residential mortgages. According to the forecast by the World Bank, China's real GDP is expected to grow at a rate of 9.5% in 2010.

In 2008, the global economic downturn negatively affected China's growth, and the PRC government took several steps to support economic growth. During the last quarter of 2008, the PBOC loosened monetary policies, which increased liquidity and lowered the statutory deposit reserve ratio, thereby increasing lending. The PRC government also implemented a RMB4 trillion fiscal stimulus package that is centered on infrastructure projects. Large liquidity injections in the last quarter of 2008 and in 2009 led to a marked surge in bank lending in 2009. Spurred by the PRC government's encouragement of domestic banks to aid economic recovery, new RMB loans made in China in 2009 soared to RMB9.63 trillion, which represents presents an increase of 31.7% compared to the total loans made in 2008 according to the PBOC. To prevent overheating of the economy, the PRC government has taken a series of measures with an aim to reign in lending activities, such as increasing statutory deposit reserve ratios in January, February and May 2010.

The county areas in China are experiencing urbanization and industrialization. County area development has been a topic of focus in the No. 1 Central Government Document issued by the Central Committee of the Communist Party of China and the State Council in 2010. The No. 1 Central Government Document identifies urbanization and industrialization of county areas in China as the key drivers to the development in these areas. The dual drivers have led to an accumulation of personal wealth and increase in banking penetration in the county areas in China. In addition, the increasing government subsidies to the rural population has further facilitated this transformation. According to the National Bureau of Statistics of China among the four provincial-level municipalities (Beijing, Shanghai, Tianjin and Chongqing), Chongqing has the lowest urbanization level based on the urban and county area population with a split of 51.6% and 48.4% between Urban Area and County Area population in 2009 while urban population accounted for 85.0%, 88.6% and 78.0% of the total population in Beijing, Shanghai and Tianjin, respectively. In 2009, the GDP per capita in Chongqing was RMB18,025, compared to RMB63,029, RMB73,104 and RMB55,473 in Beijing, Shanghai and Tianjin, respectively.

Chongqing is one of the testing grounds for the National Urban-Rural Comprehensive Reform Plan, which aims to accelerate the urbanization and industrialization process and reduce the gap between the Urban and County Areas. Chongqing was approved by the State Council for the establishment of Liangjiang Special Economic Zone in June 2010 and a Special Tax Port Area in 2008. Through its Urban and County development strategies, the Chongqing municipal government plans to increase the urbanization level from 50% in 2008 to 55% in 2012 and 70% in 2020 and decrease the gap between the Urban and County Area disposable income from 3.8:1 in 2009 to 3:1 in 2012. Eventually the gap will be narrowed to 2:1 in 2020, which is close to the current ratio in Shanghai, Beijing and Tianjin. We believe the urbanization and industrialization process of the County Areas, coupled with the favourable policies, will be the key driver of the economic growth in Chongqing, which in turn will spur increased business activities and personal wealth accumulation, resulting in higher demand for banking services and products in Chongqing.

Interest Rate Environment

Our results of operations depend on our net interest income, which has historically been the largest component of our total operating income, representing 95.6%, 96.4%, 97.9% and 75.5% of our total operating income for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007, respectively. Net interest income in turn is determined by interest rates and interest-earning asset balance. Interest rates applicable to us are sensitive to many factors over which we have no control, including the regulatory framework of the banking and financial sectors in the PRC, domestic and international economic and political conditions and competition. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Under current PBOC regulations, commercial banks in China cannot set interest rates (1) below 90% of the relevant PBOC benchmark lending rate for RMB-denominated loans or (2) above the relevant PBOC benchmark deposit rate for RMB-denominated deposits. In October 2008, the CBRC announced a policy under which commercial banks are not allowed to price RMB denominated residential mortgage loans below 70% of the applicable benchmark lending rates or set the minimum down payments for qualified home buyers below 20% of the purchase price. On April 17, 2010, the State Council published a notice which stipulated a set of stringent credit policies on mortgage loans based on the type of houses and different lending rates based on different circumstances. For example, the lending rate for a buyer trying to buy a second home shall not be lower than 110% of the benchmark lending rate. Out of business considerations, we adjusted our minimum mortgage rate for first time home buyers to 35% of the PBOC benchmark lending rate on November 2, 2010. Adjustments to benchmark rates have significantly affected the average rates for loans and deposits, which in turn have impacted our net interest income.

The PBOC adjusted the benchmark interest rates to regulate the economy. In order to further prevent overheating of the economy, the PBOC increased rates by six instances in 2007, increasing the one-year benchmark RMB lending rate by a total of 135 basis points and the deposit rate by a total of 162 basis points over the course of the year. At the end of 2007, the one-year benchmark lending and deposit rates were 7.47% and 4.14%, respectively. Since then, the PBOC maintained steady interest rates until September 2008, when it took action to reduce interest rates in the wake of the global financial crisis. During the last four months of 2008, the PBOC cut rates in five instances thereby reducing the one-year benchmark RMB lending rate by a total of 216 basis points and the one-year deposit rate by a total of 189 basis points. By the end of 2008, the one-year RMB benchmark lending and deposit rates were 5.31% and 2.25%, respectively. All benchmark lending and deposit rates have remained unchanged from 2009 to October 19, 2010. On October 19, 2010, the PBOC raised the one-year RMB benchmark lending and deposit rates by 25 basis points each, effective on October 20, 2010. Any future adjustment of benchmark rates by the PBOC in its effort to regulate the overall economy may affect our financial condition and results of operations.

Regulatory Environment

Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC banking industry, including the extent to which we can engage in certain businesses, activities or charge fees. We are mainly regulated by the PBOC and CBRC. However, we are also subject to the supervision and regulation by other regulatory authorities such as the SAFE, the CSRC and the CIRC. The PBOC is responsible for formulating and implementing monetary policies and the CBRC is responsible for supervising and regulating banking institutions. The CBRC provides guidelines for the banking industry's impairment coverage ratio, which affect the amount of provisions we make on financial assets. The PBOC sets statutory deposit reserve ratios, extends loans to commercial banks, accepts discounted bills and conducts open market transactions, all of which affect liquidity and market interest rates. It raised the statutory deposit reserve ratio by ten instances in 2007 and by six instances in 2008 prior to the global financial crisis and cut the statutory deposit reserve ratio by three instances in 2008 since the global financial crisis, thereby affecting lending. The PBOC kept the statutory deposit reserve ratio unchanged since the end of 2008 until recently when it raised the statutory deposit reserve ratio in January, February, May, October and November 2010 by six instances to rein in lending and prevent overheating of the economy. Furthermore, in the first half of 2010, when implementing fiscal policies, the PRC government focused on structural adjustments, while the monetary policy tended to be fine-tuned and tightened generally. Such changes in the regulatory environment generally affected the financial condition and results of operations of many banks and financial institutions, including us.

The CBRC promulgates regulations and guidelines aimed at improving the operations and risk management of the PRC commercial banks. The CBRC has promulgated guidelines to enhance risk management, supervision over capital adequacy and internal control in addition to requiring more disclosure, improved corporate governance and more prudent securitization of assets. For example, the CBRC may implement further changes to capital adequacy guidelines affecting the amount banks are able to lend. In addition, our results of operations are subject to changes in tax laws and regulations as such changes affect our deferred tax assets and liabilities and our income tax expense. In addition, the CBRC and the CSRC also require special licenses for certain banking services. For example, we are in the process of applying for licenses for fund distribution, third party custody business and the underwriting of treasury bonds. The CBRC and the CSRC may impose license requirements in the future on existing or new financial services, which may affect our business and results of operations.

The Competitive Landscape in Chongqing's Banking Industry and in the County Areas

The banking industry in Chongqing is becoming increasingly competitive. As a regional bank, we compete principally with the branches of the Large Commercial Banks and Postal Savings Bank of China in Chongqing and Bank of Chongqing. We also face competition from foreign invested financial institutions in Chongqing. In recent years, a large number of PRC commercial banks have either completed restructuring or achieved public listing, allowing them to provide more innovative products and higher-quality services and to be more adaptive to changing market conditions. These and the accompanying changes in China's domestic banking sector have intensified competition in Chongqing's banking industry. In addition, there is increasing competition from non-banking financial institutions in Chongqing for fee- and commission-based business, such as insurance companies, as they continue to provide other value-added services and products to their clients, such as wealth management services.

The PRC government has devised a number of preferential policies on rural finance. See the section headed "County Area Banking Business — Financial Market in the County Areas — Policy support for Rural Finance" for further details. Competition is likely to increase in this sector particularly since the Postal Savings Bank of China in 2007 has emerged as a strong player in rural banking and Agricultural Bank of China was converted into a joint stock limited liability company in early 2009 and completed public listing in July 2010, which allows it to operate on a more competitive basis. We also compete with foreign financial institutions which have started to focus on county area banking and have opened county area banking branches, since a number of international banks have opened their county area branches in county areas in China in order to develop its county area banking business in the PRC. See "Industry Overview" and "Business — Competition."

Tax and Preferential Tax Treatment

Prior to the incorporation of our Bank into a joint stock limited company on June 26, 2008, we were exempted from the PRC enterprise income tax under the relevant regulations due to our status as a rural cooperative. In addition, our status as a rural cooperative allowed us to enjoy a lower business tax rate of 3% instead of the 5% generally applicable to all enterprises in China. After our incorporation on June 27, 2008, we became a commercial bank and were no longer entitled to the preferential tax treatments we previously enjoyed. As a result, we are subject to the uniform national income tax rate of 25% under the PRC Enterprise Income Tax Law and the normal 5% business tax rate since June 27, 2008. As a result, our income tax expense for the six months ended June 30, 2010 and the three years ended December 31, 2009, 2008 and 2007 was RMB536.7 million, RMB596.2 million, RMB534.1 million and nil, respectively. Accordingly, our results of operations and financial performance during the six months ended June 30, 2010 and the three years ended December 31, 2009 may not be comparable and may not be indicative of our future financial performance.

We also enjoy other favorable government policies which may affect our results of operation. For example, under a joint policy issued by MOF and SAT, we are allowed to deduct from taxable income the allowance for impairment losses for loans made to qualified farming households and small enterprises for the two years ended December 31, 2010. On May 13, 2010, the MOF and SAT issued the Notice about Tax Policies Relating to Rural Finance (關於農村金融有關稅收政策的通知), which sets out a number of favourable tax treatments for agriculture related loans and for rural commercial banks. Under this notice, interest income from small amount loans to farmers is exempted from business tax, and only 90% of the interest income from such loans will be counted towards taxable income for income tax purposes during the period from January 1, 2009 to December 31, 2013.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 AND THE SIX MONTHS ENDED JUNE 30, 2010

The following table sets forth, for the periods indicated, our condensed results of operations.

	For the year ended December 31,	For the period from January 1, 2008 to June 26,	For the period from June 27, 2008 (date of incorporation) to December 31,	For the year ended December 31,		For the six months ended June 30,	
	2007	2008	2008	2008[1]	2009	2009	2010
						(unaudited)	
	(in millions of RMB)						
Interest income	6,420.5	3,830.8	4,953.3	8,784.1	8,703.0	4,006.6	5,238.3
Interest expense	(2,106.3)	(1,557.8)	(2,043.0)	(3,600.8)	(3,228.5)	(1,659.6)	(1,798.4)
Net interest income	**4,314.2**	**2,273.0**	**2,910.3**	**5,183.3**	**5,474.5**	**2,347.0**	**3,439.9**
Fee and commission income	66.1	31.7	56.6	88.3	148.8	60.5	129.2

	For the year ended December 31,	For the period from January 1, 2008 to June 26,	For the period from June 27, 2008 (date of incorporation) to December 31,	For the year ended December 31,		For the six months ended June 30,	
	2007	2008	2008	2008(1)	2009	2009	2010
						(unaudited)	
			(in millions of RMB)				
Fee and commission expense	(12.7)	(6.4)	(7.6)	(14.0)	(12.1)	(6.7)	(6.1)
Net fee and commission income	**53.4**	**25.3**	**49.0**	**74.3**	**136.7**	**53.8**	**123.1**
Net trading gain/loss	(2.8)	—	—	—	8.3	2.1	12.7
Other operating income, net(2)	1,347.7	11.4	25.3	36.7	57.3	12.0	21.6
Operating income	**5,712.5**	**2,309.7**	**2,984.6**	**5,294.3**	**5,676.8**	**2,414.9**	**3,597.3**
Operating expenses	(1,845.8)	(829.2)	(1,643.4)	(2,472.6)	(3,190.7)	(1,203.5)	(1,650.3)
Impairment losses on assets	(883.4)	(161.6)	(130.4)	(292.0)	(123.0)	(111.7)	142.1
Net gain/loss on sales of available-for-sale financial assets	18.9	(1.1)	0.7	(0.4)	121.4	100.8	108.0
Profit before tax	**3,002.2**	**1,317.8**	**1,211.5**	**2,529.3**	**2,484.5**	**1,200.5**	**2,197.1**
Income tax expense	—	—	(534.1)	(534.1)	(596.2)	(280.0)	(536.7)
Profit for the period/year	**3,002.2**	**1,317.8**	**677.4**	**1,995.2**	**1,888.3**	**920.5**	**1,660.4**
Earnings per Share (expressed in RMB per Share)							
— basic	N/A	N/A	0.11	N/A	0.31	0.15	0.26
— diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividends	—	110.8	—	110.8	232.1	0.0	360.0

(1) In order to help you have a better understanding of our financial condition and results of operations during the Track Record Period, we have added up the corresponding income statement line items for the period from January 1, 2008 to June 26, 2008 included in Appendix IA to this prospectus and for the period from June 27, 2008 to December 31, 2008 included in Appendix IB to this prospectus.

(2) Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

Our net profit increased by 80.4% to RMB1,660.4 million for the six months ended June 30, 2010 compared to RMB920.5 million for the six months ended June 30, 2009, primarily due to an increase in net interest income, net fee and commission income, and investment income. Our total operating income and profit before income tax increased by 49.0% and 83.0%, respectively, for the six months ended June 30, 2010 as compared to the same period in 2009.

Our net profit decreased by 5.4% to RMB1,888 million in 2009 from RMB1,995 million in 2008, primarily due to (i) an increase in operating expenses largely related to increase in staff costs and (ii) an increase in income tax expenses due to the favorable tax treatments which ceased to be available to us after our incorporation as a joint stock company in June 2008, partially offset by an increase in net interest income and an increase in net fee and commission income.

Our net profit decreased by 33.5% to RMB1,995 million in 2008 compared to RMB 3,002 million in 2007, primarily due to lower other operating income, higher operating expenses and higher income tax expenses partially offset by (i) an increase in our net interest income, (ii) an increase in our net fee and commission income and (iii) a decrease in loan provisioning expenses.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Net Interest Income

Net interest income has historically been the largest component of our total operating income, representing 95.6% and 97.2% of our total operating income for the six months ended June 30, 2010 and 2009, respectively.

The following table sets forth, for the periods indicated, our interest income, interest expense and net interest income.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(In millions of RMB)	
Interest income	4,006.6	5,238.3
Interest expense	(1,659.6)	(1,798.4)
Net interest income	**2,347.0**	**3,439.9**

Our net interest income increased by 46.6% to RMB3,439.9 million for the six months ended June 30, 2010 compared to RMB2,347.0 million for the six months ended June 30, 2009.

The table below sets forth, for the periods indicated the average balances of our assets and liabilities and the related interest income or expense and average yields (for assets) and costs (for liabilities).

	For the six months ended June 30,					
	2009			2010		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(unaudited) (in millions of RMB, except percentage)					
Assets						
Loans and advances to customers	93,229.3	2,791.8	5.99%	108,525.3	3,363.9	6.20%
Debt Securities Investments [1]	37,743.5	847.1	4.49	65,873.2	1,356.9	4.12
Balances with central banks [2]	18,910.7	142.2	1.50	28,376.3	204.2	1.44
Amounts due from banks and other financial institutions [3]	15,524.1	225.5	2.91	23,426.1	313.3	2.67
Total interest-earning assets	165,407.6	4,006.6	4.84%	226,200.9	5,238.3	4.63%

	For the six months ended June 30,					
	2009			2010		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(unaudited) (in millions of RMB, except percentage)					
Liabilities						
Deposits from customers	127,640.5	1,330.4	2.08%	169,953.6	1,254.1	1.48%
Amounts due to banks and other financial institutions [4]	16,702.7	329.2	3.94	38,806.7	481.1	2.48
Subordinated Bonds				2,300.0	63.2	5.50
Total interest-bearing liabilities	144,343.2	1,659.6	2.30%	211,060.3	1,798.4	1.70%
Total liabilities						
Net interest income		2,347.0			3,439.9	
Net interest spread [5]			2.54%			2.93%
Net interest margin [6]			2.84%			3.04%

(1) Consists primarily of financial assets designated as at fair value through profit or loss, available-for-sale financial assets, held-to-maturity debt instruments, debt securities classified as receivables and financial assets held for trading.

(2) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(3) Consists primarily of deposits with bank and other financial institutions and financial assets held under resale agreements.

(4) Consists of (i) deposits from banks and other financial institutions and (ii) financial assets sold under repurchase agreements, such as government bills and enterprise bonds.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net annualized interest income by the average balance of total interest-earning assets.

The following table sets forth, for the periods indicated, the allocation of changes in our interest income and interest expense due to changes in volume and rate. Changes in volume are measured by changes in the average balances, and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to changes in rate.

	For the six months ended June 30,		
	2010 vs. 2009		
	Increase/(decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]	
	(in millions of RMB)		
Assets			
Loans and advances to customers	458	114	572
Debt securities investments[4]	632	(122)	510
Balances with central banks	71	(9)	62
Amounts due from banks and other financial institutions	115	(27)	88
Changes in interest income	**1,473**	**(241)**	**1,232**
Liabilities			
Deposits from customers	441	(517)	(76)
Amounts due to banks and other financial institutions	436	(284)	152
Subordinated Bonds	0	63	63
Changes in interest expense	**767**	**(628)**	**139**

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the previous period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

(4) Consists of government bonds, policy bank bonds, corporate bonds, PBOC Special bills, financial institution bonds and debt instruments issued by financial institutions.

Interest Income

Our interest income increased by 30.7% to RMB5,238.3 million for the six months ended June 30, 2010 compared to RMB4,006.6 million for the six months ended June 30, 2009, due to an increase in the average balance partially offset by a decrease in the average yield. The average yield on interest-earning assets was 4.63% and 4.84% for the six months ended June 30, 2010 and 2009, respectively. The average balance on interest-earning assets was RMB226,200.9 million and RMB165,407.6 million for the six months ended June 30, 2010 and 2009, respectively.

Interest Income from Loans to Customers

Interest income from loans to customers has historically been the largest component of our interest income, representing 64.2% and 69.7% of our total interest income for the six months ended June 30, 2010 and 2009, respectively.

The following table sets forth, for the period indicated, the average balance, interest income and average yield for each component of our loans to customers.

	For the six months ended June 30					
	2009			2010		
	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(unaudited)					
	(in million of RMB, except for percentage)					
Corporate loans	41,284.2	1,608.6	7.79%	67,495.1	2,016.0	5.97%
Retail loans	23,850.4	1,028.9	8.63	30,223.1	1,117.2	7.39
Discounted bills	28,094.7	154.3	1.10	10,807.1	230.7	4.27
Total loans to customers	93,229.3	2,791.8	5.99%	108,525.3	3,363.9	6.20%

(1) Calculated as the average daily balances of the Bank and the average monthly balances of our subsidiary.

(2) Calculated on an annualized basis.

Interest income from loans to customers increased by approximately 20.5% to RMB3,363.9 million for the six months ended June 30, 2010 compared to RMB2,791.8 million over the same period in 2009, primarily due to an increase in the average balance coupled with an increase in the average yield of interest-earning assets. The average yield increased to 6.20% in the six months ended June 30, 2010 compared to 5.99% over the same period in 2009. The average balance increased to RMB108,525.3 million in the six months ended June 30, 2010 compared to RMB93,229.3 million over the same period in 2009.

The largest component of our interest income from loans to customers has been interest income from corporate loans, representing 59.9% and 57.6% of our total interest income from loans to customers for the six months ended June 30, 2010 and 2009, respectively.

Interest income from corporate loans increased by 25.3% to RMB2,016.0 million for the six months ended June 30, 2010 compared to RMB1,608.6 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in the average yield. The average balance increased by 63.5% to RMB67,495.1 million in the six months ended June 30, 2010 from RMB41,284.2 million over the same period in 2009 mainly due to our expansion of corporate banking business. The average yield decreased to 5.97% for the six months ended June 30, 2010 from 7.79% over the same period in 2009 primarily due to the lagging effect of the PBOC downward interest rate adjustment in 2008. The lagging effect was due to our repricing of medium- and long-term loans other than residential mortgage and personal commercial property loans on the anniversary dates of their disbursement dates. As a result, many loans that have not been repriced in the first half of 2009 carried higher interest rates than those in the first half of 2010, making the average yield in the first half of 2010 lower compared to the first half of 2009.

Interest income from retail loans increased by 8.6% to RMB1,117.2 million for the six months ended June 30, 2010 compared to RMB1,028.9 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in the average yield. The average yield decreased to 7.39% in the six months ended June 30, 2010 from 8.63% over the same period in 2009, primarily due to the lagging effect of the PBOC downward interest rate adjustment in 2008. The average balance of retail loans increased by 26.7% to RMB30,223.1 million in the six months ended June 30, 2010 compared to RMB23,850.4 million over the same period in 2009, primarily due to our expansion of retail loan business.

Interest income from discounted bills increased by 49.5% to RMB230.7 million for the six months ended June 30, 2010 compared to RMB154.3 million over the same period in 2009, primarily due to an increase in the average yield, partially offset by a decrease in the average balance. The average yield of discounted bills increased to 4.27% for the six months ended June 30, 2010 compared to 1.10% over the same period in 2009, primarily reflecting the increase in the price of funds in the first half of 2010 due to the tightened liquidity in the market. The average balance decreased by 61.5% to RMB10,807.1 million for the six months ended June 30, 2010 as compared to RMB28,094.7 million over the same period in 2009, primarily due to our adjustment of loan structure to increase return.

Interest Income from Debt Securities Investments

Interest income from debt securities investments has been the second largest component of our interest income, representing 25.9% and 21.1% of our total interest income for the six months ended June 30, 2010 and 2009, respectively.

Interest income from debt securities investments increased by 60.2% to RMB1,356.9 million for the six months ended June 30, 2010 compared to RMB847.1 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in the average yield. The average yield decreased to 4.12% for the six months ended June 30, 2010 from 4.49% over the same period in 2009, primarily reflecting certain high yield investment products that we bought in 2007 and 2008 becoming due in the first half of 2010. The average balance increased by 74.5% to RMB65,873.2 million for the six months ended June 30, 2010 compared to RMB37,743.5 million over the same period in 2009, primarily due to the increased balance of funds available for investment.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by 43.6% to RMB204.2 million for the six months ended June 30, 2010 compared to RMB142.2 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in average yield. The average yield decreased to 1.44% for the six months ended June 30, 2010 from 1.50% over the same period in 2009, primarily because of the increase in customer deposits and our promotion of clearance and settlement services. The average balance increased by 50.1% to RMB28,376.3 million for the six months ended June 30, 2010 compared to RMB18,910.7 million over the same period in 2009, primarily due to the increase in customer deposits and the increase in the statutory deposit reserve ratio.

Interest Income from Amounts Due from Banks and other Financial Institutions

Interest income from amounts due from banks and other institutions increased by 38.9% to RMB313.3 million for the six months ended June 30, 2010 from RMB225.5 million for the six months ended June 30, 2009 due to an increase in the average balance partially offset by decrease of the average yield. The average balance increased by 50.9% to RMB23,426.1 million for the six months ended June 30, 2010 compared to RMB15,524.1 million for the six months ended June 30, 2009 primarily due the increase in available funds and that we converted a large portion of discounted bills to financial assets held under resale agreement, which had a higher yield. The average yield decreased to 2.67% for the six months ended June 30, 2010 from 2.91% for the six months ended June 30, 2009 primarily due to the lagging effect of the decrease in the PBOC benchmark rates in 2008.

Interest Expense

Interest expense increased by 8.4% to RMB1,798.4 million for the six months ended June 30, 2010 compared to RMB1,659.6 million over the same period in 2009, primarily due to a decrease in the average cost of interest-bearing liabilities partially offset by an increase in the average balance of interest-bearing liabilities, in particular with respect to deposits from customers. The average cost of our interest-bearing liabilities was 1.70% and 2.30% for the six months ended June 30, 2010 and 2009, respectively. The average balance of our interest-bearing liabilities was RMB211,060.3 million and RMB144,343.2 million for the six months ended June 30, 2010 and 2009, respectively.

Interest Expense on Deposits from Customers

Deposits from customers have been our primary source of funding. Interest expense on deposits from customers represented 69.7% and 80.2% of our total interest expense for the six months ended June 30, 2010 and 2009, respectively.

Interest expense on deposits from customers decreased by 5.7% to RMB1,254.1 million for the six months ended June 30, 2010 compared to RMB1,330.4 million over the same period in 2009, primarily due to a decrease in the average cost to 1.48% from 2.08% for the six months ended June 30, 2009, partially offset by an increase of 33.2% in the average balance.

The following table sets forth, for the years indicated, the average balance, interest expense and average cost for corporate and retail deposits by product type.

	For the six months ended June 30,					
	2009			2010		
	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
		(unaudited)				
	(in millions of RMB, except percentage)					
Corporate Deposits						
Demand	20,714.2	63.0	0.61%	31,606.3	93.9	0.59%
Time	2,360.5	21.4	1.81	10,105.7	51.0	1.01
Subtotal	*23,074.7*	*84.4*	0.73	*41,712.0*	*144.9*	0.69
Retail deposits						
Demand	25,461.2	46.0	0.36	36,083.8	64.7	0.36
Time	79,104.6	1,200.0	3.03	92,157.8	1,044.5	2.27
Subtotal	*104,565.8*	*1,246.0*	2.38	*128,241.6*	*1,109.2*	1.73
Total deposits from Customers	**127,640.5**	**1,330.4**	2.08%	**169,953.6**	**1,254.1**	1.48%

(1) Calculated as the average of our daily balances.

(2) Calculated on an annualized basis.

The largest component of our interest expense on deposits from customers has been interest expense on retail deposits, representing 88.4% and 93.7% of our total interest expense on deposits from customers for the six months ended June 30, 2010 and 2009, respectively.

Interest expense on corporate deposits increased by 71.7% to RMB144.9 million for the six months ended June 30, 2010 compared to RMB84.4 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in average cost.

Interest expenses on corporate time deposits increased by 138.3% to RMB51.0 million for the six months ended June 30, 2010 compared with RMB21.4 million in the same period in 2009, primarily due to the increase in average balance offset by the decrease in average cost. The average cost on corporate time deposits decreased to 1.01% for the six months ended June 30, 2010 compared to 1.81% over the same period in 2009 primarily due to the lagging effect of the PBOC interest rate downward adjustment in 2008. The average balance of our corporate time deposits increased by 328.1% to RMB10,105.7 million for the six months ended June 30, 2010 compared to RMB2,360.5 million over the same period in 2009 primarily due to our promotional effort to expand corporate deposit business. As a percentage of the average balance of our total corporate deposits, the average balance of corporate time deposits increased to 24.2% for the six months ended June 30, 2010 compared to 10.2% over the same period in 2009, primarily reflecting the increase in corporate call deposits.

Interest expense on corporate demand deposits increased by 49.0% to RMB93.9 million for the six months ended June 30, 2010 compared with RMB63.0 million in the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in the average cost. The average balance of corporate demand deposits increased by 52.5% to RMB31,606.3 million for the six months ended June 30, 2010 compared to RMB20,714.2 million over the same period in 2009 primarily due to our promotional effort to expand corporate deposit business. The average cost decreased to 0.59% for the six months ended June 30, 2010 from 0.61% for the six months ended June 30, 2009 primarily due to the lagging effect of the PBOC interest rate downward adjustment in 2008.

Interest expense on retail deposits decreased by 11.0% to RMB1,109.2 million for the six months ended June 30, 2010 compared to RMB1,246.0 million over the same period in 2009, primarily due to an increase in the average balance partially offset by a decrease in the average cost. The average balance of retail deposits increased by 22.6% to RMB128,241.6 million for the six months ended June 30, 2010 compared to RMB104,565.8 million over the same period in 2009 due to the increase in the average balance of retail time deposits. The average cost decreased to 1.73% for the six months ended June 30, 2010 compared to 2.38% over the same period in 2009 primarily due to the decrease in average cost of retail time deposits.

Interest expense on retail time deposits decreased by 13.0% to RMB1,044.5 million for the six months ended June 30, 2010 as compared to RMB1,200.0 million over the same period in 2009, primarily due to a decrease in the average cost partially offset by an increase in average balance. The average cost decreased to 2.27% for the six months ended June 30, 2010 compared to 3.03% over the same period in 2009, primarily reflecting the lagging effect of the PBOC interest rate downward adjustment in 2008. The average balance increased to RMB92,157.8 million fro the six months ended June 30, 2010 compared with RMB79,104.6 million for the six months ended June 30, 2009 primarily due to our promotional effort to expand our retail deposit business.

Interest expense on retail demand deposits increased by 40.7% to RMB64.7 million for the six months ended June 30, 2010 compared with RMB46.0 million, primarily due to an increase in the average balance. The average balance of retail demand deposits increased by 41.7% to RMB36,083.8 million for the six months ended June 30, 2010 compared to RMB25,461.2 million over the same period in 2009 primarily due to our promotional effort to expand our retail deposit business. For the six months ended June 30, 2010 and 2009, the average cost remained stable at 0.36%. As a percentage of our total retail deposits, our average balance of retail demand deposits increased to 28.1% for the six months ended June 30, 2010 compared to 24.3% over the same period in 2009.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions consist primarily of short term borrowings from banks at higher interest rates and long term borrowings from non-bank financial institutions at lower interest rates.

Interest expense due to and placements from banks and other financial institutions increased by 46.1% to RMB481.1 million for the six months ended June 30, 2010 compared to RMB329.2 million over the same period in 2009, primarily due to the decrease in the average cost partially offset by an increase in the average balance. The average balance increased by 132.3% to RMB38,806.7 million for the six months ended June 30, 2010 compared to RMB16,702.7 million over the same period in 2009, primarily due to our effort to attract lower cost funds to make higher return investments. The decrease in the average cost to 2.48% for the six months ended June 30, 2010 from 3.94% for the six months ended June 30, 2009 was primarily attributable to the lagging effect of the PBOC interest rate downward adjustment in 2008.

Subordinated Bonds

Our interest cost on subordinated bonds was RMB63.2 million and nil for the six months ended June 30, 2010 and 2009, respectively, as we issued subordinated bonds in December 2009, and the average balance was RMB2,300 million for the six months ended June 30, 2010 compared to nil for the six months ended June 30, 2009.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

Our net interest spread increased to 2.93% for the six months ended June 30, 2010 compared to 2.54% over the same period in 2009. The increase in net interest spread for the six months ended June 30, 2010 compared to the same period in 2009 reflected (i) our decreased holding of discounted bills compared to the same period last year and the increase in medium- and long-term loans, which caused the average yield of loans to increase; (ii) the increase in the proportion of demand deposits to the total deposits from customers.

Our net interest income increased by 46.6% to RMB3,439.9 million for the six months ended June 30, 2010 compared to RMB2,347.0 million over the same period in 2009. Our net interest income increased at a higher speed than the average balance of our interest-earning assets for the six months ended June 30, 2010 compared to the same period in 2009. As a result, our net interest margin (on an annualized basis) increased to 3.04% for the six months ended June 30, 2010 compared to 2.84% over the same period in 2009.

Net Fee and Commission Income

Net fee and commission income represented 3.4% and 2.2% of our total operating income for the six months ended June 30, 2010 and 2009, respectively. The following table sets forth, for the time periods indicated, the principal components of our net fee and commission income.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(in millions of RMB)	
Fee and commission income	60.5	129.2
Settlement and clearance fee	7.9	15.9
Agency service fee	35.2	49.2
Bank card fee	14.1	25.7
Fee collection commission	2.7	2.3
Consulting and financial advisory	0.4	29.3
Others	0.2	6.8
Fee and commission expenses	(6.7)	(6.1)
Net fee and commission income	**53.8**	**123.1**

Our net fee and commission income increased by 128.8% to RMB123.1 million for the six months ended June 30, 2010 compared to RMB53.8 million over the same period in 2009. This increase was primarily due to an increase in agency service fees and bank card fees, consulting and financial advisory fees and settlement and clearance fees, partially offset by a decrease in fee collection commission.

Settlement and Clearance Fees

Settlement and clearance fees increased by 101.3% to RMB15.9 million for the six months ended June 30, 2010 compared to RMB7.9 million over the same period in 2009. The increase in settlement service fees for the six months ended June 30, 2010 compared to over the same period in 2009 was primarily due to an increase in the number of our clients and growth of our business.

Agency Service Fees

Agency service fees increased by 39.8% to RMB49.2 million for the six months ended June 30, 2010 compared to RMB35.2 million over the same period in 2009. The increase in agency service fees was primarily due to the expansion of our insurance agency business.

Bank Card Fees

Bank card commission and fee income increased by 82.3% to RMB25.7 million for the six months ended June 30, 2010 compared to RMB14.1 million over the same period in 2009. The increase in bank card commission and fee income was primarily due to the increased number and volume of bank cards.

Fee Collection Commission

Fee collection commission consist primarily of fees earned on our collection and payment services, including payroll services, and the collection of utilities and telecommunications payments. Our fee collection commission decreased by 14.8% to RMB2.3 million for the six months ended June 30, 2010 compared to RMB2.7 million over the same period in 2009, primarily due to the fact that the frequency of fee settlement for our agency businesses with, e.g. China Mobile and Unicom, was changed from every half-a-year in the same period to every year and the fee income of which was offset by other fees increase in the fee collection business.

Consulting and Financial Advisory Service Fees

Consulting and financial advisory service fees increased by 7,225% to RMB29.3 million for the six months ended June 30, 2010 compared to RMB0.4 million over the same period in 2009. The increase in consulting and financial advisory service fees was mainly due to the our efforts in promoting consulting and financial advisory services to corporate customers.

Others

Other fee and commission income increased by 3,300% to RMB6.8 million for the six months ended June 30, 2010 compared to RMB0.2 million over the same period in 2009. Others mainly comprise of fees for foreign exchange services, guarantee services, commissions on the sale of wealth management products to our customers and others. The increase in other fee and commission income was primarily due to us launching foreign exchange services in the second half in 2009.

Fee and Commission Expenses

Our fee and commission expenses decreased by 9.0% to RMB6.1 million for the six months ended June 30, 2010 compared to RMB6.7 million over the same period in 2009 and fee and commission expenses as a percentage of fee and commission income decreased to 4.7% in the six months ended June 30, 2010 as compared to 11.1% in the same period in 2009 primarily because we actively diversified the distribution channels and settlement mechanisms for our fee and commission based products and services to improve our efficiency.

Net Trading Income/(Loss)

Our net trading gain/loss primarily comprises of net gains or losses from held-for-trading debt securities. Our net trading income increased by 504.8% to RMB12.7 million for the six months ended June 30, 2010 and compared with RMB2.1 million for the six months ended June 30, 2009, respectively.

Other Operating Income, Net

Other operating income increased by 80% to RMB21.6 million for the six months ended June 30, 2010 from RMB12.0 million for the six months ended June 30, 2009 primarily because we recorded a gain of RMB14.5 million from disposal of foreclosed assets in the six months ended June 30, 2010, compared to a loss of RMB7.0 million in the same period in 2009.

Net Gain on Disposal of Available-for-sale Securities

The following table sets forth, for the years indicated, our net gain on available-for-sale securities.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(In millions of RMB)	
Net gain on disposal of available-for-sale securities	100.8	108.0

Operating Expenses

The following table sets forth, for the years indicated, the principal components of our total operating expenses.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(in millions of RMB)	
Staff costs	568.7	904.8
Business tax and surcharges	187.8	249.8
Depreciation and amortization	177.9	179.4
Other general and administrative expenses(1)	269.1	316.3
Total operating expenses	**1,203.5**	**1,650.3**

(1) Consist primarily of donations, litigation losses, administration expenses, auditor's remuneration and other professional services, fees, and taxes other than Enterprises Income Tax.

Our operating expenses increased by 37.1% to RMB1,650.3 million for the six months ended June 30, 2010 compared to RMB1,203.5 million over the same period in 2009.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 54.8% and 47.3% of our total operating expenses for the six months ended June 30, 2010 and 2009, respectively.

The following table sets forth, for the periods indicated, the components of our staff costs.

	For the six months ended June 30	
	2009	2010
	(unaudited)	
	(in millions of RMB)	
Staff Costs	**568.7**	**904.8**
Salaries and bonuses	355.6	565.5
Benefits and labour insurance	185.5	169.0
Others[(1)]	27.6	170.3

(1) Consist primarily of mandatory housing benefit, pension benefit, union fee and education expenses and internal retirement benefits.

Staff costs increased by 59.1% to RMB904.8 million for the six months ended June 30, 2010 from RMB568.7 million for the six months ended June 30, 2009 primarily due to the increased number of our staff, higher and better compensation schemes to them and an increase in retirement benefits to adjust for the effect of inflation and as we continue to improve our staff quality by offering market competitive compensation to attract and retain talented personnel.

Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), financial leasing, transfer of securities, financial advisory services, and other financial services. Business tax and surcharges increased by 33.0% to RMB249.8 million for the six months ended June 30, 2010 compared to RMB187.8 million for the six months ended June 30, 2009.

Depreciation and Amortization

Depreciation and amortization expenses increased by 0.8% to RMB179.4 million for the six months ended June 30, 2010 compared to RMB177.9 million for the same period in 2009 as our fixed assets remained stable throughout the period.

Other General and Administrative Expenses

Other general and administrative expenses increased by 17.5% to RMB316.3 million for the six months ended June 30, 2010 compared to RMB269.1 million for the same period in 2009, as a result of our overall business growth.

Impairment Losses on Assets

Impairment losses on assets consist primarily of provisions charged on loans and other assets. Provisions charged for impairment losses changed from a net gain of RMB142.1 million for the six months ended June 30, 2010 compared to a net loss of RMB111.7 million for the same period in 2009. The change in impairment losses was primiarly due to improvement in our asset quality and the recovery of loans and advances written off in previous years with an amount of RMB293.0 million in the first six months in 2010.

The following table sets forth, for the years indicated, the principal components of our provisions charged for impairment losses on assets.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(In millions of RMB)	
Loans and advances to customers	111.7	(125.5)
Other assets[(1)]	0.0	(16.6)
Total	**111.7**	**(142.1)**

(1) Consist primarily of foreclosed assets and other receivables.

Provision for impairment on loans and advances made for the six months ended June 30, 2010 was RMB125.5 million compared with a net loss of RMB111.7 million for the same period in 2009. This mainly reflected the strengthening of risk management policies and an improvement in the quality of loans and the adoption of more stringent credit approval procedures by us to reduce impaired assets.

Provision for impairment on other assets made for the six months ended June 30, 2010 was a net gain of RMB16.6 million compared with nil for the same period in 2009. This mainly reflected an improvement in the quality of other assets of our bank and the efforts made by us in the recovery of other assets written off.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 83.0% to RMB2,197.1 million for the six months ended June 30, 2010 compared to RMB1,200.5 million for the same period in 2009.

Income Tax

The following table sets forth our profit before tax, income tax expense and effective tax rate for the six months ended June 30, 2010 and 2009.

	For the six months ended June 30,	
	2009	2010
	(unaudited)	
	(In millions of RMB)	
Profit before tax	1,200.5	2,197.1
Income tax	280.0	536.7
Effective tax rate	23.3%	24.4%

The applicable income tax rate was 25% for the six months ended June 30, 2010 and 2009, respectively. Our effective tax rate was 24.4% and 23.3% for the six months ended June 30, 2010 and 2009, respectively.

Net Profit

As a result of the foregoing factors, our net profit increased by 80.4% to RMB1,660.4 million for the six months ended June 30, 2010 compared to RMB920.5 million for the same period in 2009.

Years Ended December 31, 2009, 2008 and 2007

Net Interest Income

Net interest income has historically been the largest component of our total operating income, representing 96.4%, 97.9% and 75.5% of our total operating income for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, our interest income, interest expense and net interest income.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31,	
				2008	2009
	(in millions of RMB)				
Interest income	6,420.5	3,830.8	4,953.3	8,784.1	8,703.0
Interest expense	(2,106.3)	(1,557.8)	(2,043.0)	(3,600.8)	(3,228.5)
Net interest income	**4,314.2**	**2,273.0**	**2,910.3**	**5,183.3**	**5,474.5**

Our net interest income increased by 5.6% to RMB5,474.5 million in 2009 compared to RMB5,183.3 million in 2008, primarily due to (i) increases in interest income from corporate loans, discounted bills and debt securities investments resulting from the increases in their respective average balances partially offset by the decrease in average yield, and (ii) decrease in interest expense primarily due to the decrease in average cost on deposits, partially offset by the increase in average balance of both retail and corporate deposits.

Our net interest income in 2008 increased by 20.1% compared to RMB4,314.2 million in 2007 primarily due to (i) increases in interest income from corporate loans, retail loans and debt securities investments largely as a result of increase in average yield and average balance, partially offset by (ii) decrease in interest income from discounted bills largely as a result of decrease in its average balance and (iii) increase in interest expense primarily due to the increase in interest expense on deposits from customers as a result of the increases in average cost and average balance of such deposits. The lower growth rate of net interest income in 2009 compared with the growth rate in 2008 reflected the impact of the interest rate environment and the PRC government's monetary policy during the period from 2007 to 2009.

The following table sets forth, for the years indicated, the average balances of our assets and liabilities and the related interest income or expense and the average yield (for assets) or cost (for liabilities). The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances. The average balances of non-interest-earning assets, non-interest-bearing liabilities and the allowance for impairment losses are the average of the balances of January 1 and December 31 for the years ended December 31, 2009, 2008 and 2007.

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance	Interest income	Average yield	Interest income		Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentage)										
Assets											
Loans and advances to customers	68,194.9	5,453.3	8.00%	2,882.0	3,362.5	71,167.5	6,244.5	8.77%	99,642.0	6,160.7	6.18%
Debt securities investments(1)	17,588.0	629.5	3.58	589.9	846.8	29,973.8	1,436.7	4.79	43,341.2	1,912.8	4.41
Balances with central banks(2)	10,803.1	191.8	1.78	148.0	183.3	18,674.2	331.3	1.77	20,472.1	312.3	1.53
Amounts due from banks and other financial institutions(3)	7,160.1	145.9	2.04	210.9	560.7	21,105.0	771.6	3.66	15,428.5	317.2	2.06
Total interest-earning assets	**103,746.1**	**6,420.5**	**6.19%**	**3,830.8**	**4,953.3**	**140,920.5**	**8,784.1**	**6.23%**	**178,883.8**	**8,703.0**	**4.87%**

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance	Interest expense	Average cost	Interest expense		Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentage)										
Liabilities											
Deposits from customers	87,177.2	1,643.8	1.89%	1,198.5	1,452.9	109,124.3	2,651.4	2.43%	136,845.6	2,528.5	1.85%
Amounts due to banks and other financial institutions(4)	12,519.3	462.5	3.69	359.3	590.1	23,093.3	949.4	4.11	30,064.0	700.0	2.33
Total interest-bearing liabilities	**99,696.5**	**2,106.3**	**2.11%**	**1,557.8**	**2,043.0**	**132,217.6**	**3,600.8**	**2.72%**	**166,909.6**	**3,228.5**	**1.93%**
Net interest income		**4,314.2**		**2,273.0**	**2,910.3**		**5,183.3**			**5,474.5**	
Net interest spread(5)			**4.08%**					**3.51%**			**2.94%**
Net interest margin(6)			**4.16%**					**3.68%**			**3.06%**

(1) Consists primarily of financial assets designated as at fair value through profit or loss, available-for-sale financial assets, held-to-maturity debt instruments, debt securities classified as receivables and financial assets held for trading.

(2) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(3) Consists primarily of deposits with bank and other financial institutions and financial assets held under resale agreements.

(4) Consists of (i) deposits from banks and other financial institutions and (ii) financial assets sold under repurchase agreements, such as government bills and enterprise bonds.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The following table sets forth, for the years indicated, the allocation of changes in our interest income and interest expense due to changes in volume and rate. Changes in volume are measured by changes in the average balances, and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to changes in rate.

	For the year ended December 31,					
	2008 vs. 2007			2009 vs. 2008		
	Increase/(decrease) due to		Net increase/	Increase/(decrease) due to		Net increase/
	Volume(1)	Rate(2)	(decrease) (3)	Volume(1)	Rate(2)	(decrease) (3)
	(in millions of RMB)					
Assets						
Loan and advance to customers	238	553	791	2,499	(2,583)	(84)
Debt Securities Investments(4)	443	364	807	641	(165)	476
Balances with central banks	140	—	140	32	(51)	(19)
Amounts due from banks and other financial institutions	284	342	626	(208)	(246)	(454)
Changes in interest income	**2,301**	**63**	**2,364**	**2,367**	**(2,448)**	**(81)**
Liabilities						
Deposits from customers	414	594	1,008	673	(796)	(123)
Amounts due to banks and other financial institutions	391	96	487	287	(536)	(249)
Changes in interest expense	**687**	**808**	**1,495**	**945**	**(1,317)**	**(372)**

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the previous year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

(4) Consists of government bonds, policy bank bonds, corporate bonds, PROC Special bills, financial institution bonds and debt instruments issued by financial institutions.

Interest Income

Our interest income decreased by 0.9% to RMB8,703.0 million in 2009 compared to RMB8,784.1 million in 2008 primarily due to a decrease of 1.36% in the average yield of interest-earning assets in 2009, partially offset by a 26.9% increase in the average balance. The decrease in average yield primarily reflected the impact of the consecutive decreases in the PBOC benchmark rates in the second half of 2008.

Our interest income in 2008 increased by 36.8% from RMB6,420.5 million in 2007 to RMB8,784.1 million in 2008, due to both an increase in the average yield and increase in the average balance of interest-earning assets. The average yield on interest-earning assets was 4.87%, 6.23% and 6.19% in 2009, 2008 and 2007, respectively. The year-on-year increase in the average yield of 2008 primarily reflected the impact of the consecutive increases in the PBOC benchmark rates in 2007.

Interest Income from Loans to Customers

Interest income from loans to customers has been historically the largest component of our interest income, representing 70.8%, 71.1% and 84.9% of our total interest income in 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the average balance, interest income and average yield for each component of our loans to customers.

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance(1)	Interest income	Average yield (2)	Interest income		Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentages)										
Corporate loans	27,728.7	2,535.2	9.14%	1,401.2	1,702.1	33,253.2	3,103.3	9.33%	47,691.1	3,269.3	6.86%
Retail loans	25,682.9	2,273.1	8.85	1,141.5	1,447.7	26,781.1	2,589.2	9.67	25,520.9	2,219.9	8.70
Discounted Bills	14,783.3	645.0	4.36	339.3	212.7	11,133.2	552.0	4.96	26,430.0	671.5	2.54
Total loans to customers	**68,194.9**	**5,453.3**	**8.00%**	**2,882.0**	**3,362.5**	**71,167.5**	**6,244.5**	**8.77%**	**99,642.0**	**6,160.7**	**6.18%**

(1) Calculated as the average of our daily balances

(2) Calculated on an annualized basis

Interest income from loans to customers decreased by 1.3% to RMB6,160.7 million in 2009 compared to RMB6,244.5 million in 2008 primarily due to a decrease in the average yield of loans to customers to 6.18% in 2009 from 8.77% in 2008, which was partially offset by an increase in the average balance of loans to customers. The decrease in the average yield on loans to customers was primarily due to the consecutive decreases in the PBOC benchmark rates in the fourth quarter of 2008, which resulted in lower interest rates charged on new loans made, or existing loans repriced after such decreases throughout 2009.

Interest income from loans to customers increased by 14.5% to RMB6,244.5 million in 2008 compared to RMB5,453.3 million in 2007, primarily due to an increase in the average balance of the loans to customers and an increase in the average yield of loans to customers to 8.77% in 2008 from 8.00% in 2007. The increase in the average yield was primarily due to the relatively high interest rates on loans made in 2008, reflecting the impact of the consecutive increases in the PBOC benchmark rates in 2007.

Interest income from corporate loans and retail loans are the two largest components of our interest income from loans. Interest income from corporate loans accounted for 53.1%, 49.7% and 46.5% of our total interest income from loans to customers for the years ended December 31, 2009, 2008 and 2007, respectively. Interest income from corporate loans as a percentage of total interest income grew, reflecting our strategy of expanding our corporate loan business. Interest income from retail loans as a percentage of our total interest income from loans to customers decreased during the three years ended December 31, 2009, from 41.7% of our total interest income from loans to customers in 2007 to 41.5% in 2008 and further decreased to 36.0% in 2009, primarily due to the increase in residential mortgage loans resulting from our adjustment in the mix of our retail loan portfolio. Residential mortgage loans normally have lower yield than other types of retail loans. Mortgage rates we offered to first-time home buyers were further reduced following the introduction of CBRC's policy in October 2008 under which banks are allowed to price mortgage loans to not lower than 70% of the PBOC benchmark rate. However, on April 17, 2010, as part of the government's measures to curb the overheating of the price of residential properties, banks are not allowed to offer mortgage rates for a second residential home lower than 110% of the benchmark lending rate under a notice issued by the State Council. Out of business considerations, we adjusted our minimum mortgage rate for first time home buyers to 35% of the PBOC benchmark lending rate on November 2, 2010.

2009 Compared with 2008

Interest income from corporate loans increased by 5.3% to RMB3,269.3 million in 2009 compared to RMB3,103.3 million in 2008, primarily due to an increase of the average balance by 43.4% to RMB47,691.1 million in 2009 compared to RMB33,253.2 million in 2008, even though the average yield of corporate loans decreased to 6.86% in 2009 from 9.33% in 2008. The increase in our average balance of corporate loans reflected our overall business growth in corporate lending due to our enhanced marketing efforts to corporate clients, monetary easing by the PBOC and the RMB4 trillion stimulus program implemented by the PRC government. The decrease in the average yield of corporate loans was primarily due to (i) a lower average PBOC benchmark interest rates during 2009 as the PBOC reduced interest rates in the second half of 2008 by five instances and (ii) the preferred interest rates we offered to our high quality corporate customers in the Urban Areas, reflecting our strategy of developing high-quality corporate customers in the Urban Areas.

Interest income from retail loans decreased by 14.3% to RMB2,219.9 million in 2009 compared to RMB2,589.2 million in 2008, primarily due to a decrease in the average yield of retail loans to 8.70% in 2009 from 9.67% in 2008, and a decrease in the average balance of retail loans by 4.7% to RMB25,520.9 million in 2009 compared to RMB26,781.1 million in 2008. The decrease in average yield of retail loans primarily reflected the lower interest rate environment and the increased proportion of lower yielding mortgage loans.

Interest income from discounted bills increased by 21.7% to RMB671.5 million in 2009 compared to RMB552.0 million in 2008, primarily due to an increase in the average balance of discounted bills, partially offset by a decrease in the average yield of discounted bills. The average yield of discounted bills decreased to 2.54% in 2009 compared to 4.96% in 2008, primarily due to a significant decrease in the market interest rates for discounted bills as a result of the downward adjustment of the benchmark rate by the PBOC in 2008 since September onwards and the resulting significant increased liquidity in the market. The average balance of discounted bills (including commercial acceptance bills) increased by 137.4% to RMB26,430.0 million in 2009 compared to RMB11,133.2 million in 2008, reflecting the increased liquidity in the market and the increased volume of short-term discounted bill transactions carried out by us due to the fact that we were able to assume centralized management of available funds of our branches at our headquarters after our Restructuring in June 2008 and had more funds to engage in the discounted bill business. Prior to our Restructuring, the available funds in our branches were under the management of each branch, which affected the efficiency in utilizing our funds.

2008 Compared to 2007

Interest income from corporate loans increased by 22.4% to RMB3,103.3 million in 2008 compared to RMB2,535.2 million in 2007, primarily due to an increase in the average balance of corporate loans and also an increase in the average yield. The increase in the average yield of corporate loans to 9.33% in 2008 from 9.14% in 2007 reflected the continued effect of the increase in the PBOC benchmark interest rates in 2007. The average balance of corporate loans increased by 19.9% to RMB33,253.2 million in 2008 compared to RMB27,728.7 million in 2007 primarily reflecting our overall business growth strategy in the corporate sector in Urban Areas following the incorporation of our Bank.

Interest income from retail loans increased by 13.9% to RMB2,589.2 million in 2008 compared to RMB2,273.1 million in 2007, primarily due to an increase of average yield to 9.67% in 2008 from 8.85% in 2007 and a slight increase in the average balance of retail loans. The increase in the average yield of retail loans primarily reflected the increase in the PBOC benchmark interest rate in 2007 until the rate cuts in the second half of 2008 and the increase in the proportion of our higher yielding personal business loans. The average balance of retail loans increased by 4.3% to RMB26,781.1 million in 2008 from RMB25,682.9 million in 2007.

Interest income from discounted bills decreased by 14.4% to RMB552.0 million in 2008 compared to RMB645.0 million in 2007, primarily due to a decrease in the average balance of discounted bills, partially offset by an increase in the average yield of discounted bills. The average yield of discounted bills increased to 4.96% in 2008 compared to 4.36% in 2007, primarily reflecting the increase in the PBOC benchmark rates in 2007. The average balance of discounted bills decreased by 24.7% to RMB11,133.2 million in 2008 compared to RMB14,783.3 million in 2007, reflecting our strategy to reduce the volume of our discounted bill transactions and increase our other investments with higher yield.

Interest Income from Debt Securities Investments

Interest income from debt securities investments has been the second-largest component of our interest income, representing 22.0%, 16.4% and 9.8% of our interest income for the years ended December 31, 2009, 2008 and 2007, respectively. Our debt securities investments comprise primarily of (i) financial assets designated as at fair value through profit or loss, (ii) hold-to-maturity investments such as bonds and debts, (iii) AFS investments such as bonds to be sold within a year and (iv) investment in receivables such as treasury bonds and subordinated debts.

Interest income from debt securities investments increased by 33.1% to RMB1,912.8 million in 2009 compared to RMB1,436.7 million in 2008, primarily due to an increase in the average balance, partially offset by the slight decrease in the average yield. The average yield decreased to 4.41% in 2009 from 4.79% in 2008, primarily due to a lower interest rate environment in 2009, which was partially offset by the improved mix of our investment portfolio. The average balance increased significantly by 44.6% to RMB43,341.2 million in 2009 compared to RMB29,973.8 million in 2008, primarily due to the increase in our funding from our expanding deposit base, making a larger amount of funds available to us for investment.

Interest income from debt securities investments increased by 128.2% to RMB1,436.7 million in 2008 compared to RMB629.5 million in 2007, primarily due to an increase in the average balance, coupled with an increase in the average yield. The average yield increased to 4.79% in 2008 from 3.58% in 2007, primarily reflecting the continuing increases in benchmark rates in 2007. The average balance increased by 70.4% to RMB29,973.8 million in 2008 compared to RMB17,588.0 million in 2007, because of the growth of our deposits, resulting in an increase in funds available for investment.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by 5.7% to RMB312.3 million in 2009 compared to RMB331.3 million in 2008, primarily due to a decrease in the average yield, partially offset by an increase in average balance. The average balance increased by 9.6% to RMB20,472.1 million in 2009 from RMB18,674.2 million in 2008, primarily due to increases in our statutory deposit reserves, reflecting an increase in deposits from customers partially offset by the decreased annual average statutory deposit reserves rate. The average yield decreased to 1.53% in 2009 from 1.77% in 2008, primarily reflecting the decreasing PBOC benchmark interest rate in the fourth quarter of 2008.

Interest income from balances with central banks increased by 72.7% to RMB331.3 million in 2008 compared to RMB191.8 million in 2007, primarily due to an increase in the average balance. The average balance increased by 72.9% to RMB18,674.2 million in 2008 from RMB10,803.1 million in 2007, primarily due to increases in our statutory deposit reserves, as a result of the upward adjustment of the statutory deposit reserve ratio by the PBOC in 2008 and an increase in funding from customer deposits. The average yield remained relatively stable at 1.77% in 2008 as compared to 1.78% in 2007, primarily due to the lowering of the interest rate on the statutory deposit reserves and surplus deposit reserves in November, 2008, partially offset by the increase in the PBOC rates in 2007.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Amounts due from banks and other financial institutions consist primarily of inter-bank deposits and financial assets held under resale agreements.

The following table sets forth, for the years indicated, the average balances, interest income and average yield for each component of amounts due from banks and other financial institutions.

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance	Interest income	Average yield	Interest income	Interest income	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentage)										
Deposits with banks and other financial institutions. . .	6,598.3	116.3	1.76%	68.9	77.4	8,887.3	146.3	1.65%	6,911.1	102.9	1.49%
Financial instruments held under resale agreements. . .	561.8	29.6	5.27	142.0	483.3	12,217.7	625.3	5.12	8,517.4	214.3	2.52
Total amounts due from banks and other financial institutions.	**7,160.1**	**145.9**	**2.04%**	**210.9**	**560.7**	**21,105.0**	**771.6**	**3.66%**	**15,428.5**	**317.2**	**2.06%**

Interest income from deposits with banks and other financial institutions decreased by 29.7% to RMB102.9 million in 2009 compared to RMB146.3 million in 2008, primarily due to a decrease in the average yield and a decrease in the average balance. The decrease in the average yield to 1.49% in 2009 from 1.65% in 2008 was primarily due to the decrease in the PBOC benchmark rates in 2008 since September onwards. The average balance decreased by 22.2% to RMB6,911.1 million in 2009 compared to RMB8,887.3 million in 2008, primarily due to our strategy to increase the holding of other investments with higher return.

Interest income from balances with banks and other financial institutions increased by 25.8% to RMB146.3 million in 2008 compared to RMB116.3 million in 2007, primarily due to an increase in the average balance. The average balance increased by 34.7% to RMB8,887.3 million in 2008 compared to RMB6,598.3 million in 2007, primarily driven by the centralized management of our funds and the need to maintain liquidity following our incorporation. The average yield decreased to 1.65% in 2008 from 1.76% in 2007 primarily due to the decline in market interest rate for the whole year.

Financial assets held under resale agreements comprise of government and enterprise treasury bills and bonds purchased with an obligation to resell to the sellers in the future. Interest income from financial assets held under resale agreements decreased by 65.7% to RMB214.3 million in 2009 from RMB625.3 million in 2008, primarily due to a significant decrease in the average yield and decrease in the average balance. Average yield decreased to 2.52% in 2009 from 5.12% in 2008 primarily reflecting the decrease in the PBOC benchmark interest rate in 2008 since September onwards. Average balance decreased by 30.3% to RMB8,517.4 million in 2009 from RMB12,217.7 million in 2008 primarily due to our adjustment in the composition of our investment assets by reducing our holding in this type of assets because of their lower yield after the resale of a substantial portion of the assets to the sellers after they became due.

Interest income from financial assets held under resale agreements increased significantly to RMB625.3 million in 2008 from RMB29.6 million in 2007 due to a significant increase in the average balance partially offset by a decrease in average yield. Average balance increased significantly from RMB561.8 million to RMB12,217.7 million primarily due to the increase in supply of funds to us as a result of our centralized management of our funds following our incorporation. Average yield decreased from 5.27% to 5.12%, primarily due to the decline in market interest rate for the whole year.

Interest Expense

Interest expense decreased by 10.3% to RMB3,228.5 million in 2009 compared to RMB3,600.8 million in 2008, primarily due to a decrease in the average cost of interest-bearing liabilities partially offset by an increase in the average balance of interest-bearing liabilities. Interest expense increased by 71.0% to RMB3,600.8 million in 2008 from RMB2,106.3 million in 2007, primarily due to an increase in the average cost of interest-bearing liabilities and an increase in the average interest-bearing liabilities. The average cost of our interest-bearing liabilities was 1.93%, 2.72% and 2.11% in 2009, 2008 and 2007, respectively. The decrease in average cost in 2009 was primarily due to the lower interest rate environment in 2009 since the consecutive rates cut in the last quarter of 2008 and, to a lesser extent, due to our adjustment to the mix of our deposit portfolio after the completion of our Restructuring in June 2008, whereby we increased the proportion of corporate deposits, which were primarily demand deposits, and hence effectively lowering our average cost. The increase in average cost in 2008 was primarily due to the higher interest rate environment in 2008 after the consecutive rate hikes in 2007.

Interest Expense on Deposits from Customers

Historically, deposits from customers have been our primary source of funding. Interest expense on deposits from customers represented 78.3%, 73.6% and 78.0% of our total interest expense for the years ended December 31, 2009, 2008 and 2007, respectively. The average balance in each category of our customer deposits increased generally from 2007 to 2009, reflecting continued growth of the PRC economy, relatively limited alternative investment opportunities for our customers and conservative investment environment, and our ability to increase our deposit market share in Chongqing by leveraging on our extensive distribution network against the backdrop of increasing banking penetration in the County Areas and expanding Urban Areas operations.

Interest expense on deposits from customers decreased by 4.6% to RMB2,528.5 million in 2009 compared to RMB2,651.4 million in 2008, primarily due to a decrease in the average interest rate to 1.85% in 2009 compared to 2.43% in 2008, as a result of the downward adjustments of the PBOC benchmark deposit rates in the fourth quarter of 2008, partly offset by an increase in the average balance of deposits to RMB136,845.6 million in 2009 compared to RMB109,124.3 million in 2008. Interest expense on deposits from customers increased by 61.3% to RMB2,651.4 million in 2008 compared to RMB1,643.8 million in 2007, primarily due to a higher average balance of deposits to RMB109,124.3 million in 2008 from RMB87,177.2 million in 2007, coupled with an increase in the average rate to 2.43% in 2008 from 1.89% in 2007 as a result of the increase in the PBOC benchmark deposit rates in 2007.

The following table sets forth, for the years indicated, the average balance, interest expense and average cost for corporate and retail deposits by product type.

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance[(1)]	Interest expense	Average cost [(2)]	Interest expense		Average balance[(1)]	Interest expense	Average cost [(2)]	Average balance[(1)]	Interest expense	Average cost [(2)]
	(in millions of RMB, except percentages)										
Corporate Deposits											
Demand	13,625.0	119.9	0.88%	64.7	59.2	18,796.2	123.9	0.66%	24,837.6	142.6	0.57%
Time	1,129.2	21.8	1.93	17.3	23.3	1,373.4	40.6	2.96	3,475.8	58.4	1.68
Subtotal	**14,754.2**	**141.7**	**0.96**	**82.0**	**82.5**	**20,169.6**	**164.5**	**0.82**	**28,313.4**	**201.0**	**0.71**
Retail deposits											
Demand	16,922.4	130.4	0.77	70.3	56.6	20,662.1	126.9	0.61	27,190.2	107.9	0.40
Time	55,500.6	1,371.7	2.47	1,046.2	1,313.8	68,292.6	2,360.0	3.46	81,342.0	2,219.6	2.73
Subtotal	**72,423.0**	**1,502.1**	**2.07**	**1,116.5**	**1,370.4**	**88,954.7**	**2,486.9**	**2.80**	**108,532.2**	**2,327.5**	**2.14**
Total deposits from Customers	**87,177.2**	**1,643.8**	**1.89%**	**1,198.5**	**1,452.9**	**109,124.3**	**2,651.4**	**2.43%**	**136,845.6**	**2,528.5**	**1.85%**

(1) Calculated as the average of our daily balances.

(2) Calculated on an annualized basis.

The largest component of our interest expense on deposits from customers has been interest expense on retail deposits, representing 92.0%, 93.8% and 91.4% of our total interest expense on deposits from customers in 2009, 2008 and 2007, respectively.

2009 Compared to 2008

Interest expense on corporate deposits increased by 22.2% to RMB201.0 million in 2009 from RMB164.5 million in 2008, primarily due to an increase in the average balance from RMB20,169.6 million in 2008 to RMB28,313.3 million in 2009, partially offset by a decrease in the average cost from 0.82% in 2008 to 0.71% in 2009. The increase in the average balance was primarily due to our continued effort to expand our corporate banking business in the Urban Areas following our Restructuring completed in 2008. The decrease of the average cost was primarily due to the downward adjustment of the PBOC benchmark deposit interest rates in the fourth quarter of 2008, which caused the interest rate for demand deposits to decrease.

Interest expense on corporate demand deposits increased by 15.1% to RMB142.6 million in 2009 compared to RMB123.9 million in 2008, primarily due to an increase in the average balance to RMB24,837.6 million in 2009 compared to RMB18,796.2 million in 2008, partially offset by a decrease in the average cost from 0.66% in 2008 to 0.57% in 2009. The increase in average balance is primarily due to our continued effort to expand our corporate banking business. The decrease in average cost primarily reflected the decrease in the PBOC benchmark interest rate.

Interest expense on corporate time deposits increased by 43.8% to RMB58.4 million in 2009 compared to RMB40.6 million in 2008, primarily due to an increase in the average balance to RMB3,475.8 million in 2009 compared to RMB1,373.4 million in 2008, partially offset by a decease in the average cost from 2.96% in 2008 to 1.68% in 2009. The increase in average balance is primarily due to our continued effort to expand our corporate banking business. The decrease in average cost primarily reflected the decrease in the PBOC benchmark interest rate.

Interest expense on retail deposits decreased by 6.4% to RMB2,327.5 million in 2009 from RMB2,486.9 million in 2008, primarily due to a decrease in the average cost from 2.80% in 2008 to 2.14% in 2009, partially offset by an increase in the average balance from RMB88,954.7 million in 2008 to RMB108,532.2 million in 2009.

Interest expense on retail demand deposits decreased by 15.0% to RMB107.9 million in 2009 compared to RMB126.9 million in 2008, primarily due to a decrease in the average cost to 0.40% in 2009 from 0.61% in 2008, partially offset by an increase in the average balance to RMB27,190.2 million in 2009 from RMB20,662.1 million in 2008. Interest expense on retail time deposits decreased by 6.0% to RMB2,219.6 million in 2009 compared to RMB2,360.0 million in 2008, primarily due to a decrease in the average cost from 3.46% in 2008 to 2.73% in 2009, partially offset by an increase in the average balance from RMB68,292.6 million in 2008 to RMB81,342.0 million in 2009. The increases in the average balance in both retail demand and time deposits reflect our marketing efforts to expand our retail banking business and the overall growth of personal income in Chongqing and the increasing banking penetration in the County Areas. The decrease in the average cost of retail demand deposits and retail time deposits was primarily due to the downward adjustment of the PBOC benchmark interest rates in the fourth quarter of 2008.

2008 Compared to 2007

Interest expense on corporate deposits increased by 16.1% to RMB164.5 million in 2008 from RMB141.7 million in 2007, primarily due to an increase in the average balance to RMB20,169.6 million in 2008 from RMB14,754.2 million in 2007, partially offset by a decrease in the average cost to 0.82% in 2008 from 0.96% in 2007. The decrease in average cost was primarily due to the increased proportion of lower cost corporate demand deposits than time deposits, which was partially offset by the increase in the PBOC benchmark rates in 2007.

Interest expense on corporate demand deposits increased by 3.3% to RMB123.9 million in 2008 compared to RMB119.9 million in 2007, primarily due to an increase in the average balance to RMB18,796.2 million in 2008 from RMB13,625.0 million in 2007, partially offset by a decrease in the average cost to 0.66% in 2008 from 0.88% in 2007. The increase in the average balance was primarily due to increase in our average deposits after the incorporation of our Bank and as a result of our effort to continue to expand our corporate banking business. The decrease in the average cost was primarily because the demand deposit cost was immediately reduced after the PBOC started to adjust downward the benchmark interest rate in September 2008 as our demand deposits were repriced.

Interest expense on corporate time deposits increased by 86.2% to RMB40.6 million in 2008 compared to RMB21.8 million in 2007, primarily due to an increase in the average balance to RMB1,373.4 million in 2008 compared to RMB1,129.2 million in 2007, coupled with an increase in the average cost from 1.93% in 2007 to 2.96% in 2008. The increase in the average balance was primarily due to our effort to continue to expand our corporate banking business. The increase in the average cost was primarily because most of our corporate time deposits have a one-year maturity term and the interest rate for one-year corporate time deposits in 2007 was higher than that in 2006, which had a lagging effect on the average cost in 2008 and 2007 respectively.

Interest expense on retail deposits increased by 65.6% to RMB2,486.9 million in 2008 compared to RMB1,502.1 million in 2007, primarily due to an increase in the average balance to RMB88,954.7 million in 2008 from RM72,423.0 million in 2007, coupled with an increase in the average cost to 2.80% in 2008 from 2.07% in 2007.

Interest expense on retail demand deposits decreased by 2.7% to RMB126.9 million in 2008 compared to RMB130.4 million in 2007, primarily due to a decrease in the average cost to 0.61% in 2008 from 0.77% in 2007, partially offset by an increase in the average balance to RMB20,662.1 million in 2008 from RMB16,922.4 million in 2007. The decrease in the average cost was primarily due to the fact that demand deposit cost was reduced immediately following the downward adjustment of the PBOC benchmark rate from September 2008 and the increase in the average balance was primarily due to our retail customers' choice of demand deposits as a safer investment as a result of the global financial crisis and the volatility of the PRC stock market in 2008, the continual rise in personal income in Chongqing, and our increased marketing efforts to attract deposit.

Interest expense on retail time deposits increased by 72.0% to RMB2,360.0 million in 2008 compared to RMB1,371.7 million in 2007 due to an increase in the average cost to 3.46% in 2008 from 2.47% in 2007, coupled with an increase in the average balance to RMB68,292.6 million in 2008 from RMB55,500.6 million in 2007. The increase in the average balance was primarily due to the continued growth of personal income in Chongqing while the increase in average cost was primarily due to the consecutive rate increases in 2007, resulting in a higher interest rate environment and higher cost in most part of 2008.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions consist of deposits from banks and other financial institutions and financial assets sold under repurchase agreements. The following table sets forth, for the years indicated, the average balance, interest expense and average cost for each component of amounts due to banks and other financial institutions.

	For the year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008			For the year ended December 31, 2009		
	Average balance	Interest expense	Average cost	Interest expense	Interest expense	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentage)										
Deposits from banks and other financial institutions	483.7	6.7	1.39%	3.4	26.0	1,488.5	29.4	1.98%	3,034.0	76.9	2.53%
Financial assets sold under repurchase agreements	12,035.6	455.8	3.79	355.9	564.1	21,604.8	920.0	4.26	27,030.0	623.1	2.31
Total amounts due to banks and other financial institutions	**12,519.3**	**462.5**	**3.69%**	**359.3**	**590.1**	**23,093.3**	**949.4**	**4.11%**	**30,064.0**	**700.0**	**2.33%**

Interest expense on deposits from banks and other financial institutions increased by 161.6% to RMB76.9 million in 2009 compared to RMB29.4 million in 2008, primarily due to an increase in both the average balance and average cost. The average balance increased by 103.8% to RMB3,034.0 million in 2009 compared to RMB1,488.5 million in 2008 and average cost increased from 1.98% to 2.53%, primarily due to our efforts to attract and increase the source of funds to be used for investments with higher return.

Interest expense on deposits from banks and other financial institutions increased by 338.8% to RMB29.4 million in 2008 compared to RMB6.7 million in 2007, primarily due to increase in both average balance and average cost. The average balance increased by 207.7% to RMB1,488.5 million in 2008 compared to RMB483.7 million in 2007 and average cost increased from 1.39% to 1.98%, primarily due to our efforts to attract and increase the source of funds to be used for investments with higher return.

Interest expense on deposits from financial assets sold under repurchase agreements decreased by 32.3% to RMB623.1 million in 2009 compared to RMB920.0 million in 2008, primarily due to decrease in average cost. The average cost decreased from 4.26% in 2008 to 2.31% in 2009 primarily due to the downward adjustment of the PBOC benchmark deposit interest rates in 2008 since September onwards. The average balance increased by 25.1% to RMB27,030.0 million in 2009 compared to RMB21,604.8 million in 2008 because we took on more such deposits to invest in higher yielding products, such as debt instruments issued by financial institutions.

Interest expense on deposits from financial assets sold under repurchase agreement increased by 101.8% to RMB920.0 million in 2008 compared to RMB455.8 million in 2007, primarily due to increase in both average balance and average cost. The average balance increased by 79.5% to RMB21,604.8 million in 2008 compared to RMB12,035.6 million in 2007 because we took on more such deposits to invest in higher yielding products, such as debt instruments issued by financial institutions. The average cost increased from 3.79% in 2007 to 4.26% in 2008 primarily due to the consecutive PBOC benchmark deposit interest rate increases in 2007, resulting in a higher interest rate environment and higher cost throughout most of 2008.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

2009 Compared to 2008. Our net interest spread decreased to 2.94% in 2009 compared to 3.51% in 2008 because the average yield of our interest-earning assets decreased by 136 basis points from 2008 to 2009 while the average cost of our interest-bearing liabilities decrease by 79 basis points from 2008 to 2009. Our average yield decreased primarily because the PBOC lowered the benchmark deposit and lending rates and reduced the minimum limit for floating interest rates for residential mortgage in the fourth quarter of 2008. Due to the same effect, our average cost decreased, which was partially offset by the increased costs of deposits due to its higher average balance.

Our net interest margin decrease to 3.06% in 2009 compared to 3.68% in 2008 because the average balance of our interest-earning assets increased at a higher rate than that for the net interest income. The average balance of our interest-earning assets increased by 26.9%, while our net interest income increased by 5.6% in 2009.

2008 Compared to 2007. Our net interest spread decreased to 3.51% in 2008 from 4.08% in 2007 because the average yield of our interest-earning assets increased by 4 basis points from 2007 to 2008, whereas the average cost of our interest-bearing liabilities increased by 61 basis points from 2007 to 2008. Both increases in the average yield of our interest-earning assets and our interest-bearing liabilities were primarily due to the consecutive rate increases by PBOC in 2007, resulting in a higher interest rate environment in the first three quarters of 2008.

Our net interest margin decreased to 3.68% in 2008 from 4.16% in 2007 because the average balance of our interest-earning assets increased at a higher rate than that for the net interest income. The average balance of our interest-earning assets increased by 35.8%, while our net interest income increased by 20.1% in 2008.

Net Fee and Commission Income

Net fee and commission income represented 2.4%, 1.4% and 0.9% of our total operating income for the years ended December 31, 2009, 2008 and 2007, respectively. The following table sets forth, for the years indicated, the principal components of our net fee and commission income.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008	For the year ended December 31, 2009
	(in millions of RMB)				
Fee and commission income	**66.1**	**31.7**	**56.6**	**88.3**	**148.8**
Settlement and clearance fee	7.2	4.2	6.7	10.9	11.6
Agency service fee	21.7	12.8	23.5	36.3	76.4
Bank card fee	24.0	10.8	14.9	25.7	36.8
Fee collection commission	10.4	2.0	9.7	11.7	14.0
Consulting and financial advisory	0.0	0.0	0.0	0.0	8.6
Others	2.8	1.9	1.8	3.7	1.4
Fee and commission expenses	**(12.7)**	**(6.4)**	**(7.6)**	**(14.0)**	**(12.1)**
Net fee and commission income	**53.4**	**25.3**	**49.0**	**74.3**	**136.7**

Our net fee and commission income increased by 84.0% to RMB136.7 million in 2009 compared to RMB74.3 million in 2008, which in turn increased by 39.1% from RMB53.4 million in 2007. The increase from 2007 to 2009 resulted from the increases in settlement and clearance fees, agency service fees, bank card fees and collection and payment charges, reflecting our efforts in developing our fee- and commission-based business. After our incorporation as a commercial bank, most restrictions on the operation of our fee- and commission-based business were lifted, which allowed us to develop new fee- and commission-based services, and we expect our fee and commission income will continue to increase in the near future as we obtain licenses to provide more services to our customers and as we roll out our services across more branch outlets in our distribution network.

Settlement and Clearance Fees

Settlement and clearance fee income consists primarily of fees earned on money transfer and other fees earned on settlement and clearing services (including remittance), account and cash management services. Settlement and clearance fees increased by 6.4% to RMB11.6 million in 2009 compared to RMB10.9 million in 2008, which in turn increased by 51.4% compared to RMB7.2 million in 2007. These increases resulted from the growth in our settlement and clearance business.

Agency Service Fees

Agency service fee income consists primarily of fees earned from our bancassurance agency services. Agency service fee income increased by 110.5% to RMB76.4 million in 2009 compared to RMB36.3 million in 2008, which in turn increased by 67.3% compared to RMB21.7 million in 2007. These increases resulted from the growth in our business as a result of higher volume of agency service transactions and more varieties of services that we offered. The increase from 2008 to 2009 is more significant than the increase from 2007 to 2008 because we sold more insurance products in more branch outlets as a result of our continued efforts in expanding our insurance agency service in 2009 by adopting a set of policies designed to incentivize our bank tellers and customer managers to sell more products and further develop this business.

Bank Card Fees

Bank card fee income consists primarily of various fees associated with our debit and credit cards, such as transaction fees from merchants on the use of our bank cards, card replacement fees, late fees and transaction fees charged for servicing cards issued by other banks. Bank card fee income further increased by 43.2% to RMB36.8 million in 2009 compared to RMB25.7 million in 2008, which increased by 7.1% from RMB24.0 million in 2007 primarily due to the increased number and transaction volume of our bank cards, the start of our credit card business in November 2009 and the increased settlement transaction volume of bank cards issued by other banks through our settlement system, which was partially offset by the promotions we offered for our cards.

Fee collection commission

Fee collection commission increased by 19.7% to RMB14.0 million in 2009 compared to RMB11.7 million in 2008, which in turn increased by 12.5% compared to RMB10.4 million in 2007. These increases resulted from a combination of factors, including our effort to expand business by offering more types of fee collection services, our enhanced ability to negotiate better terms with our business partners, and the convenience to our customers provided by our extensive distribution network, multimedia inquiry machines and telephone bombing services.

Consulting and financial advisory

We only started providing consulting and financial advisory service to our corporate customers in 2009 and our financial advisory income were RMB8.6 million, nil and nil for the years ended December 31, 2009, 2008 and 2007.

Others

Other fees and commissions mainly include our fees for foreign exchange services, consulting and advisory services, guarantee services, commissions on the sale of wealth management products to our customers and others. It decreased from RMB3.7 million in 2008 to RMB1.4 million in 2009 because we launched the foreign exchange services in 2009. It increased from RMB2.8 million in 2007 to RMB3.7 million in 2008 as a result of our efforts to increase our fee- and commission-based business in general.

Fee and Commission Expenses

Fee and commission expenses decreased by 13.6% from RMB14.0 million in 2008 to RMB12.1 million in 2009 primarily due to a significant reduction in expenses associated with our settlement and clearance services and with our bank card services. Such decreases reflected the improvement in our settlement systems and services, such as the additions of ATMs, which resulted in lower transaction costs. Fee and commission expenses increased by 10.2% from RMB12.7 million in 2007 to RMB14.0 million in 2008 primarily due to the increase in expenses associated with our use of the settlement and clearance system and services of other banks resulting from the increased issuance of our bank cards and the increase in expenses associated with other services.

Net Trading Gain/Loss

Our net trading gain/loss is primarily comprised of net gains or losses from held-for-trading debt securities. In 2009, our total net trading income was RMB8.3 million. In 2008, we did not have any net trading gain. In 2007, our total net trading loss was RMB2.8 million.

Other Operating Income, Net

Other operating income, net primarily includes gains from the disposal of fixed assets, gains from disposal of foreclosed assets, government grants and compensation receivable in relation to the construction of the Three Gorges Dam and rental income from the properties owned by us pending our eventual disposal of such property. In order to compensate for the losses of several of our rural cooperatives in the Three Gorges Dam areas in Chongqing arising from the relocation of residents and properties due to the construction of the Three Gorges Dam, we received compensation, which was payable by Chongqing Yufu Assets Management Company Limited for a period of 13 years under a trust arrangement set up in connection with a special PBOC loan in the principal amount of RMB743 million. Please see "Our History, Restructuring and Operational Reform — Financial Restructuring — Write-offs of Non-performing Assets" for further information on the trust arrangement and the related non-performing asset write-offs. We recognized the present value of the entire receivables in June, 2007 which amounted to RMB312.2 million.

Other operating income, net increased by 56.1% to RMB57.3 million in 2009 from RMB36.7 million in 2008, primarily due to the increase in gains from the disposal of fixed assets. It decreased by 97.3% from RMB1,347.7 million in 2007 to RMB36.7 million in 2008, primarily reflecting, 1) a RMB1.0 billion of government subsidies in 2007, which was nil in 2008, and 2) a RMB312.2 million compensation for our operating loss at the area affected by the flooding from the construction of the Three Gorges Project while there was no such compensation in 2008.

Net Gain/Loss on Sale of Available-for-Sale Financial Assets

In 2009, we incurred a net gain on sale of available-for-sale financial assets of RMB121.4 million. In 2008, we incurred a loss of RMB0.4 million on sale of available-for-sale financial assets. In 2007, we had a net gain on sale of available-for-sale financial assets of RMB18.9 million.

Operating Expenses

The following table sets forth, for the years indicated, the principal components of our total operating expenses.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2008	For the year ended December 31, 2009
	(in millions of RMB)				
Staff costs.	1,007.9	417.2	804.1	1,221.3	1,809.7
Business tax and surcharges .	182.4	101.0	209.8	310.8	396.5
Depreciation and amortization	190.5	83.8	226.1	309.9	331.0
Other general and administrative expenses(1) .	465.0	227.2	403.4	630.6	653.5
Total operating expenses .	**1,845.8**	**829.2**	**1,643.4**	**2,472.6**	**3,190.7**

(1) Consist primarily of donations, litigation losses, administration expenses, auditor's remuneration and other professional services fees, and taxes other than Enterprises Income Tax.

Our operating expenses increased by 29.0% to RMB3,190.7 million in 2009 compared to RMB2,472.6 million in 2008, which in turn increased by 34.0% compared to RMB1,845.8 million in 2007. Our operating expenses to total operating income ratio (excluding other operating expenses, net) was 56.2%, 46.7% and 32.3% in 2009, 2008 and 2007, respectively. The overall increase in our operating expenses as a percentage of our total operating income was primarily due to the increased staff costs and to a lesser extent, the increased marketing and advertising expenses, and expenses incurred to improve our security system and equipment, all as a result of our Restructuring completed in June 2008. We currently do not expect such expenses to substantially increase in the foreseeable future.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 56.7%, 49.4% and 54.6% of our total operating expenses for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the components of our staff costs.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31,	
				2008	2009
	(in millions of RMB)				
Staff Costs					
Salaries and bonuses	692.5	221.3	580.1	801.4	1,341.7
Benefits and labour insurance	202.5	123.0	130.6	253.6	277.0
Others [(1)]	112.9	72.9	93.4	166.3	191.0
Total	**1,007.9**	**417.2**	**804.1**	**1,221.3**	**1,809.7**

(1) Consist primarily of mandatory housing benefit, pension benefit, union fee and education expenses and internal retirement benefits.

Staff costs increased by 48.2% to RMB1,809.7 million in 2009 compared to RMB1,221.3 million in 2008, which in turn increased by 21.2% compared to RMB1,007.9 million in 2007. Our salaries and bonuses increased by 67.4% to RMB1,341.7 million in 2009 compared to RMB801.4 million in 2008, which in turn increased by 15.7% from RMB692.5 million in 2007. Benefits and labor insurance increased by 9.2% to RMB277.0 million in 2009 compared to RMB253.6 million in 2008, which in turn increased by 25.2% compared to RMB202.5 million in 2007. These increases from 2007 to 2009 were primarily due to a combination of (i) an increase in the number of our employees following our incorporation which is in line with our overall business growth and (ii) an increase in base salaries, benefits and implementation of performance based bonus schemes to adjust for the effect of inflation and to improve our competitiveness in recruiting more qualified personnel and retaining talent. The employee numbers increased significantly by more than 2,000 persons from 2007 to 2008 due to our recruitment of additional experienced and qualified personnel after the incorporation of our Bank. In 2009, after our incorporation, we had a bank-wide salary adjustment and we adopted a new benefit and compensation scheme, which contributed to the increase of our staff costs. We do not expect to have any large scale salary review and/or adjustments in the foreseeable future. Please refer to the section headed "Business — Employees" for further details.

Others increased by 14.9% to RMB191.0 million in 2009 from RMB166.3 million in 2008, primarily reflecting the increased expenses on employee welfare associated with the salary increase. It increased by 47.3% to RMB166.3 million in 2008 from RMB112.9 million in 2007 primarily due to an increase in pension benefits corresponding to the increase in the number of our employees following our incorporation.

Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to interest income from loans and our gross fee and commission income. Prior to the incorporation of our Bank into a joint stock limited company in June 2008, we enjoyed the national tax reduction policy available for rural credit cooperatives and the applicable business tax rate was 3%. After the incorporation, we no longer enjoy the favorable tax treatment and the applicable business tax rate was raised to 5%. As a result, business tax and surcharges increased by 27.6% to RMB396.5 million in 2009 compared to RMB310.8 million in 2008 despite the fact that revenue in those two years remained at a similar level. Business tax and surcharge increased by 70.4% from RMB182.4 million in 2007 to RMB310.8 million in 2008 due to an increase in our revenue as well as the loss of our favorable tax treatment.

Depreciation and Amortization

Depreciation and amortization, comprised primarily of depreciation of our fixed assets and amortization of land-use rights, software and other intangible assets, increased by 6.8% to RMB331.0 million in 2009 compared to RMB309.9 million in 2008, primarily reflecting our increased fixed assets. It increased by 62.7% to RMB309.9 million in 2008 from RMB190.5 million in 2007, primarily reflecting the increase in our fixed assets as a result of the revaluation of our assets following the incorporation of our Bank into a joint stock limited company in June 2008.

Other General and Administrative Expenses

Other general and administrative expenses mainly include daily administration expenses, advertising & marketing expenses and other professional services. Other general and administrative expenses increased by 3.6% to RMB653.5 million in 2009 compared to RMB630.6 million in 2008 primarily because we did not incur the marketing and renovation expenses in 2009 as we did in 2008. Other general and administrative expenses increased by 35.6% to RMB630.6 million in 2008 compared to RMB465.0 million in 2007 primarily due to increased expenses on advertising and renovation of our security equipment and system following the incorporation of our Bank in 2008.

Impairment Losses on Assets

Impairment losses on assets consist primarily of provisions charged on loans and advances to customers and other assets and recovery of loans and advances written off. Impairment losses on assets decreased by 57.9% to RMB123.0 million in 2009 compared to RMB292.0 million in 2008 primarily due to an increase in recovery of loans and advances written off in 2009, with an amount of RMB798.3 million compared to RMB384.1 million in 2008. Impairment losses on assets decreased by 66.9% to RMB292.0 million in 2008 compared to RMB883.4 million in 2007 primarily due to increasing non-performing loan write-offs and an increase in recovery of loans and advances written off in 2008, with an amount of RMB384.1 million compared to RMB133.1 million in 2007.

The following table sets forth, for the years indicated, the principal components of our provisions for impairment losses on assets.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31,	
				2008	2009
	(in millions of RMB)				
Loans and advances to customers	865.9	150.2	94.7	244.9	117.5
Other assets[(1)]	17.5	11.4	35.7	47.1	5.5
Total	**883.4**	**161.6**	**130.4**	**292.0**	**123.0**

(1) Consist primarily of foreclosed assets and other receivables.

The largest component of our impairment losses on assets consists of provisions for loan impairment. Provisions for impairment losses on loans and advances to customers decreased by 52.0% to RMB117.5 million in 2009 compared to RMB244.9 million in 2008, primarily reflecting our enhanced risk management policy to decrease impaired asset and an increase in recovery of loans and advances written off. It decreased significantly by 71.7% from RMB865.9 million in 2007 to RMB244.9 million in 2008 primarily because we improved the quality of loans and adopted more stringent credit approval process especially after the incorporation of our Bank and an increase in recovery of loans and advances written off.

Provision expenses for impairment losses on other assets decreased from RMB47.1 million in 2008 to RMB5.5 million in 2009, primarily due to the improvement in the quality of our other assets, which allowed us to reduce the amount of provision. It increased from RMB17.5 million in 2007 to RMB47.1 million in 2008 due to the provision made for the revaluation of certain foreclosed assets.

Profit before Tax

As a result of the foregoing, our profit before tax remained relatively stable at RMB2.5 billion for the years ended December 31, 2009 and 2008. It decreased by 15.8% from RMB3.0 billion for the year ended December 31, 2007.

Income Tax Expense

The following table sets forth our profit before tax, income tax expense and effective tax rate for the years ended December 31, 2007, 2008 and 2009.

	For the year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	For the year ended December 31, 2009
	(in millions of RMB, except percentages)			
Profit before tax	3,002.2	1,317.8	1,211.5	2,484.5
Tax calculated at the statutory income tax rate (0% prior to June 27, 2008 and 25% thereafter)	—	—	302.9	621.2
Add/(less) the tax effect of the following items:				
Non-deductible expenses[1]	—	—	68.3	36.0
Non-taxable income[2]	—	—	(38.5)	(61.0)
Effect of acquisition business	—	—	201.4	—
Income tax expense	**—**	**—**	**534.1**	**596.2**

(1) Consist primarily of marketing expenses exceeding the deductible amount, unauthorized write-offs and certain depreciation and amortization expenses.

(2) Consist primarily of income from state treasury notes and state treasury bonds.

Our income tax expense increased by 11.6% to RMB596.2 million in 2009 compared to RMB534.1 million in 2008, primarily due to the expiration of our preferential tax treatment. Under the Notice on Tax Policy for Rural Cooperatives in Pilot Regions (關於試點地區農村信用社稅收政策的通知), we were exempted from enterprise income tax for the year ended December 31, 2007, and were entitled to a 50% enterprise income tax reduction for the year ended December 31, 2008. As such, we were free from income tax expense in 2007. However, since we completed our incorporation as a joint stock limited company on June 27, 2008, we no longer enjoyed the 50% reduction in income tax rate and we began to be subjected to the 25% uniform statutory PRC enterprise tax rate since the incorporation date.

Our non-taxable income increased by 58.4% from RMB38.5 million for the period from June 27, 2008 to December 31, 2008 to RMB61.0 million in 2009, primarily due to an increase in interest income from treasury bonds, which is non-taxable under PRC tax law. Our non-deductible expense decreased by 47.3% from RMB68.3 million for the period from June 27, 2008 to December 31, 2008 to RMB36.0 million in 2009, primarily because most of our non-deductible expenses incurred in 2008 were one-off expenses relating to the incorporation of our Bank in 2008.

Net Profit

As a result of the foregoing factors, our net profit decreased by 5.4% to RMB1,888.3 million in 2009 compared to RMB1,995.2 million in 2008, which in turn decreased by 33.5% compared to RMB3,002 million in 2007.

SUMMARY SEGMENT OPERATING RESULTS

Operating segments are reported in a manner consistent with the internal reporting provided to our presidents and special management committees that make strategic decisions for our Bank. We report by business segment and geographic segments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Summary Business Segment Information

We derive our revenue primarily from three business segments: corporate banking, retail banking, and treasury business. For a description of products and services included in these business activities, see "Business — Our Principal Business Activities."

The following table sets forth, for the years indicated, our total operating income of our principal business segments and the unallocated amount.

	For the year ended December 31, 2007		For the period from January 1, 2008 to June 26, 2008		For the period from June 27, 2008 to December 31, 2008		For the year ended December 31,				For the six months ended June 30,			
							2008		2009		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
											(unaudited)			
	(in millions of RMB, except percentages)													
Corporate banking business	2,153.1	37.7%	1,193.5	51.7%	1,362.7	45.7%	2,556.2	48.3%	2,322.4	40.9%	1,353.7	56.1%	1,556.4	43.3%
Retail banking business	2,333.5	40.8	1,043.2	45.2	1,121.0	37.6	2,164.2	40.9	1,942.2	34.2	711.8	29.5	1,117.6	31.1
Treasury business	(121.8)[(1)]	(2.1)	61.6	2.6	476.6	15.9	538.2	10.1	1,359.9	24.0	337.4	14.0	901.6	25.0
Unallocated[(2)]	1,347.7	23.6	11.4	0.5	24.3	0.8	35.7	0.7	52.3	0.9	12.0	0.4	21.7	0.6
Total operating income	**5,712.5**	**100.0%**	**2,309.7**	**100.0%**	**2,984.6**	**100.0%**	**5,294.3**	**100.0%**	**5,676.8**	**100.0%**	**2,414.9**	**100.0%**	**3,597.3**	**100.0%**

(1) The loss in our treasury business in 2007 was primarily due to the decentralization in the management of funds in the individual credit cooperative unions formed part of our business prior to our incorporation in 2008, resulting in low efficiency in fund utilization.

(2) Includes businesses such as equity investment and other operating income that are not directly attributable to a segment or cannot be allocated on a reasonable basis. Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

The table below sets forth, for the years indicated, the operating results of each of our major business segment.

	Year ended December 31,														
	2007					2008					2009				
	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total
	(RMB million)														
External net interest Income/ (Expense)[1]	2,604.6	771.3	938.3	—	4,314.2	3,071,8	101.8	2,009.7	—	5,183.3	3,130.4	(107.5)	2,451.6	—	5,474.5
Inter-segment interest Income/ (Expense)[2]	(463.2)	1,539.2	(1,076.0)	—	—	(528.9)	2,034.1	(1,505.2)	—	—	(840.8)	1,999.1	(1,158.3)	—	—
Net commission income	**11.7**	**23.0**	**18.7**	**—**	**53.4**	**13.3**	**28.3**	**32.7**	**—**	**74.3**	**32.8**	**50.6**	**53.3**	**—**	**136.7**
Net trading (loss)/gain	—	—	(2.8)	—	(2.8)	—	—	—	—	—	—	—	8.3	—	8.3
Other operating income [4]	—	—	—	1,347.7	1,347.7	—	—	1.0	35.7	36.7	—	—	5.0	52.3	57.3
Operating income	**2,153.1**	**2,333.5**	**(121.8)**	**1,347.7**	**5,712.5**	**2,556.2**	**2,164.2**	**538.2**	**35.7**	**5,294.3**	**2,322.4**	**1,942.2**	**1,359.9**	**52.3**	**5,676.8**

	For the period from January 1, 2008 to June 26, 2008					For the period from June 27, 2008 to December 31, 2008				
	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total
External net interest Income/ (Expense)[1]	1,355.8	25.1	892.1	—	2,273.0	1,716.0	76.7	1,117.6	—	2,910.3
Inter-segment interest Income/ (Expense)[2]	(167.3)	1,007.4	(840.1)	—	—	(361.6)	1,026.7	(665.1)	—	—
Net commission income	**5.0**	**10.7**	**9.6**	**—**	**25.3**	**8.3**	**17.6**	**23.1**	**—**	**49.0**
Net trading gain	—	—	—	—	—	—	—	—	—	—
Other operating income [4]	—	—	—	11.4	11.4	—	—	1.0	24.3	25.3
Operating income	**1,193.5**	**1,043.2**	**61.6**	**11.4**	**2,309.7**	**1,362.7**	**1,121.0**	**476.6**	**24.3**	**2,984.6**

	For the six months ended June 30, 2010									
	2009					2010				
	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total	Corporate Banking	Retail Banking	Treasury Business	Unallocated	Total
			(unaudited)							
External net interest Income/ (Expense)(1)	1,537.8	(217.1)	1,026.3	—	2,347.0	1,915.6	8.0	1,516.3	—	3,439.9
Inter-segment interest Income/ (Expense)(2)	(197.1)	909.9	(712.8)	—	—	(389.4)	1,068.6	(679.2)	—	—
Net commission income	**13.0**	**19.0**	**21.8**	**—**	**53.8**	**30.2**	**41.0**	**51.9**	**—**	**123.1**
Net trading gain	—	—	2.1	—	2.1	—	—	12.7	—	12.7
Other operating income (4)	—	—	—	12.0	12.0	—	—	(0.1)	21.7	21.6
Operating income	**1,353.7**	**711.8**	**337.4**	**12.0**	**2,414.9**	**1,556.4**	**1,117.6**	**901.6**	**21.7**	**3,597.3**

(1) Represents net interest income/(expense) from external customers or activities of each segment.

(2) Represents net interest income/(expense) attributable to transactions of each segment and other segments.

(3) The loss in our treasury business in 2007 was primarily due to the decentralization in the management of funds in the individual credit cooperative unions that formed part of our business prior to our incorporation in 2008, resulting in low efficiency in fund utilization.

(4) Other operating income in 2007 included a non-recurring government grant of RMB1.0 billion received from Chongqing Yufu Assets Management Company Limited.

Corporate banking business accounts for 43.3%, 40.9%, 48.3% and 37.7% of our total operating income in the first half of 2010 and in 2009, 2008, and 2007, respectively. Retail banking business accounts for 31.1%, 34.2%, 40.9% and 40.8% of our total operating income in the first half of 2010 and in 2009, 2008, and 2007, respectively. Treasury business accounts for 25.0%, 24.0%, 10.1% and a loss of 2.1% in the first half of 2010 and in 2009, 2008, and 2007, respectively. The increase in our treasury business as a percentage of our total operating income from 2007 to the first half of 2010 was due to higher returns on our investments as we centralized our treasury operations since our establishment, and a larger pool of funding as a result of growth in our deposit base.

Summary of Information on Geographical Segments

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording gains. The table below sets forth the total operating income attributable to County Area branches and Urban Area branches for the periods indicated.

	Year ended December 31, 2007			For the period from January 1, 2008 to June 26, 2008			For the period from June 27, 2008 to December 31, 2008			Year ended December 31, 2008			Year ended December 31, 2009		
	County[1]	Urban	Total	County	Urban	Total	County	Urban	Total	County	Urban	Total	County	Urban	Total
Net interest income	2,699.2	1,615.0	4,314.2	1,139.3	1,133.7	2,273.0	1,211.8	1,698.5	2,910.3	2,351.1	2,832.2	5,183.3	1,883.0	3,591.5	5,474.5
Net fee and commission income	25.9	27.5	53.4	21.9	3.4	25.3	25.1	23.9	49.0	47.0	27.3	74.3	91.4	45.3	136.7
Net trading gain/loss	—	(2.8)	(2.8)	0.0	0.0	0.0	0.0	0.0	0.0	—	0.0	0.0	—	8.3	8.3
Other operating income, net[1]	1,375.9	(28.2)	1,347.7	2.1	9.3	11.4	23.9	1.4	25.3	26.0	10.7	36.7	44.4	12.9	57.3
Operating Income	4,101.0	1,611.5	5,712.5	1,163.3	1,146.4	2,309.7	1,260.8	1,723.8	2,984.6	2,424.1	2,870.2	5,294.3	2,018.8	3,658.0	5,676.8
Internal transfer of income and expense[2]	141.4	(141.4)	0.0	252.8	(252.8)	0.0	294.1	(294.1)	0.0	546.9	(546.9)	0.0	1,549.5	(1,549.5)	0.0
Gain after adjustment	4,242.4	1,470.1	5,712.5	1,416.1	893.6	2,309.7	1,554.9	1,429.7	2,984.6	2,971.0	2,323.3	5,294.3	3,568.3	2,108.5	5,676.8

	Six months ended June 30, 2009			Six months ended June 30, 2010		
	County	Urban	Total	County[3]	Urban	Total
Net interest income	839.1	1,507.9	2,347.0	972.0	2,467.9	3,439.9
Net fee and commission income	35.9	17.9	53.8	43.1	80.0	123.1
Net trading gain/loss	—	2.1	2.1	—	12.7	12.7
Other operating income, net	8.1	3.9	12.0	14.6	7.0	21.6
Operating Income	883.1	1,531.8	2,414.9	1,029.7	2,567.6	3,597.3
Internal transfer of income and expense[2]	716.3	(716.3)	0.0	785.7	(785.7)	0.0
Gain after adjustment	1,599.4	815.5	2,414.9	1,815.4	1,781.9	3,597.3

(1) The RMB1,375.9 million of other operating income in 2007 included the RMB1.0 billion government grant received from Chongqing Yufu Assets Management Company Limited.

(2) Because our County Area branches tended to attract more deposits and disburse less loans than our Urban Area branches, we transfer funds internally to match the demand and supply of funds. The amount to be transferred is based on the risk-weighted price of deposits, with references to (a) the Shanghai Interbank Offered Rate (the "Shibor") for demand deposits and time deposits that are due in one year, and (b) the interest rates of government treasury bonds for time deposits that are due in more than one year.

(3) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

June 30, 2010 and 2009

For the six months ended June 30, 2010, the County Area and the Urban Area operating income as a percentage of total operating income were 50.5% and 49.5%, compared to 66.2% and 33.8% for the six months ended in June 30, 2009. The more balanced County Area and Urban Area contribution towards total operating income reflected our bank's strategy to strengthen our Urban Area presence while maintaining our County Area market leadership. For the six months ended June 30, 2010, the County Area segment had operating income of RMB1,815.4 million, representing an increase of 13.5% over the same period in 2009, largely driven by the increase in net interest income and fees and commissions income. For the six months ended June 30, 2010, the Urban Area segment had operating income of RMB1,781.9 million, representing an increase of 118.5% over the same period in 2009, largely due to the rapid growth in net interest income and fees and commissions income.

2007, 2008 and 2009

For the years ended December 31, 2009, 2008 and 2007, the County Area and the Urban Area operating income accounted for 62.9% and 37.1%, 56.1% and 43.9%, 74.3% and 25.7% of the total operating income, respectively. Excluding a one-time government support of RMB 1.0 billion in 2007, the operating income of the County Area increased by 10.1% from RMB3,242.4 million in 2007 to RMB3,568.3 million in 2009. The operating income of the Urban Area grew from RMB1,470.1 million in 2007 to RMB2,108.5 million, at a CAGR of 19.8%. The faster growth in the Urban Area is driven by the faster growth in the net interest income and the investment income in the Urban Area, partially offset by the faster growth in the fees and commissions income in the County Area and the increase in internal transfer adjustment from 2008 to 2009 due to the internal fund consolidation after the incorporation of our Bank in 2008.

Cash flow

The table below sets out the cash flow of our banks for the periods indicated.

	Year ended December 31, 2007	For the period from January 1, 2008 to June 26, 2008	For the period from June 27, 2008 to December 31, 2008	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
	(in millions of RMB)					
Net cash generated by operating activities	7,019.7	2,678.9	20,473.7	23,152.6	5,931.0	16,111.9
Net cash from/(used in) investing activities	(6,716.2)	(7,779.2)	8,235.6	456.4	(7,985.1)	(8,822.1)
Net cash (used in)/from financing activities	3,684.0	4,256.9	(12.3)	4,244.6	2,080.1	1,601.0
Net increase (decrease) in cash and cash equivalents	3,987.5	(843.4)	28,697.0	27,853.6	26.0	8,890.8

Cash Flows from Operating Activities

Cash inflows from operating activities are primarily attributable to the net increase in deposits from customers, banks and other financial institutions, interest income received and other cash inflows generated from operating activities. The net increase in the balance of our deposits from customers, banks and other financial institutions for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007 was RMB39.3 billion and RMB38.5 billion, RMB22.3 billion and RMB19.0 billion, respectively. The net increase in financial assets sold under repurchase agreements in 2008 and 2007 was RMB15.1 billion and RMB16.3 billion, respectively.

Cash outflows from our operating activities are primarily attributable to the net increase in loans to customers, the net increase in balances with central banks and deposits and placements with banks and other financial institutions and interest expense. The net increase in the total balance of our loans to customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007 was RMB12.4 billion, RMB24.5 billion, RMB3.0 billion and RMB23.5 billion, respectively. For a discussion of variations in our loans to customers from December 31, 2007 to June 30, 2010, see "Assets and Liabilities — Assets — Loans to Customers." The net increase in balances with central banks and deposits with banks and other financial institutions for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007 was RMB8.9 billion, RMB6.3 billion, RMB1.8 billion and RMB7.5 billion, respectively. The net decrease in financial assets sold under repurchase agreements in 2009 was RMB8.3 billion.

Cash Flows from Investing Activities

Cash inflows from our investing activities are primarily attributable to proceeds from disposal of investments and returns on investments received. The proceeds from disposal of investments for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007 amounted to RMB14.0 billion, RMB9.9 billion, RMB12.4 billion and RMB4.5 billion, respectively.

Our cash outflows from investing activities are primarily attributable to purchases of investment securities. Our purchases of investment securities for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007 amounted to RMB23.7 billion, RMB19.1 billion, RMB23.5 billion and RMB11.7 billion, respectively.

Cash Flows from Financing Activities

Our cash inflows from financing activities are primarily attributable to proceeds from debt securities issued and proceeds from subscription of our Shares. We issued subordinated bonds in December 2009 in an aggregate nominal value of RMB2.3 billion and generated net proceeds from 2010 capital injection subscription of our Shares in 2008 and 2007 of RMB4.4 billion and nil, respectively. In addition, in March 2010, we increased our registered capital, which was contributed as RMB1.20 billion by Chongqing City Construction Investment Company, RMB518 million by Chongqing Transport and Travel Investment Group Limited Company and RMB191 million by Chongqing Yufu Assets Management Company Limited, all of which are state-owned Shareholders.

LIQUIDITY

We fund our loan and investment portfolios principally through our customer deposits. Although a majority of deposits from customers have been short-term deposits, deposits from customers have been, and we believe will continue to be, a stable source of our funding. The amount due to customers with remaining maturities of less than one year (including one year) represented 93.0%, 92.3%, 89.3% and 87.3% of total deposits from customers at June 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at a reasonable cost and in a timely manner to fund our debt obligations. We are exposed to liquidity risks primarily arising from funding our lending, trading and investment activities and from the risks associated with managing our current assets. Our objective in liquidity risk management is to comply with the relevant supervisory and regulatory requirements and to ensure that we are able to meet all our payment obligations and fund all of our investment operations and lending opportunities in a timely and cost-effective manner under all circumstances.

We manage our liquidity needs by monitoring the maturity profile of our assets and liabilities while actively monitoring various liquidity indicators, including liquidity ratios, ratios for surplus deposit reserves, loan-to-deposit ratios and inter-bank lending and borrowing ratios. In addition, we invest in a significant amount of liquidity assets such as PBOC bills and PRC government bonds, which gives us the flexibility to meet potential liquidity requirements. If further liquidity requirements arise, we have access to the inter-bank money market.

The following table sets forth, as of June 30, 2010, the remaining maturities of our assets and liabilities.

	As of June 30, 2010							
	Overdue/ undated	**Repayable on demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	(in millions of RMB)							
Non-derivative financial assets								
Cash and balances with central bank	27,114.1	5,729.9	—	—	—	—	—	32,844.0
Deposits with banks and other financial institutions	—	3,680.5	1,000.0	—	2,270.8	700.0	—	7,651.3
Financial assets held for trading	—	—	—	—	—	1,104.1	2,430.8	3,534.9
Financial assets designated as at fair value though profit or loss	—	—	6,744.3	5,919.6	4,565.1	500.0	—	17,729.0
Financial assets held under resale agreements	—	—	15,657.2	11,627.2	6,215.3	—	—	33,499.7
Loans and advances to customers	1,551.0	—	5,104.5	5,746.4	23,414.1	44,200.9	29,399.2	109,416.1
Available-for-sale financial assets	71.7	—	—	—	—	245.2	610.7	927.6
Held-to-maturity investments	—	—	20.0	49.9	4,776.6	5,705.0	15,998.5	26,550.0
Debt securities classified as receivables	—	—	720.4	1,784.6	7,257.4	12,592.0	865.3	23,219.7
Other financial assets	—	1,347.0	—	—	33.7	134.3	69.8	1,584.8
Total financial assets	28,736.8	10,757.4	29,246.4	25,127.7	48,533.0	65,181.5	49,374.3	256,957.1
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	5,698.3	500.0	2,600.0	2,140.3	—	—	10,938.6
Placements from banks	—	—	857.9	—	—	—	—	857.9
Financial assets sold under repurchase agreements	—	—	22,040.9	14,948.5	7,257.3	—	—	44,246.7
Due to customers	—	85,998.2	5,990.5	14,192.1	66,253.4	12,893.3	74.6	185,402.1
Debt securities issued	—	—	—	—	—	—	2,300.0	2,300.0
Other financial liabilities	—	2,822.3	—	—	—	—	37.9	2,860.2
Total financial liabilities	—	94,518.8	29,389.3	31,740.6	75,651.0	12,893.3	2,412.5	246,605.5
Liquidity gap	28,736.8	(83,761.4)	(142.9)	(6,612.9)	(27,118.0)	52,288.2	46,961.8	10,351.6
Cumulative liquidity gap	28,736.8	(55,024.6)	(55,167.5)	(61,780.4)	(88,898.4)	(36,610.2)	10,351.6	

CAPITAL RESOURCES

Shareholders' Equity

Our total shareholders' equity increased to RMB12,684.6 million as of June 30, 2010 from RMB9,477.3 million as of December 31, 2009, which in turn increased from a net equity of RMB7,891.8 million as of December 31, 2008. The Bank incurred a large amount of accumulated losses before 2007 due to the large amount of non-performing assets formed in the operations of the various rural credit cooperatives before 2007, which necessitated the provision of a large amount of allowance for impairment losses.

The following table sets forth, for the periods indicated, the components of the changes in our total equity.

	Total equity attributable to equity holders of the Bank
	(in millions of RMB)
As at January 1, 2007	**(6,802.7)**
Profit for the year	3,002.2
Other comprehensive income	(165.4)
Units newly issued and fully paid	459.9
Units withdrawal	(175.9)
Capital Injection by units holder for non-performing assets written-off	3,489.7
As at December 31, 2007	**(192.2)**
Profit for the period	1,317.8
Other comprehensive income	(82.9)
Appropriation to general and regulatory reserve	—
Dividend declared	(110.8)
As at June 26, 2008	**931.9**

	Total
As at June 27, 2008	—
Shares issued for acquisition of Business	2,717.9
Subscription for shareholders	4,360.1
Profit for the period	677.4
Other comprehensive income	136.4
Appropriation to surplus reserve	—
As at December 31, 2008	**7,891.8**
Profit for the year	1,888.3
Other comprehensive income	(70.7)
Dividend declared	(232.1)
As at December 31, 2009	**9,477.3**
Profit for the year	1,660.4
Other comprehensive income(expense)	(32.5)
Subscription by shareholders	1,910.0
Contribution from non-controlling shareholders	29.4
Dividend declared	(360.0)
As at June 30, 2010	**12,684.6**

Profit Distribution

On April 26, 2010, our Board of Directors authorized the payment of a cash dividend in the aggregate amount of RMB360 million in respect of profits for the year ended December 31, 2009. The dividend payment has been approved by the General Shareholders' Meeting on May 26, 2010 and we paid the declared dividend on June 4, 2010.

In addition, we declared and made the following profit distributions to our shareholders for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007:

— In 2009, we declared a cash dividend in the aggregate amount of RMB232.1 million in respect of profits for the year ended December 31, 2008, which were paid in full on May 4, 2009.

— In 2008, the various credit unions which formed part of our predecessor Bank declared a cash dividend in the aggregate amount of RMB110.8 million in respect of profits for the year ended December 31, 2007, which were paid in full before the end of 2008.

— We did not have any dividend payment in 2007.

On December 29, 2009, to increase our supplementary capital, we issued 10-year subordinated bonds in an aggregate principal value of RMB2.3 billion, the interest rate of which is 5.5%, to be increased to 8.5% if the bonds are not called by us at the fifth anniversary.

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by the CBRC, which requires commercial banks in China to maintain a minimum core capital adequacy ratio of 4% and a capital adequacy ratio of 8%. Our core capital, supplementary capital and risk-weighted assets are calculated in accordance with "The Rules on Capital Adequacy Ratios of Commercial Banks" and other related regulatory rules in the PRC, and are based on our financial statements prepared in accordance with PRC GAAP.

The following table sets forth, at the dates indicated, certain information relating to our capital adequacy.

	As of December 31,		As of June 30,
	2008	2009	2010
	(in millions of RMB, except percentages)		
Core capital			
Share capital	6,000.0	6,000.0	7,000.0
Surplus reserve and general and regulatory reserve	561.9	755.6	3,078.0
Unappropriated profit	631.6	2,142.8	2,057.6
Non-controlling interests	—	—	27.0
Core capital	7,193.5	8,898.4	12,162.6
Deductions	62.6	58.7	42.8
Net core capital	7,130.9	8,839.7	12,119.8
Supplementary Capital			
Reserve of fair value changes of available-for-sale financial assets	68.2	32.9	22.1
Long-term subordinated bonds	0.0	2,300.0	2,300.0
Total capital base before deductions	7,261.7	11,231.3	14,484.7
Deductions	125.1	117.5	85.6
Total capital base after deductions	7,136.6	11,113.8	14,399.1
Risk-weighted assets and market risk capital adjustment	76,589.6	108,589.6	137,153.4
Core capital adequacy ratio	9.31%	8.14%	8.84%
Capital adequacy ratio	9.32%	10.23%	10.50%

Our core capital ratio increased to 8.84% as of June 30, 2010 from 8.14% as of December 31, 2009 primarily due to our RMB1.0 billion Capital Injection and increase in general risk reserve.

Our core capital adequacy ratio decreased to 8.14% as of December 31, 2009 from 9.31% as of December 31, 2008 primarily due to the rapid growth of our risk weighted assets compared to our core capital. Our capital adequacy ratio increased to 10.23% as of December 31, 2009 from 9.32% as of December 31, 2008 following the issuance of our subordinated bonds in December 2009, partially offset by the rapid growth of our risk weighted assets.

In 2007, before we were incorporated into a joint stock limited company, our business was carried out by CRCU, our predecessor bank, and the 39 credit cooperative unions comprising our predecessor Bank at the time. Each of the credit cooperative unions was separately regulated by regulatory authorities and the regulators examined the capital adequacy ratio and the core capital adequacy ratio of each of the credit cooperative unions individually. Therefore, we believe it is not meaningful to disclose the capital adequacy ratio and the core capital adequacy ratio for 2007 on a consolidated basis. Before the incorporation of our Bank, 5 out of the 39 Rural Credit Unions had complied with both capital adequacy ratio and core capital adequacy ratio requirements, 22 met the core capital adequacy ratio requirement, while 12 failed to meet the requirements of both indicators. This was primarily because before the restructuring the 39 Rural Credit Unions had limited risk control, low level of capital management, imperfect capital control and capital replenishment mechanism as well as inadequate risks resistant capacity under the original mechanism. After the incorporation of our Bank, our corporate governance had improved, and we had been able to maintain capital adequacy ratio and core capital adequacy ratio at a level higher than regulatory standards. As of 30 June 2010, we have not been subject to any regulatory sanctions as a result of such non-compliance.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments consist primarily of acceptances and letters of guarantee issued. Acceptance comprises undertakings by us to pay bills of exchange issued by our customers. Letters of guarantee are issued by us to guarantee the performance of our customers' to third parties.

The following table sets forth the contractual amounts of our off-balance sheet commitments at the dates indicated.

	As of December 31,			As of June 30,
	2007	**2008**	**2009**	**2010**
	(in millions of RMB)			
Credit commitments:				
Letters of Guarantee issued	—	—	7.4	35.7
Acceptances	562.0	735.0	2,976.6	4,476.4
Total	**562.0**	**735.0**	**2,984.0**	**4,512.1**

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by the remaining contract maturity classified into the categories specified below as of June 30, 2010.

	As of June 30, 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
	(in millions of RMB)				
On-balance Sheet					
Subordinated bonds issued	—	—	—	2,300.0	2,300.0
Off-balance Sheet					
Operating lease commitments	11.0	7.1	4.8	13.1	36.0
Capital commitments authorized or contracted for					425.4
Total					461.4

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk that values of our assets and liabilities or net income will be adversely affected by changes in market conditions. It mainly includes interest rate risk and equity risk. Such risk may arise from movements in market variables such as interest rates, equity prices and other market changes that affect risk-sensitive market instruments.

Interest Rate Risk

Our major market risk exposure is interest rate risk in relation to our assets and liabilities. Since we predominantly operate in the PRC, we are subject to the interest rate scheme regulated by the PBOC. Interest margins may increase or decrease as a result of interest rate changes, which may reduce or create losses in the event that unexpected movements arise. We have undertaken, or have plans to undertake, initiatives with respect to our interest rate risk management objectives including establishing an interest rate hedging mechanism and cautiously developing products that will help to reduce interest rate risk such as interest rate futures and forward contracts, options and swaps.

The short-term objective of our interest rate risk management is to increase our net interest income, and our long-term goal is to increase the market value of our assets.

Interest Rate Repricing Analysis

The following table sets forth the results of our gap analysis as of June 30, 2010, based on the earlier of (i) the next expected re-pricing dates and (ii) the final maturity dates for our assets and liabilities.

	As of June 30, 2010						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest Generating	Total
	(in million of RMB)						
Non-derivative financial assets							
Cash and balances with central bank	30,819.4	—	—	—	—	2,024.6	32,844.0
Deposits with banks and other financial institutions	4,680.5	—	2,270.8	700.0	—	—	7,651.3
Financial assets held for trading	—	—	—	1,104.1	2,430.8	—	3,534.9
Financial assets designated as at fair value through profit or loss	6,744.3	5,919.6	4,565.1	500.0	—	—	17,729.0
Financial assets held under resale agreements	15,657.2	11,627.2	6,215.3	—	—	—	33,499.7
Loans and advances to customers	8,338.5	6,575.6	86,083.5	5,208.5	3,210.0	—	109,416.1
Available-for-sale financial assets	—	—	—	245.2	610.7	—	855.9
Held-to-maturity investments	20.0	49.9	4,776.6	5,705.0	15,998.5	—	26,550.0
Debt securities classified as receivables	720.4	1,784.6	7,257.4	12,592.0	865.3	—	23,219.7
Other financial assets	—	—	—	—	—	1,584.8	1,584.8
Total financial assets	66,980.3	25,956.9	111,168.7	26,054.8	23,115.3	3,609.4	256,885.4
Non-derivative financial liabilities							
Deposits from banks and other financial institutions	6,198.3	2,600.0	2,140.3	—	—	—	10,938.6
Lending from domestic banks	857.9	—	—	—	—	—	857.9
Financial assets sold under repurchase agreements	22,040.9	14,948.5	7,257.3	—	—	—	44,246.7
Due to customers	91,988.7	14,192.1	66,253.4	12,893.3	74.6	—	185,402.1
Debt securities issued	—	—	—	—	2,300.0	—	2,300.0
Other financial liabilities	—	—	—	—	37.9	2,822.3	2,860.2
Total financial liabilities	121,085.8	31,740.6	75,651.0	12,893.3	2,412.5	2,822.3	246,605.5
Re-pricing gap	(54,105.5)	(5,783.7)	35,517.7	13,161.5	20,702.8	787.1	10,279.9
Cumulative re-pricing gap	(54,105.5)	(59,889.2)	(24,371.5)	(11,210)	9,492.8	10,279.9	

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income and shareholders' equity. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities.

	As of December 31, 2007		As of 26 June 2008		As of 27 June 2008		As of December 31, 2009		As of June 30, 2010	
	Change in Interest Income	Change in Shareholders' equity(2)	Change in Interest Income	Change in Shareholders' equity(2)	Change in Interest Income	Change in Shareholders' equity(2)	Change in Interest Income	Change in Shareholders' equity(2)	Change in Interest Income	Change in Shareholders' equity(2)
	(in millions of RMB)									
100 basis points increase(1) . . .	310.6	(84.2)	142.3	(75.7)	151.5	(127.4)	432.9	(2.2)	291.6	(44.8)
100 basis points decrease(1). . .	(310.6)	93.4	(142.3)	83.6	(151.5)	142.6	(432.9)	2.2	(291.6)	47.9

(1) Interest rates for certain products are below 1%. This is for reference only.

(2) Changes in Shareholders' equity refers to unaudited change in the fair value of assets.

Based on our assets and liabilities as of June 30, 2010, if interest rates increase (or decrease) by 100 basis points instantaneously, our net interest income for the year following June 30, 2010 would increase (or decrease) by RMB291.6 million. If interest rates increase by 100 basis points instantaneously, our shareholders' equity immediately following June 30, 2010 would decrease by RMB44.8 million. On the other hand, if interest rates decrease by 100 basis points, our shareholders' equity would increase by RMB47.9 million.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates within a year, as reflected by the repricing of our assets and liabilities within a year, on our interest income and shareholders' equity, and is based on the following assumptions: (i) all assets and liabilities that reprice or are due within three months and in more than three months but within one year, as shown in the table under "— Repricing Gap Analysis", reprice or are due in the middle of the respective periods (i.e., all the assets and liabilities that reprice or are due within three months reprice or are due in 1.5 months, and all the assets and liabilities that reprice or are due in more than three months but within one year reprice or are due in 7.5 months), (ii) there is a parallel shift in the yield curve and in interest rates and (iii) there are no other changes to the portfolio. Actual changes in our net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Exchange Rate Risk

We are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our foreign currency risk mainly arises from foreign currency deposits. The primary source of our exchange rate risk arises from the exchange rate fluctuations of major currencies such as the US dollar and Euro. As we commenced foreign currency related business only recently, we only had a very small amount of foreign currency denominated assets and liabilities as of June 30, 2010. We intend to develop mechanisms to assess and manage our exchange rate risk in the future if we further expand our foreign currency related businesses.

FINANCIAL DERIVATIVES

We currently do not use any financial derivative instruments in our operation. We may use financial derivative instruments in the future during the course of development of our business and operations.

CAPITAL EXPENDITURES

Our capital expenditure for the six months ended June 30, 2010 and in 2009, 2008 and 2007 were primarily related to purchases of fixed assets pertaining to buildings, leasehold improvements, office equipment and motor vehicles as we expanded our business and increased the number of our staff.

Our capital expenditure was RMB237.3 million for the six months ended June 30, 2010, RMB473.9 million in 2009, an increase of 107.8% as compared to RMB228.1 million in 2008, which in turn decreased by 9.4% compared to RMB251.8 million in 2007. The increase in 2009 was primarily due to our business expansion under which we incurred higher expenditures to open new branch outlets and install security systems, while the decrease in 2008 was primarily due to higher facility renovation costs in 2007 as compared to 2008.

We plan to occur RMB880 million and RMB780 million budget for capital expenditure in 2011 & 2012 respectively, will mainly be used for the opening of new branch offices and renovation of existing offices, purchase of office and communication equipment, vehicles and upgrading of operational systems. Such expenditure will be funded by our internal working capital.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The estimates that we use in applying our accounting policies may have a significant impact on the results of our operations and financial positions included in this section and elsewhere in this prospectus. These estimates involve assumptions about such items as cash flows and discount rates used. Our estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgments are also made during the process of applying our accounting policies. Below is a summary of the accounting policies in accordance with IFRS that we believe are both important to the financial presentation and involve the need for significant estimates and/or assumptions.

Impairment Losses on Loans and Advances to Customers

We review our loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, we make judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, our management uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There is no difference between the methodology of allowance for impairment loss prepared under IFRS and PRC GAAP.

Fair Value of Financial Instruments

We use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as credit risk of our Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Held-to-Maturity Investments

We classify non-derivative financial assets with fixed or determinable payments and fixed maturity that our management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, we evaluate our intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), we will be required to reclassify the entire portfolio of held to-maturity investments as available-for-sale financial assets.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Employee Early Retirement Benefits Obligations

We recognize liabilities in connection with supplementary retirement benefits and early retirement benefits of employees using the projected unit credit method based on various assumptions, including the discount rate, average medical expense increase rate, cost of living adjustment for early retirements and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognized in our consolidated statements of financial position and our corresponding liability.

INDEBTEDNESS

On October 31, 2010, being the latest practicable date prior to the printing of this prospectus for the purposes of this indebtedness statement, we had the following indebtedness:

(a) On December 29, 2009, to increase our supplementary capital, we issued a 10-year subordinated bonds with an aggregate principal value of RMB2.3 billion, the interest rate of which is 5.5%, to be increased to 8.5% if the bonds are not called by us at the fifth anniversary;

(b) deposits and money market takings from customers and other banks and balances under repurchase agreements that arose from the normal course of our banking business carried out by us; and

(c) loan commitments, acceptances, letters of credit and letters of guarantee issued, operating leases, other commitments and contingencies (including pending litigation) that arose from the normal course of banking business carried out by us.

Except as disclosed above, we did not have, as of October 31, 2010, any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Group since October 31, 2010.

RECENT ACCOUNTING PRONOUNCEMENTS

For the purpose of preparing and presenting the Financial Information, the Bank and the Group has consistently applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") which are effective for its financial year beginning on 1 January 2010 during the Relevant Periods except for IFRS 3 (Revised 2008), which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and IAS 27 (Revised 2008) which has been applied for accounting period beginning on January 1, 2010.

The following new and revised standards, amendments and interpretations that have been issued but are not yet effective have not been applied.

IFRSs (Amendments)	Improvements to IFRSs May 2010[(1)]
IAS 24 (Revised)	Related Party Disclosures[(4)]
IAS 32 (Amendment)	Classification of Rights Issues[(2)]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[(3)]
IFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[(5)]
IFRS 9	Financial Instruments[(6)]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[(4)]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[(3)]

(1) Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate

(2) Effective for annual periods beginning on or after February 1, 2010

(3) Effective for annual periods beginning on or after July 1, 2010

(4) Effective for annual periods beginning on or after January 1, 2011

(5) Effective for annual periods beginning on or after July 1, 2011

(6) Effective for annual periods beginning on or after January 1, 2013

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and financial liabilities and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets and financial liabilities that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. For financial assets, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other financial assets, including debt investments and equity investments, are measured at fair value. Financial liabilities held for trading or designated as at fair value through profit or loss are measured at fair value. All other financial liabilities are measured at amortised cost. In the opinion of the Directors of the Bank, the application of IFRS 9 will have a material effect on the future classification and measurement of the Bank's and the Group's financial assets. Since there are no financial liabilities at fair value through profit or loss classified by the Bank and the Group, the Directors of the Bank do not expect the application of IFRS 9 will have a material effect on the financial liabilities of the Bank and the Group.

Except for IFRS 9, the application of other standards, amendments and interpretations is not expected to have a material effect on our Bank's operating results or financial position.

The table below sets forth (i) the reconciliation of property interests of the Group from its audited consolidated financial statements as of June 30, 2010, to the unaudited net book value of the Group's property interests as of September 30, 2010 and (ii) the reconciliation of the unaudited net book value of the Group's property interests and the valuation of such property interests as of September 30, 2010:

	RMB'000
Net book value of property interests of the Group as at June 30, 2010 . . .	2,270,968
Movements for the 3 months ended September 30, 2010	48,205
Additions	80,076
Depreciation	31,706
Disposals	165
Net book value as at September 30, 2010	2,319,173
Valuation surplus as at September 30, 2010.	27,028
Valuation as at September 30, 2010 in Appendix V of Valuation Report . .	2,346,201

Any net revaluation surplus arising from the valuation of properties has not been included in the unaudited pro forma statement of adjusted net tangible assets under the section headed "Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" in this prospectus.

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

The statistics set forth in the table below are based on the assumption that the Over-allotment Option is not exercised.

Forecast consolidated profit attributable to equity holders of the Bank(1) . . . . .Not less than RMB2.85 billion

Unaudited pro forma forecast earnings per share(2)(3) . . . . .RMB0.325 (HK$0.379)

---

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in "Appendix IV — Profit Forecast".

(2) The calculation of the unaudited forecast earnings per share on a pro forma basis in accordance with Rule 4.29(8) of the Hong Kong Listing Rules is based on the forecast consolidated net profit attributable to the equity holders of the Bank for the year ending December 31, 2010, and a weighted average of 8,758,904,110 shares assumed to be issued and outstanding during the year ending December 31, 2010. The weighted average of 8,758,904,110 shares is calculated based on the 6,000,000,000

shares issued and outstanding as of January 1, 2010, 1,000,000,000 shares issued on March 30, 2010 to three state-owned enterprises under a private placement and adjusted for the 2,000,000,000 shares to be newly issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on January 1, 2010. This calculation assumes that the Over-allotment Option will not be exercised.

(3) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8577 to HK$1.00, the PBOC rate prevailing on November 26, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deems relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, we may only pay dividends out of our distributable profit. Our distributable profits represent the sum of the consolidated net profit attributable to our equity holders and the unconsolidated net profit of our Bank for a period, whichever is lower, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP or IFRS, whichever is lower, less:

- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our net profit available for appropriation as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;

- a regulatory general reserve we are required to set aside; and

- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

According to recent MOF regulations, in principle, we are required to maintain a regulatory general reserve of no less than 1% of the balance of our risk-bearing assets from our net profits after tax. This regulatory general reserve constitutes part of our reserves.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, ordinarily we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividend by us must also be approved at a shareholders' general meeting. We are prohibited from making any profit distributions to our shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve and the general reserve. If we make any profit distributions in violation of these rules, our shareholders are required to return to us the amounts they received in such profit distributions.

The CBRC has the discretionary authority to prohibit any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or has violated certain other PRC banking regulations, from paying dividends and making other forms of distributions. See "Supervision and Regulation — PRC Banking Supervision and Regulation — Supervision Over Capital Adequacy — CBRC Supervision of Capital Adequacy" and "Supervision and Regulation — PRC Banking Supervision and Regulation — Principal Regulators — CBRC" in this prospectus. At June 30, 2010, we had a capital adequacy ratio of 10.50% and a core capital adequacy ratio of 8.84%.

Pursuant to the resolution passed by our shareholders at an annual general meeting on May 26, 2010, dividend payment of RMB360.0 million in respect of profits for the year ended December 31, 2009 was declared and paid in full.

On November 12, 2010, our board of directors recommended the distribution of a special dividend. At an extraordinary general meeting of shareholders on November 26, 2010, our shareholders approved the following profit appropriations and dividend declarations:

- in respect of the profit for the period from January 1, 2010 to the date (the "Base Date") immediately preceding the Listing Date (the "Special Dividend Period"), the declaration of a cash dividend to our existing shareholders in an aggregate amount of RMB 403.6 million for the Special Dividend Period;

- Such amount will be proportionally allocated in accordance with the number of our shares held by these shareholders at the Base Date and distributed in the amount of RMB 0.06 per share with respect to the original six billion shares of our Bank prior to the capital injection in 2010 and in the amount of RMB 0.0436 per share with respect to the one billion new shares issued in connection with the capital injection in 2010. Such cash dividend will be distributed in 2011; and

- the remaining distributable profits for the Special Dividend Period and the distributable profits for the period from the Base Date to December 31, 2010 will be reserved for distributions for all the shareholders in subsequent years after the Listing.

On the basis that our forecast net profit attributable to shareholders (before appropriations to the statutory surplus reserve, statutory public welfare fund and general reserve) for the year ending December 31, 2010 is not less than RMB 2.85 billion, we believe that there will be sufficient distributable profits (as defined under PRC law and described above) in respect of the Special Dividend Period. Due to this reason, no special audit will be conducted in relation to the distribution of this special dividend, as we believe our management accounts show a generous buffer for dividend payment.

In respect of each of the years ending December 31, 2011 and 2012, our Board of Directors contemplates a dividend distribution of 25% to 35% of our audited net profit (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is lower) for the relevant year, subject to the applicable PRC laws on dividend distributions as summarized above.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared based on our consolidated net tangible assets at June 30, 2010, as shown in the Accountant's Report in Appendix IB to this prospectus, adjusted as described below.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared to show the effect on our unaudited consolidated net tangible assets at June 30, 2010 as if the Global Offering had occurred on June 30, 2010. The unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Hong Kong Listing Rules 4.29.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our bank has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of our financial position.

	Consolidated net tangible assets attributable to the equity holders of the Bank as at 30 June 2010[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank[(3)]	Unaudited pro forma adjusted consolidated net tangible assets per share [(4)]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on offer price of HK$4.50 per each Offer Share. .	12,155,302	7,560,180	19,715,482	2.19	2.55
Based on offer price of HK$6.00 per each Offer Share. .	12,155,302	10,091,542	22,246,844	2.47	2.88

(1) The consolidated net tangible assets attributable to equity holders of the Bank as of June 30, 2010 is compiled based on the Accountants' Report set out in Appendix IB to this prospectus, which is based on the consolidated net assets attributable to equity holders of the Bank at June 30, 2010 of RMB12,657,592,000 with an adjustment for goodwill and intangible assets of RMB440,129,000 and RMB62,161,000 at June 30, 2010, respectively.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.50 per share and HK$6.00 per share after deduction of the underwriting fees and other related expenses payable by the Bank, and do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank do not take into account the effect of the profit for the period from and including July 1, 2010 to the date immediately preceding the date of the Global Offering and the distribution of such profit to the shareholders during that period. On November 12, 2010, the Directors recommended the distribution of a special dividend of approximately RMB 403.6 million which was approved by the shareholders subsequently at the extraordinary general meeting on November 26, 2010.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived at after adjustments referred to in note (2) above on the basis that 9,000,000,000 shares (comprised 7,000,000,000 shares issued and outstanding on June 30, 2010 and 2,000,000,000 shares to be newly issued pursuant to the Global Offering) are issued and outstanding following the completion of the Global Offering and that the Over-allotment Option is not exercised.

(5) By comparing the valuation of the Group's property interests as of September 30, 2010 as set out in Appendix V to this prospectus, the net valuation surplus is approximately RMB27.0 million as compared to the unaudited carrying amounts of the Group's property interests as of September 30, 2010, which has not been included in the above consolidated net tangible assets attributable to the equity holders of the Bank. The valuation surplus of the Group's property interests will not be incorporated in the consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional depreciation charges of approximately RMB1.6 million per annum would be incurred.

(6) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8577 to HK$1.00, the PBOC rate prevailing on November 26, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2010.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix IA of the Hong Kong Listing Rules require this prospectus to include a statement by our directors that, in their opinion, the working capital available to our Group is sufficient or, if not, how it is proposed to provide the additional working capital our directors deem to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Hong Kong Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Hong Kong Listing Rules, we are not required to include a working capital statement from the directors in this prospectus.

In light of the substantial growth of Chongqing's county area economy, the high growth potential of Chongqing's County Areas and the uniqueness of our County Area Banking Business, we provide an introduction to the environment, development, operation and financial condition of our County Area Banking Business in this section to facilitate your understanding. The financial and operating data of our County Area Banking Business have been consolidated into our financial and operating data as disclosed in the "Business," "Assets and Liabilities" and "Financial Information" sections. For definitions of "County Areas," "County Area Banking Business," "Sannong," and "Urban Area," please see "Definitions and Conventions."

OVERVIEW

County Area Banking Business has been a long-term strategic focus of our Bank, and also one of our major sources of revenues. We provide diversified financial products and services, including Sannong-related Loans, for customers in County Areas through 31 County Area branches with a total of 1,457 distribution outlets located in County Areas. As of June 30, 2010, our County Area loans amounted to RMB54.0 billion, accounting for 47.1% of our total loans, while County Area deposits amounted to RMB124.2 billion, accounting for 67.0% of our total deposits.

County Area economy is an important growth driver for the further development of Chongqing. As of June 30, 2010, County Area GDP of Chongqing amounted to RMB195.1 billion, accounting for 53.7% of the overall Chongqing GDP. On the back of the National Urban-Rural Comprehensive Reform Plan and the One-hour Economic Circle and Two Wings Strategy, as well as a series of preferential policies instigated by the central government and Chongqing municipal government, the County Areas are experiencing unprecedented development opportunities. The development of County Areas drives the expansion of domestic demand, steps up urbanization, and promotes the dynamic development between Urban Area and County Areas. The rapid development of County Area economy also provides an important impetus for the long-term economic growth of Chongqing and even China. As a result of the growth potential of the County Area economy and continuous improvement in the operating environment for the County Area banking business, we believe that the co-ordinate economic development between the Urban Areas and the County Areas will provide significant growth opportunities to the County Area banking business for the banking industry of Chongqing.

As a primary provider and market leader of banking services in the County Areas in Chongqing with an extensive distribution network in Chongqing, leading operational scale, diverse and innovative product and service offerings, decades of experience and expertise in the County Area banking market, as well as strong government relationship, we are well-positioned to capitalize on the continued growth of the County Areas.

- As a banking institution with the most extensive outlet coverage and staff teams which are deeply rooted in County Areas, we cover 1,244 counties and townships in County Areas, accounting for 98.8% of all counties and townships in the Country Areas, and have a team of 9,764 full-time employees, dedicated on County Areas banking business.

- With our unique advantage in interactive market information, capital and product platform across Urban Areas and County Areas and extensive network coverage, our Bank has the competitive advantage in promoting urban area financial products in County Areas and providing customers with one-stop financial services across Urban Areas and County Areas.

- Leveraging on our flexible organization structure, diversified product range, service innovation capabilities, we believe that our product portfolio, capital strength and advanced IT system will strengthen our capabilities to meet the rapid growth in demand for financial services by our County Area customers.

- We believe our long-term cooperation relationship with the government enables us to seize opportunities created in the process of urbanization and industrialization of County Areas.

- Our strong brand name is widely recognised in the Country Areas which is favourable for us to maintain customer loyalty in the County Areas.

- We have been constantly improving our risk management capabilities and operating efficiencies of our County Area banking business and recording robust growth in our financial results.

Strategic importance of the county aeas

Fast economic growth of county areas in China

Promoting the development of county areas in China is an important link of China's overall national policies, and was the core theme of No. 1 Central Government Document during 2004-2010. In 2010, No. 1 Central Government Document stipulates urbanization and industrialization as the key impetus for developing county areas in China. County area economies play a significant role in China's national economy. County areas in China had a total population of 928 million as of the end of 2008, accounting for 69.8% of China's total population. In 2008, GDP of county areas in China amounted to RMB15 trillion, accounting for 49.6% of China's total GDP.

Over the past decade, the county area economy has achieved significant growth as county areas in China continue to undergo urbanization, industrialization and industry migration. During 2001-2008, the CAGR of nominal GDP of county areas was 16.8%, higher than that of national nominal GDP which stood at 15.5%. We believe that the importance of county area economies in the national economy will be constantly enhanced driven by factors such as urbanization, industrialization, industrial migration and supportive government policies that will continue or strengthen.

The following table sets forth the growth of national GDP and GDP of county areas in China as of the dates indicated.

	For the year ended December 31,							
	2001	2002	2003	2004	2005	2006	2007	2008
	(RMB billion)							
GDP of county areas	5,030	5,612	6,400	7,740	8,802	10,336	12,550	14,905
National GDP	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067
Percentage of GDP of county areas in national GDP	45.9%	46.6%	47.1%	48.4%	48.0%	48.8%	48.8%	49.6%

Source: National GDP is from National Bureau of Statistics of China, while GDP of county areas in China is from All China Marketing Research Co., Ltd. (one of major data providers of China). Although National Bureau of Statistics of China has adjusted national GDP according to the economic survey in 2009, we use the national GDP before adjustment to maintain comparability since the adjusted GDP of county areas in China is unavailable.

Meanwhile, the central government has promulgated a series of economic stimulus policies to support the economic development in county areas in China. In recent years, the central government has been increasingly allocating more funds to county area economies to support agricultural production and infrastructure construction, and providing various social subsidies, to improve the social welfares of county areas in China. Such economic stimulus policies and measures include various social endowment insurance and medical schemes, subsidies on education, employment guidance, the purchase of home appliances and home improvement, farm land reform, etc., in county areas in China.

From 2005 to 2010, the funds allocated by the central government to support Sannong increased at a CAGR of 22.4%, and the funds are expected to reach RMB818.3 billion in 2010.

The following table sets forth the funds allocated by the central government to support Sannong, their growth rate and CAGR from 2005 to 2010.

	For the year ended December 31,						
	2005	2006	2007	2008	2009	2010	CAGR
	(RMB billion)						
Funds allocated by the central government to support Sannong	297.5	351.7	431.8	595.6	725.3	818.3	22.4%
Growth rate (%)		18.2%	22.8%	37.9%	21.8%	12.8%	

Source: Website of the central government of China.

Growth potential of County Area economy of Chongqing

National Urban-Rural Comprehensive Reform Plan

With the objectives of accelerating the urbanization process and reducing the gap between urban and county areas in China, the Chinese government has in recent years started the National Urban-Rural Comprehensive Reform Plan, which includes household registration system reform in county areas and urban areas and reform of the rural property rights system. Chongqing is designated by the state council as one of the testing grounds of the National Urban-Rural Comprehensive Reform Plan. Chongqing municipal government hopes to improve the resource allocation and factor allocation efficiency in County Areas through a series of comprehensive reform measures such as building up a framework of urban-rural social security system and regulating land circulation and use systems, and to enhance the capabilities of the county-level governments to manage economic and social affairs, so as to further stimulate the development vitality of County Areas economy.

One-hour Economic Circle and Two Wings Strategy

Since 2007, the central government reinforced Chongqing's position as an important growth pole of Western China, an economic centre in the upper reaches of the Yangtze River, and a municipality directly under the central government with Coordinated Urban Rural Development. On that basis, to consolidate the overall development of Urban Areas and County Areas, the Chongqing municipal government put forward the One-hour Economic Circle and Two Wings Strategy, which focuses on the One-hour Economic Circle to spur the urbanization and industrial development of Chongqing. The prosperity of One-hour Economic Circle is expected to support the development of 17 districts and counties in the Two Wings and accelerate the industrialization and overall economic development in the region.

Two Wings Farming Household RMB10,000 Net Income Increase Project

On the basis of "Opinions on Promoting of Coordinated Urban and Rural Development and Reform of Chongqing" issued by the central government, Chongqing municipal government rolled out the Two Wings Farming Household RMB10,000 Net Income Increase Project at the beginning of 2010, aiming to further boost the economic growth of the County Areas of Two Wings. Chongqing municipal government has allocated RMB400 million of the budget, and intends to make a fiscal investment of RMB10 billion in three years to support the Two Wings, which will mainly be used to provide subsidies for construction of animal breeding enhancement systems food growing and plantation loans to leading agriculutral enterprises, and agricultural insurance. The budgetary funds will also be used to implement economic stimulus measures for various agriculture-related activities in the Two Wings. These stimulus measures include encouraging several agricultural related activities, large scale agricultural industrialization related activities, rewarding production of quality agricultural produce and various other fee exemptions and preferential measures. By 2012, the CQ municipal government strives to increase the annual income per capita of Two Wings farming household by more than RMB800, reaching RMB6,400; and to increase the net income per farming household in the Two Wings by RMB10,000 from the level in 2009, reaching RMB25,000.

National Urban-Rural Comprehensive Reform Plan and relevant supporting policies have brought about constant growth for County Area economy, which outstripped overtook the economic growth of Urban Areas over the past few years. During 2005 to 2009, per capita disposable income in County Areas increased at a CAGR of 13.2%, while in Urban Areas increased at a CAGR of 11.4%. The following table sets forth the per capita income in Urban and County areas and respective CAGRs as of the dates indicated:

	For the year ended December 31,					
	2005	2006	2007	2008	2009	CAGR
Per capita disposable income in Urban Areas of Chongqing (RMB)	10,244	11,570	12,591	14,368	15,749	11.4%
Per capita disposable income in County Areas of Chongqing (RMB)	2,809	2,874	3,509	4,126	4,621	13.2%

Source: National Bureau of Statistics of China

Meanwhile, Chongqing's process of urbanization sped up significantly, with the urbanization rate rising from 29.5% in 1996 to 51.6% in 2009. On the back of the successful implementation of National Urban-Rural Comprehensive Reform Planand related policies, Chongqing municipal government aims to raise the urbanization rate to 55% by 2012 and to 70% by 2020, and to reduce the gap in disposable income between Urban Areas and County Areas, with the ratio of Urban Areas to County Area disposable incomes dropping from 3.4:1 in 2009 to 3:1 by 2012. The proportion is expected to fall to 2:1 by 2020, which will be close to the current proportions of Shanghai, Beijing and Tianjin.

Financial market of county areas in China

At present, China's county area financial institutions mainly include commercial banks, rural small- and medium-size financial institutions and policy banks. In past decades, the total of deposits and loans of banking financial institutions in county areas in China, including large commercial banks, agricultural development banks, rural credit cooperatives, rural cooperative banks, rural commercial banks, and Postal Savings Bank of China, has experienced constant growth. Additionally, the operations and asset quality of financial institutions in county areas in China have been constantly improving, especially since 2004 when county area banking institutions experienced a significant decrease in their non-performing loan ratio.

In recent years, the Chinese government has implemented a string of policies to improve the operating environment of financial institutions in County Areas and expand the scope of financial products and services in County Areas.

- Implement differential regulation and monetary policies to rural credit cooperatives and other rural financial institutions including (i) exempting rural credit cooperatives from business supervision fees and institution supervision fees; and (ii) exercising a statutory deposit reserve ratio lower than that of general commercial banks to rural credit cooperatives.

- On October 29, 2004, PBOC cancelled the upper limit of loan interest rate of commercial banks, and increased the upper limit of loan interest rate of urban and rural credit cooperatives to 2.3 times of benchmark interest rate.

- Pursuant to the Notice of the MOF Regarding Questions Relating to Writing off Bad Debts of SME and Agricultural Related Non-Performing Loans promulgated on February 16, 2009, subject to the satisfaction of certain conditions, lending institutions may be allowed to write off any agricultural related non-performing loans and bad debts resulting from SME related loans with a value under RMB5 million.

- Pursuant to the Notice of the PBOC on Perfecting Agricultural Loans Management, Supporting Spring Farming and Farming Preparation, Expanding the Refinancing of Sannong promulgated on March 17, 2009, starting from 2009, the policies to support agricultural refinancing were expanded from applicable just to rural credit cooperatives to cover rural cooperative banks, rural commercial banks, township and village banks and other deposit-taking financial institution and legal bodies established in county areas, confirming the allowance for the extension of agricultural loan repayments and relaxing the standard for agricultural loan monitor appraisals.

- Pursuant to the Interim Measures of Management of Reward Funds for Increment of Agricultural Related Loans of County Area Financial Institutions promulgated on April 22, 2009 and subsequent notices, the MOF granted awards according to the percentage of 2% for the part of the average balance of the previous year's agricultural related loans exceeding 15% of the loans of financial institutions in county areas of eight provinces and districts such as Heilongjiang Province;

- Pursuant to the Notice of the MOF and SAT Regarding the Pre-tax Deduction of Provisional Expenses Policy Concerning Agricultural and SME Related Loans promulgated on August 21, 2009, until December 31, 2010, after credit risk classification, the provision for loan losses calculated based on certain requisite proportion made by financial institutions for agricultural and SME related loans are allowed to be deducted in calculating taxable incomes.

- Pursuant to the Notice of the MOF and SAT concerning the Tax Polices Related with Rural Finance promulgated on May 13, 2010, the interest revenues from the loans to farmers issued by financial institutions would (i) be exempted from business taxes; and (ii) have only 90% of it calculated into the taxable incomes from January 1, 2009 and December 31, 2013.

Moreover, the development of China's county area banking industry has been facilitated by a series of important infrastructure developments and initiatives, including:

- Construction of a Nationwide County Area Credit Information Infrastructure. The electronic credit systems have been built up in most counties (districts) of China. Since the credit system can give a standard score according to the financial information and credit records of the farming households, cooperatives, enterprises, etc., the construction of credit systems can effectively relieve the asymmetry of the information between financial institutions and customers in county areas and provide an important information for credit decision-making.

- An Improved Collateral-backed Financing System. Central government has taken various measures including establish special SME loan guarantee funds and guarantee institutions to simplify procedures of mortgage evaluation, registration and notarization; asset auction markets and property transfer markets were improved step by step to solve the difficulties financial institutions faced in cashing collaterals;

- Introduction of Risk-migration Mechanism. The construction of agricultural insurance systems subsidized by the central government and the development of agricultural produce futures market were promoted, and the risk resistance capacity of the farming households and agricultural enterprises were enhanced, which are favorable for relieving the operating risks of rural financial institutions. As of December 31, 2009, the number of farming households which purchased the agricultural insurance reached 133 million, up 48% year-one-year; and,

- Continued Expansion of Farmers' Specialized Economic Cooperatives. The confirmation of the legal status of farmers' professional cooperative economic organizations greatly boosted the promotion of various professional cooperative organizations of farmers. The ongoing development of a credit information infrastructure for rural economic cooperative organizations, specialized associations and other organizational platforms is expected to further improve the credit risk environment in which rural financial institutions operate.

Financial Market in the County Areas

Banking industry in the County Areas mainly includes four financial institutions: Agricultural Bank of China, Agricultural Development Bank of China, Postal Savings Bank of China and our Bank.

Rapid growth of the financial market in the Country Areas

In recent years, with the goal to develop Chongqing into an economic centre in the upper reaches of the Yangtze River, the financial industry of Chongqing experienced rapid development especially in the financial market the County Areas. According to statistics from the PBOC, Chongqing Operations Office, as of June 30, 2010 loan balance in County Areas totalled RMB211.69 billion, increase by 19.3% compared to RMB 177.41 billion as of December 31, 2009. As of December 31, 2009, the loan balance in County Areas was up by 45.3% YoY. As of June 30, 2010, the deposit balance was RMB 449.45 billion, increase by 17.0% compared to RMB 384.05 billion as of December 31, 2009. As of December 31, 2009, the deposit was up by 30.3% YoY. As of June 30, 2010, the loans and deposits in County Areas accounted for 21.4% and 35.5% respectively of the total of Chongqing.

Policy Support for Rural Finance

Having the benefit of a series of preferential policies issued by the central government targeting county area banking business in recent years, Chongqing, as a testing ground of the National Urban-Rural Comprehensive Reform Plan, has gained support of the central government to break through policy constraints and initiated pilot measures. Chongqing government initiated the launching of a series of pilot policies and measures for financial reform, providing a good environment for further improving the financial service system in County Areas.

- Innovating financial products targeting County Areas. In the context of rural land use right transfer and encouragement of rural scale and industrialized management, developing pilot loan products collateralized on collective land use rights, rural residential land or farm house ownership; setting up rural property funds for replacement of rural residential land which are subsidized by the government subsidies and adding value to the replaced land; introducing policy-oriented financial products such as employment related small amount guaranteed loans and business start-up loans into the County Area market, so that the County Area residents can fully benefit from such policy-oriented financial products; developing financial management products targeting County Area, with lower thresholds such as lower capital limit; expanding investment and financial management channels for County Area residents and improving return on assets of private capital in County Areas.

- Establish and improve the credit guarantee system. Chongqing's municipal government is establishing a credit guarantee system covering districts and counties (autonomous counties), and city-level re-guarantee platforms. It is also enhancing the strength, management level and risk management capacity of rural guarantee institutions in the Country Areas by injecting capital into the guarantee institutions in districts, counties and industrial parks.

Low banking penetration rate

At present, despite the rapid development of County Area economy, the banking penetration rate is still low in County Areas. In 2009, loans in County Areas accounted for 48.9% of the County Areas GDP, while the percentage in Urban Areas was 244.2% in Urban Areas. We believe that the economic development of County Areas in Chongqing will stimulate a huge demand for financial products and services. The ongoing National Urban-Rural Comprehensive Reform Plan will increase the fixed asset investment and upgrade the consumer spending patterns in County Areas. Meanwhile, agricultural modernization will increase the financial demand and promote the development of financial leasing, debt financing and other relevant intermediary businesses. Credit demand will be growing continously for rural infrastructure construction, real estate development, agro-processing and other projects.

Development of County Area Banking Business of Our Bank

We aim to further enhance our leading position in the financial market of County Areas of Chongqing. In order to enhance our abilities of supervision, management and research & development of County Area banking products, our Bank established County Area Banking Department at the headquarters. We believe such measures not only highlight our strategic focus, strengthen our risk control and improve our operational efficiency, but also meet the diversified financial needs of our expanding customer base in the County Area. As of June 30, 2010, total loans and deposits in County Area Banking Business each accounted for 47.1% and 67.0% of that of our total.

According to statistics from the PBOC Chongqing Operations Office, as of June 30, 2010, loans and deposits of our Bank accounted for 25.5% and 27.6% of that of financial market of County Areas, respectively.

The following table sets forth balances of deposits of major banking and financial institutions in the financial market of County Areas as of June 30, 2010:

	Deposit balance	Market share
	(in RMB100 million, except percentages)	
Chongqing Rural Commercial Bank	1,241.6	27.6%
Agricultural Bank of China	812.6	18.1
Postal Savings Bank of China	617.5	13.7
China Construction Bank	492.8	11.0
Industrial and Commercial Bank of China	406.9	9.1
Bank of China	251.2	5.6
Bank of Chongqing	117.4	2.6
Bank of Communications	26.5	0.6
Other banks	528.0	11.7
Total	**4,494.5**	**100.0%**

Data source: Chongqing Business Management Department of the PBOC.

The following table sets forth balances of loans of major banking and financial institutions in the financial market of County Areas as of June 30, 2010:

	Loan balance	Market share
	(in RMB100 million, except percentages)	
Chongqing Rural Commercial Bank	539.8	25.5%
Agricultural Bank of China	488.8	23.1
China Construction Bank	266.5	12.6
Industrial and Commercial Bank of China	209.3	9.9
Bank of China	138.2	6.5
Bank of Chongqing	98.6	4.7
Bank of Communications	28.4	1.3
Other banks	347.3	16.4
Total	**2,116.9**	**100.0%**

Data source: Chongqing Business Management Department of the PBOC.

Organizational structure

We established the County Area Banking Commission headed by senior management. It is responsible for establishing strategic planning of County Area Banking Business, major management policies and operation standards. The members of the commission consist of heads from County Area Banking Department, Distribution Channel Department, Bank Card Department, Small Enterprises Credit Department, and Credit Approval Department, with our vice president acting as the chairman.

By coordinating with the relevant departments, the County Area Banking Department of our Bank implements business decisions created by County Area Banking Commission and provides professional operation and management. Major issues are required to be submitted to the vice president for approval after being discussed in the County Area Banking Commission meetings. County Area Banking Department is divided into financial service centre of agriculture industrialization, financial service centre for farmers and Sannong Financial Product Planning and Developing centre, which are responsible for policy studies, system formulation, research and development of products, customer marketing, credit management.

Our Bank's basic operation units include 31 County Area branches with a total of 1,457 distribution outlets, targeting at all County Area Banking Business. We grant comparatively independent operation rights to the County Area Branches, which follow internal step-by-step operation authorization and specified operation responsibilities. The County Area Branches set up loan centres for SMEs and farmers, organize teams of customer managers and arrange special staff to examine and approve loans, in a bid to improve efficiency.

Market position

Our Bank has maintained the leading position in County Area Banking Business and has conducted comprehensive research of the market trend in the County Areas. Our Bank also has a dedicated team of staff specialized in serving County Area Customers for the long term and strategically positioning County Area business as a core business segment for our Bank. Thus, our Bank enjoys a distinctive advantage of the County Area Banking Business. We resolve to enhance our leading position in the County Areas in Chongqing to become a superior bank with unique characteristics. We aim to serve customers in the County Areas and conduct the following corresponding business:

- Branch outlets: given that rapid economic development of County Areas, we place emphasis on building branch outlets with full service capabilities;

- Customers: we will further strengthen our traditional advantages among the small and medium rural corporate customers with strong credit, and actively develop a premier retail customer market in the County Areas.

- Services: we plan to provide more loans to support modern agriculture, urbanization and industrialization of County Areas, and the initiatives of the National Urban-Rural Comprehensive Reform Plan.

Customer orientation

We have the largest customer base in County Areas. As of June 30, 2010, we had 1,720 corporate borrowers, 36,035 corporate depositors and approximately 14.81 million retail customers in the County Areas.

We emphasize on promoting industrialization and urbanization of County Areas to further enhance our leading position in the market. With the rapid development of the County Area economy, our Bank's customer structure has evolved significantly in recent years. We used to focus on enterprises engaged in the marketing and distribution of traditional agricultural products as our County Area customers, but now our target customers have shifted to high-quality enterprises and high-end individual customers. To support this change, we carry out our development strategy as follows:

- In respect of retail customers, we attach our importance to supporting premier customers among high-end farmers, individual businesses, private owners, large specialized households, and urban as well as rural residences.

- In respect of corporate customers, we target small and medium enterprises which promote agriculture industrialization, with strong leading force, large-scale business operation, sufficient capital, sound economic benefits and strong risk avoidance ability and stable economic relationship with farmers, bases and relevant enterprises. At the same time, we also provide loans for massive agricultural production and rural infrastructure.

Marketing

Our Bank has taken the following measures to step up our marketing and increase our banking penetration rate in County Areas.

Designing market-oriented products

Our Bank has set up specialized databases for the industrial and agricultural parks and professional market and enterprises in County Areas, so that we can design the targeted promotions and customize products and services. Our credit products, including commercial mortgage loans for the industrial park plants, have been widely recognized by the market.

Strengthening the building of institutions and customer manager team

As of June 30, 2010, our Bank has established 29 County Area household loan centres in the County Area Branches to develop and promote loan products for County Area customers. Most of our businesses in County Areas were conducted by the customer managers. As of June 30, 2010, we had 3,288 customer managers dedicated on County Area Banking Business, accounting for 90.4% of our total customer managers.

Enhancing the cooperation with intermediaries

In order to help borrowers in County Areas who cannot provide acceptable collaterals to obtain funding, we have provided guarantee for them by signing cooperation agreements with many guarantee companies. Meanwhile, we have signed cooperation agreements with insurance companies to provide County Area borrowers with insurance policies like life and accident insurance, family property insurance and insurance for livestock and other agricultural products so as to enhance the anti-risk capacity of borrowers and diversify our credit risks.

Furthering the relationship with the government

Our bank will continue to closely work with the Chongqing municipal government and local governments at county level in order to increase our penetration rate of financial services in County Areas. We have signed a number of cooperation agreements with various local governments at county level to provide financial support for the development of County Area economy.

Distribution channels

Our Bank has established an extensive and integrated financial service channel network in the County Areas comprising branch outlet, electronic banking, telephone banking, self-service banking and ATM.

Traditional branch network

As of June 30, 2010, we had 1,457 County Area distribution outlets, covering 98.8% towns in County Areas of Chongqing. According to CBRC, the outlet number of our Bank in County Areas exceeded those of the four state-owned commercial banks including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank in aggregate.

Electronic channel

Our Bank has paid more attention to the construction and layout of electronic channels in County Areas. As of June 30, 2010, we had 383 ATM, 56 multimedia inquiry machines, 1,033 POS and 255 corporate customers of online bank. Additionally, we have provided the financial services such as green channels of quick loan application for Small Enterprises through the online bank system and used telephone banking system to provide services like account inquiry, proxy payment of telephone fees and proxy purchase of plane tickets using Jiangyu Card (江渝卡).

We also strengthened the channel construction of mobile services, promoted the scheduled mobile financial service and added electronic equipment in the areas where the outlets were not covered.

Product lines

We offer a wide range of loan products to corporations and individuals, including Sannong-related Loans, in the County Area, in addition to the loan products offered in our corporate banking business and retail banking business. We offer over 30 different loan products each with differentiated features exclusive to County Areas, among which the signature products are "Nongfuxinshidai" ("農富新時貸") and "Shangfuxinshidai" ("商富新時貸"). Sannong Financial Products Planning and Development Centre, together with Corporate Banking Department, Personal Credit Department, Small Enterprises Centre, Risk Management Department and Compliance Department, are responsible for the planning and development of County Area Banking Business. Meanwhile, each of the County Area Branches develop specific products so as to meet various needs of their customers in the local areas.

Corporate credit products

In addition to offering credit products, which have the same features as that offered to Urban Area corporations including working capital loans, loans for fixed assets, mortgage loans for industrial park plants and pledge of receivables, we also provide the following products and services for County Area corporations.

Loans for farming household cooperatives

We offer qualified farming household cooperatives, promoters of these cooperatives and their promoter enterprises in County Areas loan products (農民專業合作社貸款) which can be used as working capital or initial investment.

Pledged loans for exclusive right of trademarks of SMEs

Our Bank provides exclusive loans for SMEs which have obtained the honours of China's Famous Trademark or Chongqing's Famous Trademark and made profits for three consecutive years, and have stable market, in addition to sound management and financial system.

Loans secured by forestry use rights

We were the first bank in Chongqing to offer loan products secured by collective forestry use rights (集體林權抵押貸款) to capitalise on the opportunities brought by the ongoing farm land reform led by the central government and state initiatives to promote industrialized farming. These loans have terms of up to eight years and can be used for agrarian activities on the agricultural land such as purchase of raw materials, farm infrastructure improvement and commercial farming projects.

Loans for agriculture related projects

Our agriculture related project loans (農業項目貸款) offer fixed term credit facilities to more structured and larger scale agriculture related production and industrialization activities such as large scaled commercial plantation and agricultural production, industrialized farming, by-product processing and agricultural tourism. These loans are in larger amounts and borrowers are required to fulfill certain minimum annual revenue requirements.

Personal credit products

Through "Nongfuxinshidai" (農富新時貸), we supply individuals and households in County Areas with County Area retail loan products including the four series — "Road to Prosperity" ("致富之路"), "Wonderful Life" ("精彩人生"), "Business Partner" ("創業伙伴") and "Property Owner Express" ("置業快車"). They consist of loans for large rural specialized households, employment related small amount guaranteed loans (就業再就業貸款), County Area special consumption and loans to farmers (農戶小額信用貸款).

Revolving loans for the maximum mortgage of personal housing

Our Bank offers revolving mortgaged loans (個人房屋最高額抵押循環貸款) for customers who have personal housing. Such loans can be valid for ten years, featuring "mortgage once, revolving, long valid period and flexible repayment".

Loans for large rural specialized households

We supply large rural specialized households in County Areas (large rural specialized households awarded by the county governments or farming households whose annual operating revenue is over RMB80 thousand) with loans (農村專業大戶貸款) for rural plantation and breeding with scale production and operation and circulation of agricultural products.

Loans for returning migrant workers to invest in their home town

Our Bank has provided loans for returning migrant worker and operation entities (農民工返鄉創業貸款) which employ migrant workers when capital is required in their production and operation. Such loans include financial interest discounts and favourable interest rates subsidized by the government.

Employment related small amount guaranteed loans

We provided special government preferential commercial loans for the business owners of migrant workers in the form of employment related small amount guaranteed loans (就業再就業小額擔保貸款).

Farming households home improvement loans

We offer special consumption loan products to the farming households for home improvement (巴渝新居貸款). The loans must be used for building or buying residential houses or renovating old houses. These loans are in the form of credit loans or guaranteed loans instead of mortgages.

Loans to farmers

Our loans to farmers (農戶小額信用貸款) is extended to farmers and farming households in the form of credit loans. These loans can be used for their agricultural related activities, education, healthcare and general household spending. These loans are in the amounts of up to RMB50,000 with a normal term of one year, subject to a maximum term of three years.

We entered into co-operation agreements with various insurance companies to provide special casualty insurance, "Anxinbao" ("安信寶") and "Andaibao" ("安貸寶"), to county retail loans customers. Under these specialised insurance policies, our bank is the primary beneficiary up to the outstanding loan amount the policy holders owed to our bank. Such arrangement offers borrowers assurance, while at the same time minimising the risk exposure from these credit loans and providing us with fee income from the insurance companies.

Debit cards

We currently offer two types of debit cards, Jiangyu Card and Jiangyu Xiangqing Card (江渝鄉情卡), to our customers in the County Area. As of June 30, 2010, we issued a total of 5.43 million debit cards in the County Area, which accounted for 80% of total number of debit cards issued in the County Area.

Jiangyu Xiangqing Card

Jiangyu Xiangqing Card is the first debit card in Chongqing that specifically targets migrant workers. It is a product of our long-standing commitment and effort to build the financial connection between migrant workers and their farming households. Unlike other debit cards, the Jiangyu Xiangqing Card is free of annual fees, account maintenance fees, service charges for domestic cross region withdrawal from ATMs and service charge for our SMS notification service. In addition, we established the "Chongqing Rural Commercial Bank Rural Charity Fund" ("重慶農村商業銀行鄉情慈善基金"), which specifically offers subsidies for inter-bank transfer service charges for funds transferred into our Jiangyu Xiangqing Card accounts from areas outside Chongqing. Our Chongqing Rural Commercial Bank Rural Charity Fund offers Jiangyu Xiangqing Card holders subsidies for inter-bank transfer service charges for one transaction each month. The abovementioned features are collectively called "Four Exemption and One Subsidy".

As of June 30, 2010, we issued a total of approximately 2.4 million Jiangyu Xiangqing Cards, 0.9 million cards more than that of December 31, 2009. As of June 30, 2010, the remittance amount was RMB4.16 billion, an increase of 190% from December 31, 2009. The deposit balance reached RMB8.44 billion, with an increase of 70% from the end of 2009. We believe that by Jiangyu Xiangqing Card's "Four Exemptions and One subsidy" and other finance services, we are able to encourage the uptake of the card and rapidly promote the habit of using bank cards among our customers in County Areas which in turn boost our retail deposit business. With the increased number of cards issued, we were able to continue to enlarge the deposit base of our customers in County Areas. At the same time we are also able to increase the penetration of banking services in the County Area and establish good banking relationships with our customers.

Credit Cards

We currently offer regular credit cards and gold credit cards under the brand of Jiangyu Credit Card to our customers in the County Area since November 2009. As of June 30, 2010, we issued a total of approximately 11,805 credit cards in the County Area which accounted for 77.5% of our total number of credit cards issued. Out of all the credit cards issued in County Area, 7,809 were gold credit cards and 3,996 were regular credit cards.

Fee & Commission-based Products

After our incorporation as a commercial bank, our Bank was released from previous regulatory restrictions and provided fee- and commission-based products and service. As a result, we expanded our fee & commission-based business in County Areas.

Rural Social Pension Insurance

We are the only handling bank for the new Rural Social Pension Insurance (新型農村社會養老保險) in Chongqing. The new Rural Social Pension Insurance was introduced by the central government in 2009 to provide for the retirement needs of the County Area population. As the handling bank, we provide deposit, contribution payment and distribution services. As of June 30, 2010, we handled approximately 3.44 million participants of the new Rural Social Pension Insurance with an aggregate contribution amounted to over RMB 199 million in our accounts. This business provides us with a broad customer base, which we benefit from customer resources boosting the development of various businesses.

Rural Medical Cooperation Scheme

As a major handling bank of Rural Medical Cooperation Scheme (新型農村合作醫療) ("Xinnonghe") ("新農合"), we provide payment, collection and clearance services via our Jiangyu Xiangqing Card platform. Individual participants of Xinnonghe are required to open a Jiangyu Xiangqing Card account with us, which can be used to receive medical subsidies from the relevant local government authorities and settle their medical bills by directly deducting the amount from their Jiangyu Xiangqing Cards. As of June 30, 2010, there were in total 21.8 million individual participants representing 92.6% of the population in the County Areas who are qualified to participate in Xinnonghe.

Collection and payment services

We provide various collection and payment services to our customers. We collect tobacco fees as agents for tobacco growers and act as handling agents for welfare lottery for the local customer. Apart from providing convenience for our customers, these businesses also enable us to be their major settlement banks, which generate fee revenue, provide us with stable source of customers and create cross selling opportunities.

With our most extensive distribution platform in Chongqing and our strong record of handling major projects, we are also the major handling bank for various government subsidies for the County Areas. Various government subsidies, such as subsidies relating to certain agricultural activities and certain household consumption products, are distributed through our banking platform to the accounts of the qualified individuals maintained at our Bank.

Pricing strategy

While pricing the County Area financial products, our Bank has fully considered the characteristics of the local market and competitive environment and risk of our customers. Since there is excess demand for financial services in the County Areas, we are able to take the initiative in pricing the interest rates of loan products. Additionally, we have made efforts to reinforce the pricing capacity in County Area and maximize the earnings after risk adjustment through innovative and different products, extensively distributed outlets and popular brand advantages.

Competition

In the County Areas, Chongqing, as the pilot area for the National Urban Rural Comprehensive Reform Plan, has benefited from a series of incentive policies. As a result, the economy of the County Areas has been developing rapidly, with the financial market becoming increasingly mature. With the relaxation of the entry criteria for financial institutions to operate in the County Areas banking industry, apart from facing competition from Large Commercial Banks and Other National Banks in the County Areas, we also face competition from township and village banks, loan companies, rural cooperatives and other new rural financial institutions established in the County Areas. Various financial institutions have also expanded their business and network penetration in the financial market of the County Areas. Therefore, we face increasingly intense competition in the County Areas.

Risk management

In the operation of County Area Banking Business, we adopted the general risk management policies and procedures of the banking industry. We also set up a series of policies and procedures to deal with the risk of County Area Banking Business based on its characteristics. Please refer to the section “Risk Management — Credit Risk Management for County Area Banking Business.”

Assets and Liabilities

Loans to customers

As of June 30, 2010, loans to customers of our County Area Branches were RMB54.0 billion, up by 17.1% compared to RMB46.1 billion as of December 31, 2009. As of December 31, 2009, loans to customers of our County Area Branches were RMB46.1 billion, an increase of 7.0% from RMB43.1 billion as of December 31, 2008. As of December 31, 2008, loans to customers of our County Area Branches were RMB43.1 billion, down by 3.7% compared to RMB44.7 billion as of December 31, 2007. One of the main reasons was that following the incorporation of our Bank, funds were centrally managed in our headquarters, and the trading of discounted bills by our County Area Branches was collectively reflected in the headquarters which was in the Urban Areas, leading to decrease in the balance of the overall loans to customers in the County Areas.

Distribution of County Area loans by product type

The following table sets forth the loans to customers of our County Area Banking Business by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010(1)	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loan	20,108	45.0%	23,773	55.2%	26,848	58.2%	30,552	56.6%
Retail loan	20,367	45.6	18,250	42.4	18,496	40.1	21,565	39.9
Discounted bills	4,214	9.4	1,031	2.4	757	1.7	1,876	3.5
Total	44,689	100.0%	43,054	100.0%	46,101	100.0%	53,993	100.0%

(1) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

As of June 30, 2010, County Area corporate loans amounted to RMB30.6 billion, an increase of 13.8% from RMB26.8 billion as of December 31, 2009. County Area corporate loans increased by 12.9% to RMB26.8 billion as of December 31, 2009 from RMB23.8 billion as of December 31, 2008, which in turn increased by 18.2% from RMB20.1 billion as of December 31, 2007. The increase over the periods was mainly due to our shift in business to focus more on rural enterprises and specialized cooperatives and less on individual farmers as the structure of the rural economy evolved to become more industrialized. We extended more supports to agricultural industrialization in farm products processing and distribution, mining, equipment manufacturing and production of gas and electricity.

As of June 30, 2010, County Area retail loans amounted to RMB21.6 billion, an increase of 16.6% from RMB18.5 billion as of December 31, 2009, primarily reflecting our effort in adjusting the loan structure to achieve balanced growth by extending loans to quality retail customers in the County

Area. County Area retail loans increased by 1.3% to RMB18.5 billion as of December 31, 2009 from RMB 18.2 billion as of December 31, 2008, which in turn decreased by 10.4% from RMB20.4 billion as of December 31, 2007. The overall decrease in County Area retail loans from December 31, 2007 to December 31, 2009, in absolute amount primarily reflected the reduced demand for such loans and our shifted focus from individual farmers to agricultural enterprises.

As of June 30, 2010 and December 31, 2009, the discounted bills balance of our County Area Banking Business totalled RMB1.9 billion and RMB756.7 million, down by 26.6% as of December 31, 2009 compared to RMB1.0 billion as of December 31, 2008, primarily due to the decrease of discounted bills balance in this period.

As of December 31, 2008, the discounted bills balance of our County Area Banking Business totalled RMB1.0 billion, down by 75.5% compared to RMB4.2 billion as of December 31, 2007. The main reason was that after the incorporation of our Bank, funds were moved to the headquarters for centralized management, and the trading of re-discounted bills in the County Area Branches was collectively reflected to the headquarters, resulting in a decrease in the balance of the discounted bills in County Areas.

Asset quality of loan portfolio

The loan portfolio of our County Area Banking Business is classified under a five-category loan classification standard as with our overall loan portfolio. See "Assets and Liabilities — Assets — Asset Quality of Loans to Customers of our Bank — Loan Classification Criteria" for details. The following table sets forth our County Area Banking Business loan distribution under the five-category loan classification as of the dates indicated.

	As of December 31,						As of June 30,	
	2007		2008		2009		2010(1)	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, excluding percentages)							
Normal	23,831	53.3%	25,163	58.4%	32,930	71.4%	41,528	76.9%
Special mention	12,937	28.9	12,372	28.7	9,853	21.4	9,509	17.6
Secondary	4,249	9.5	2,103	4.9	901	2.0	679	1.3
Doubtful	3,501	7.8	3,272	7.6	2,383	5.2	2,267	4.2
Loss	171	0.5	144	0.4	33	0.0	10	0.0
Total loans to customers	44,689	100.0%	43,054	100.0%	46,100	100.0%	53,993	100.0%
NPL ratio (2)		17.72%		12.82%		7.20%		5.47%

(1) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

(2) Calculated by dividing total non-performing loans by total loans.

As of June 30, 2010, the non-performing loan ratio of County Area loans decreased to 5.5% from 7.2% as of December 31, 2009. The non-performing loan ratio of County Area loans decreased to 7.2% as of December 31, 2009 from 12.8% as of December 31, 2008, which decreased from 17.7% as of December 31, 2007. The decrease from December 31, 2007 to June 30, 2010 mainly reflected our increased efforts to manage risks associated with the Country Area, which reduced non-performing County Area loans.

Liabilities and source of fund

	As of December 31,						As of June 30,	
	2007		2008		2009		2010[(1)]	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, excluding percentages)							
Customer deposits . .	71,368	74.1%	87,093	74.3%	107,167	69.7%	124,195	67.0%

(1) County Area numbers in 2010 includes those from our subsidiary in Zhangjiagang, Jiangsu.

The customer deposits of our County Area Banking Business was RMB124.2 billion, RMB107.2 billion, RMB87.1 billion and RMB71.4 billion respectively as of June 30, 2010, December 31, 2009, 2008 and 2007, up by 15.9%, 23.0% and 22.0% respectively. The overall growth of customer deposits of our Bank's County Area Banking Business was mainly due to: (i) growth in disposable per capita income in the County Area, (ii) our increased marketing efforts, which took advantage of our extensive network in the County Area, and (iii) the establishment of our customer manager team and improvement in our incentive mechanism. Please refer to "Assets and Liabilities — Liabilities and Sources of Funds" for our liabilities and source of fund.

The operating performance of County Area Banking Business

For the six months ended June 30, 2010, the County Area segment had operating income of RMB 1,815.4 million, representing an increase of 13.5% over the same period in 2009, largely driven by the increase in net interest income and fees and commissions income. Excluding a one-time government support of RMB 1.0 billion in 2007, the operating income of the County Area grew from RMB3,242.4 million in 2007 to RMB3,568.3 million in 2009, at a CAGR of 4.9%. The increase from 2007 to 2009 was primarily due to the growth of internal fund consolidation after the incorporation of our Bank in 2008.

Please refer to "Financial Information" for the overall operating performance of our Bank.

Major financial indicators

The following table sets forth the major financial indicators of the County Area Banking Business as of the dates indicated.

	As of December 31,			As of June 30,
	2007	2008	2009	2010
Deposits as % of total deposits	74.1%	74.3%	69.7%	67.0%
Loans as % of total loans of our Bank	59.3	55.3	45.3	47.1
Assets as % of total assets of our Bank	55.2	53.8	55.0	48.9
Return on average total assets	4.1	1.1	1.0	1.1
Net fee and commission income as % of operating income	0.6	1.6	2.6	2.4
Cost-to-income ratio	28.2	52.3	56.3	55.5
Loan-to-deposit ratio	62.6	49.4	43.0	43.5
NPL ratio(1)	17.7	12.8	7.2	5.5
Allowance to non-performing loans ratio(2)	64.5%	81.0%	107.5%	118.4%

(1) Calculated by non-performing loans divided by total loans.

(2) Calculated by allowance for impairment on loans divided by non-performing loans.

OUR FUTURE PLANS AND PROSPECTS

See "Business — Our Strategies" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK$5.25, being the mid-point of the proposed Offer Price range of HK$4.50 to HK$6.00) to be approximately HK$10,291 million, if the Over-allotment Option is not exercised or HK$11,654 million, if the Over-allotment Option is exercised in full. We currently intend to use our net proceeds from the Global Offering to strengthen our capital base to support the ongoing growth of our business.

HONG KONG UNDERWRITERS

Joint Lead Managers

Morgan Stanley Asia Limited

Nomura International (Hong Kong) Limited

Co-Managers

BOCOM International Securities Limited

DBS Asia Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscription for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, volcanic eruption, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union or Japan (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at Federal or New York State level or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), London, the PRC, the European Union, Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the Relevant Jurisdictions; or

(vi) a change or development involving a prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations, or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(viii) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or president of the Bank vacating his or her office; or

(x) an Authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(xi) a contravention by any member of the Group of the Hong Kong Listing Rules or applicable laws; or

(xii) a prohibition on the Bank for whatever reason from allotting or selling the H Shares (including the Option Shares (as defined in the Hong Kong Underwriting Agreement)) pursuant to the terms of the Global Offering; or

(xiii) save as with the prior approval of the Joint Global Coordinators, the issue or requirement to issue by the Bank of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription and sale of the H Shares) pursuant to the Companies Ordinance or the Hong Kong Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xiv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors: (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering; or (3) makes or will make or may make it inadvisable or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors:

(i) that any written statement contained in this prospectus and/or the Application Forms and/or the formal notice or announcements in the agreed form, press release, advertisements or communications issued to the public by or on behalf of the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) which also contain references to the Joint Global Coordinators, was, when it was issued, or has become, untrue, incorrect or misleading in any material respect; or that any forecast, expression of opinion, intention or expectation contained in this prospectus and/or the Application Forms and/or the formal notice or announcements in the agreed form, press release, advertisements or communications issued to the public by or on behalf of the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) which also contain references to the Joint Global Coordinators is not fair and honest and based on reasonable assumptions when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission from this prospectus; or

(iii) any material breach on the part of the Bank of any of the obligations imposed upon it under the Hong Kong Underwriting Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Bank pursuant to the Hong Kong Underwriting Agreement only if such liability materially and adversely affects the business or financial position of the Group; or

(v) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group, taken as a whole, or;

(vi) any breach of, or any event rendering: (i) untrue or incorrect in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement) qualified as to materiality or (ii) untrue or incorrect in any material respect, any of the Warranties not so qualified; or

(c) the Bank withdraws this prospectus, the Application Forms or the Global Offering,

then the Joint Sponsors (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to us to terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date, we have undertaken to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the International Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of any relevant PRC Authority (as defined in the Hong Kong Underwriting Agreement) (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any H Shares or any other securities of the Bank or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares of such other member of the Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of H Shares or any other securities of the Bank or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified above; or

(d) offer to or agree to or announce any intention to effect any transaction specified above;

in each case, whether any of the transactions specified above is to be settled by delivery of H Shares or such other securities of the Bank or shares or other securities of such member of the Group, as applicable, or in cash or otherwise (whether or not the issue of H Shares or such other securities will be completed within the aforesaid period).

Commission

The Hong Kong Underwriters will receive an aggregate underwriting commission of 2.75% of the aggregate Offer Price payable for the Hong Kong Offer Shares. For unsubscribed Hong Kong Offer

Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters). In addition, the Bank may, at its sole discretion, on or before the Price Determination Date, determine to pay to the Joint Sponsors for their accounts an incentive fee up to 0.15% of the Offer Price for each Hong Kong Offer Share underwritten by the Hong Kong Underwriters (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and after taking into account any Hong Kong Offer Shares reallocated to the International Offering, in each case pursuant to the Hong Kong Underwriting Agreement).

Hong Kong Underwriters' Interest in our Bank

Morgan Stanley Asia Limited and Nomura International (Hong Kong) Limited, being two of the Hong Kong Underwriters, are the Joint Sponsors of our listing on the Hong Kong Stock Exchange. Save for interests disclosed in paragraph 5C of Appendix IX to this prospectus, none of the Hong Kong Underwriters has any shareholding interests in us nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares under the International Offering.

Under the International Underwriting Agreement, we and the Selling Shareholders intend to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time on or before the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue and allot up to 300,000,000 additional H Shares and the Selling Shareholders to sell up to 27,826,440 additional H Shares, which represents not more than 15% of the aggregate number of Offer Shares initially available under the Global Offering. These additional H Shares will be issued at the Offer Price and will, among other things, be for the purpose of covering over-allocations, if any, in the International Offering.

Total Expenses

Assuming an Offer Price of HK$5.25 per share (being the midpoint of the proposed Offer Price range of HK$4.50 to HK$6.00), the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$372 million, assuming the Over-allotment Option is not exercised, are payable by us.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Nomura International (Hong Kong) Limited, its affiliate(s) or any person acting for it as stabilizing manager (the **"Stabilizing Manager"**), on behalf of the underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing action permitted pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling our H Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilizing actions by the Stabilizing Manager, its affiliate(s) or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager, its affiliate(s) or any person acting for it, may maintain a long position in our H Shares. The size of the long position, and the period for which the Stabilizing Manager, its affiliate(s) or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our H Shares.

Stabilizing action by the Stabilizing Manager, its affiliate(s) or any person acting for it is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the day on which trading of our H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to end on January 7, 2011. As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise might exist in the open market. Any stabilizing action taken by the Stabilizing Manager, its affiliate(s) or any person acting for it, may not necessarily result in the market price of our H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of our H Shares by the Stabilizing Manager, its affiliate(s) or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 163,914,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "— The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 2,021,595,601 H Shares by us and the Selling Shareholders (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for our H Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our H Shares under the International Offering, but may not do both.

The requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

The number of H Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection headed "— The Hong Kong Public Offering — Reallocation."

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK$6.00 per Offer Share and is expected to be not less than HK$4.50 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$6.00 for each Hong Kong Offer Share (plus the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee). If the Offer Price is less than HK$6.00, appropriate refund payments (including the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. See "Further Terms and Conditions of the Hong Kong Public Offering — 8. Refund of Application Monies."

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective investors will be required to specify the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, but to cease on or around, December 8, 2010.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around December 9, 2010 and in any event, no later than December 14, 2010.

If, for any reason, we and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before December 14, 2010, the Global Offering will not proceed and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at anytime prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Bank's website at www.cqrcb.com notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such a notice, the number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. **Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that under no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares and/or the indicative Offer Price range is so reduced.**

Allocation

Allocation of our H Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it expects that the relevant investor is likely to buy further, and/or hold or sell H Shares after the listing of our H Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Bank and our shareholders as a whole.

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and Basis of Allocations

The Offer Price is expected to be announced on December 15, 2010, and the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on December 15, 2010, in both cases in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been duly agreed upon between us and the Joint Bookrunners (on behalf of the Hong Kong Underwriters);
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the underwriters under both the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than January 2, 2011.

The consummation of both the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will not proceed and lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next business day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed "Further Terms and Conditions of the Hong Kong Public Offering — 8. Refund of Application Monies." In the meantime, the application monies will be held in separate accounts with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on December 15, 2010, but will only become valid certificates of title at 8:00 a.m. on December 16, 2010, provided (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 163,914,000 H Shares at the Offer Price, representing approximately 7.5% of the 2,185,509,601 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.82% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5,000,000 or less; and

- Pool B: The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of more than HK$5,000,000 and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 81,957,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering when certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, in the event of over-applications, the Joint Bookrunners of the Hong Kong Public Offering shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 35 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then number of shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 218,552,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 35 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 327,828,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 601,016,000 Offer Shares, representing approximately 27.5% of the Offer Shares initially available under the Global Offering.

THE INTERNATIONAL OFFERING

Number of H Shares Offered

Subject to the reallocation as described above, the number of H Shares to be initially offered under the International Offering will be 2,021,595,601 H Shares, representing approximately 92.5% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the International Offering will represent approximately 22.46% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Offer Shares will be placed outside the United States to certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators at any time on or before the 30th day from the last day for lodging applications under the Hong Kong Public Offering (being January 7, 2011), to require us and the Selling Shareholders to allot and sell up to an aggregate of 327,826,440 additional H Shares, representing approximately 15% of the initial Offer Shares, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional H Shares will represent approximately 3.53% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Hong Kong Listing Rules.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 185,509,601 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an additional 27,826,440 Sale Shares if the Over-allotment Option is exercised in full.

The sale of the Sale Shares by the Selling Shareholders in connection with the Global Offering has been approved by the SASAC in accordance with the approval of the State Council. Pursuant to a letter issued by the NSSF Council (Shebaojijinfa [2010] No. 133), all the net proceeds from the sale of the Sale Shares currently registered under the names of the Selling Shareholders in the Global Offering will be remitted to the NSSF in accordance with the relevant PRC laws and regulations.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the H Shares to be admitted into the CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 16, 2010, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on December 16, 2010.

Our H Shares will be traded in board lots of 1,000 H Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date and subject to the other conditions set out in the subsection headed "— Conditions of the Hong Kong Public Offering."

We expect on or about December 9, 2010, shortly after determination of the Offer Price, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

1. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S under the U.S. Securities Act 1933), or a legal or natural person of the PRC (except for qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the designated website of the White Form eIPO Service Provider, referred to herein as the **"White Form eIPO"** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO.**

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity. If an application is made by a person duly authorized under a valid power of attorney, we and the Joint Bookrunners (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We and the Joint Bookrunners or the White Form eIPO Service Provider, in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of our Shares, our Directors, Supervisors or chief executive or their respective associates as defined in the Hong Kong Listing Rules or any of our other connected persons (as defined in the Hong Kong Listing Rules) or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for H Shares under the Hong Kong Public Offering or indicate an interest for H Shares under the International Offering, but may not do both.

2. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four channels to make an application for the Hong Kong Offer Shares:

- You may apply for the Hong Kong Offer Shares by using a **white** Application Form. Use a **white** Application Form if you want the H Shares issued in your own name;

- Instead of using a **white** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk. Use **White Form eIPO** if you want the H Shares issued in your own name;

- You may apply for the Hong Kong Offer Shares by using a **yellow** Application Form. Use a **yellow** Application Form if you want the H Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or

- Instead of using a **yellow** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a **white** Application Form and a prospectus during normal business hours from 9:00 a.m. on December 3, 2010 until 12:00 noon on December 8, 2010 from:

Any of the following addresses of the Hong Kong Underwriters:

Morgan Stanley Asia Limited	46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Nomura International (Hong Kong) Limited	30th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
BOCOM International Securities Limited	9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
DBS Asia Capital Limited	22/F, The Centre, 99 Queen's Road Central, Hong Kong

(a) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Diamond Hill Branch	G107, Plaza Hollywood, Diamond Hill
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Fo Tan Branch	No2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

(b) **The Hongkong and Shanghai Banking Corporation Limited**

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central, HK
	Des Voeux Road West Branch	Western Centre, 40-50 Des Voeux Road West, HK
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road, HK
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, KLN
New Territories	Tuen Shing Street Branch	Shop No. 1225, 1/F, Tuen Mun Town Plaza Phase 1, 1 Tuen Shing Street, Tuen Mun, NT
	Kingswood Ginza Branch	G/F Phase II, Kingswood Ginza, Tin Shui Wai, NT
	Sunshine City Plaza Branch	Shop No. 3010, Level 3, Sunshine City Plaza, Ma On Shan, NT

(c) **Wing Lung Bank Limited**

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
Kowloon	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
New Territories	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road
	Yuen Long Branch	37 On Ning Road

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Friday, December 3, 2010 — 9:00 a.m. to 4:30 p.m.
Saturday, December 4, 2010 — 9:00 a.m. to 1:00 p.m.
Monday, December 6, 2010 — 9:00 a.m. to 4:30 p.m.
Tuesday, December 7, 2010 — 9:00 a.m. to 4:30 p.m.
Wednesday, December 8, 2010 — 9:00 a.m. to 12:00 noon

You can collect a **yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on December 3, 2010 until 12:00 noon on December 8, 2010, from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain an Application Form as described in the subsection headed "— 3. Where to Collect the Prospectus and Application Forms," above.

(b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying check(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one check or one banker's cashier order and made payable to "Bank of China (Hong Kong) Nominees Limited — CQRCB Public Offer". You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the check or banker's cashier order does not meet the requirements set out on the Application Form.

(d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in paragraph (a) of the subsection headed "— 7. When May Applications Be Made," below.

In order for an application made on **yellow** Application Form to be valid;

The applicant(s) must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(A) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(B) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(A) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all joint CCASS Investor Participants; and

(B) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Business Registration number; and

(B) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

5. HOW TO APPLY THROUGH WHITE FORM eIPO

(a) If you are an individual and meet the criteria set out above in "— 1. Who Can Apply for the Hong Kong Offer Shares," you may apply through **White Form eIPO** by submitting an application to the White Form eIPO Service Provider through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk. If you apply through **White Form eIPO,** the H Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to us.

(c) In addition to the terms and conditions set out in this prospectus, the White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the White Form eIPO Service Provider to transfer the details of your application to us and our H Share Registrar.

(e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website www.eipo.com.hk.

(f) You should give electronic application instructions through the **White Form eIPO** at the times set out in paragraph (b) of the subsection headed "— 7. When May Applications Be Made" below.

(g) You should make payment for your application through the **White Form eIPO** service in accordance with the methods and instructions set out in the designated website www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on December 8, 2010, or such later time as described under the paragraph headed "(e) Effects of Bad Weather Conditions on the Opening of the Application Lists" in the subsection headed "— 7. When May Applications Be Made," below, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website www.eipo.com.hk.**

(h) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to public investors. **We, our Directors, the Joint Bookrunners and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to us or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Chongqing Rural Commercial Bank Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the White Form eIPO service, you should submit a **white** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a white Application Form. See "— 8. How Many Applications May Be Made" below.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited Customer Service Center
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant,** you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instruction** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our H Share Registrar.

(b) **Minimum Subscription Amount and Permitted Numbers**

You may give electronic application instructions in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

(c) **Warning**

The subscription for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Neither we nor our Directors, the Joint Bookrunners and the Underwriters take any responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions,** they should either:

(i) submit a **white** or **yellow** Application Form; or

(ii) go to HKSCC's Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on December 8, 2010, or at such later time as described under the paragraph headed "(e) Effects of Bad Weather Conditions on the Opening of the Application Lists" in the section headed "— 7. When May Applications Be Made" below.

(d) **Personal Data**

The section of the application form headed "Personal Data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WHEN MAY APPLICATIONS BE MADE

(a) Applications on White or Yellow Application Forms

Your completed **white** or **yellow** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under the subsection headed "— 3. Where to Collect the Prospectus and Application Forms" above at the following times:

Friday, December 3, 2010	**—**	**9:00 a.m. to 4:30 p.m.**
Saturday, December 4, 2010	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, December 6, 2010	**—**	**9:00 a.m. to 4:30 p.m.**
Tuesday, December 7, 2010	**—**	**9:00 a.m. to 4:30 p.m.**
Wednesday, December 8, 2010	**—**	**9:00 a.m. to 12:00 noon**

Completed **white** or **yellow** Application Forms, together with payment attached, must be lodged by 12:00 noon on December 8, 2010**,** or if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

(b) White Form eIPO

You may submit your application to the White Form eIPO Service Provider through the designated website www.eipo.com.hk from 9:00 a.m. on December 3, 2010 until 11:30 a.m. on December 8, 2010 or at such later time as described under the paragraph headed "(e) Effects of Bad Weather Conditions on the Opening of the Applications Lists" below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on December 8, 2010**,** the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

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

(c) **Electronic Application Instructions to HKSCC via CCASS**

CCASS Clearing/Custodian Participants should input **electronic application instructions** at the following times on the following dates:

Friday, December 3, 2010	**—**	**9:00 a.m. to 8:30 p.m.**[(1)]
Saturday, December 4, 2010	**—**	**8:00 a.m. to 1:00 p.m.**[(1)]
Monday, December 6, 2010	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Tuesday, December 7, 2010	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Wednesday, December 8, 2010	**—**	**8:00 a.m.**[(1)] **to 12:00 noon**

---

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.)

CCASS Investors Participants can input **electronic application instructions** from 9:00 a.m. on December 3, 2010 until 12:00 noon on December 8, 2010 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on December 8, 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed "(e) Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

(d) **Application Lists**

The application lists will be open from 11:45 a.m. to 12:00 noon on December 8, 2010, except as provided in the paragraph headed "(e) Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

Applicants should note that checks or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) **Effects of Bad Weather Conditions on the Opening of the Application Lists**

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on December 8, 2010. Instead they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. For this purpose, "Business Day" means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

8. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) or (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO,** once you complete payment in respect of any electronic application instruction given by you or for your benefit to the White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving electronic application instructions under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions to the White Form eIPO Service Provider through the designated website and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

See "Further Terms and Conditions of the Hong Kong Public Offering — 5. Multiple Applications."

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$ 6.00 per H Share. You must also pay brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 H Shares you will pay HK$ 6,060.48. The Application Forms have tables showing the exact amount payable for the numbers of H Shares up to 81,957,000 H Shares.

If the Offer Price as finally determined is less than HK$ 6.00 per H Share, appropriate refund payments (including brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the subsection headed "— 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refunds of Application Monies."

If your application is successful, brokerage fee is paid to participants of the Hong Kong Stock Exchange (or the Hong Kong Stock Exchange, as the case may be), the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange, and the SFC transaction levy is paid to the SFC.

10. PUBLICATION OF RESULTS, DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUNDS OF APPLICATIONS MONIES

We expect the Offer Price, the level of indication of interest in the International Offering, the level of applications of the Hong Kong Public Offering, and basis of allocation of the Hong Kong Offer Shares to be published on December 15, 2010 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese).

- Results of allocations for the Hong Kong Public Offering can also be found in our announcement to be posted on the Bank's website at http://www.cqrcb.com/ and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk from 9:00 a.m. on December 15, 2010;

- Results of allocations will be made available from our Hong Kong Public Offering website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on December 15, 2010 to 12:00 midnight on December 21, 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be made available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from December 15, 2010 to December 18, 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from December 15, 2010 to December 17, 2010 at all the receiving bank branches and sub-branches at the addresses set out in the subsection headed "— 3. Where to Collect the Prospectus and Application Forms."

Refund checks for surplus application monies (if any) under **white** or **yellow** Application Forms and H Shares certificates for successful applicants under **white** Application Forms and **White Form eIPO** will be posted and/or available for collection (as the case may be) on December 15, 2010.

H Share certificates will only become valid certificates of title at 8:00 a.m. on December 16, 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

For further information on arrangements for the dispatch/collection of H Share certificates and refunds of application monies, see "Further Terms and Conditions of the Hong Kong Public Offering — 7. If Your Application for Hong Kong Offer Shares is Successful (in whole or in part)" and "— 8. Refund of Application Monies."

11. SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, the shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Thursday, December 16, 2010. The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 3618.

1. GENERAL

(a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with the Bank and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) as set out below.

(b) If you give electronic application instructions to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give electronic application instructions to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk, you will have authorized the White Form elPO Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the White Form eIPO Service Provider is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by submitting an application to the White Form elPO Service Provider through the designated website for the **White Form eIPO** service.

(e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC and or the White Form eIPO Service Provider prior to making any application for Hong Kong Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

(a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund check in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable thereto), will be sent to you at your own risk to the address stated on your Application Form on or before December 15, 2010.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the subsections headed "— 7. If Your Application for the Hong Kong Offer Shares Is Successful (in whole or in part)," "— 8. Refund of Application Monies" and "— 10. Additional Information for Applicants Applying by Giving Electronic Application Instructions to HKSCC" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on December 15, 2010.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passports numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on December 15, 2010 in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refund of Application Monies."

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any application you for yourself or as agent or nominee and on behalf of each person for whom you act as agent of nominee:

- instruct and authorize our Bank and/or the Joint Bookrunners (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Offer Shares allotted to you in your name(s), or HKSCC Nominees as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;

- represent and warrant that you understand the H Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S of the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;

- confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- agree that the Bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus, the Application Forms and any supplement to this prospectus;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;

- (if the application is made for your own benefit) warrant that the application is the only application which has been or will be made for your benefit on a white or yellow Application Form or by giving electronic application instructions to HKSCC via CCASS or to the White Form eIPO Service Provider via White Form eIPO service;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if you are an agent for another person) warrant that this is the only application which has been or will be made for the benefit of that other person on a white or yellow Application Form or by giving electronic application instructions to HKSCC via CCASS or to the White Form eIPO Service Provider via White Form eIPO service, and that you are duly authorized to sign the Application Form or to give electronic application instructions as that other person's agent;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares under the International Offering nor otherwise have participated or will participate in the International Offering;

- warrant the truth and accuracy of the information contained in the application;

- agree to disclose to us, our H Share Registrar, receiving bankers, the Joint Global Coordinators, Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents, any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- if you apply by using an Application Form, authorize us to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you respectively, and we and/or our agents to send any H Share certificates and/or refund checks (where applicable) to you or (in the case of joint applicants), the first-named applicant on the Application Form, by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you will collect your H Share certificate(s) and/or refund check(s) (where applicable) in person, you can collect your H Share certificate(s) and/or refund checks(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716,17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on December 15, 2010 or such other date as notified by the Bank in the newspapers as the date of dispatch of H Share certificate(s)/e-Refund payment instructions/refund check(s);

- understand that these declarations and representations will be relied upon by us, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted if you make a false declaration;

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the other parties involved in the Global Offering nor any of our or their respective directors, employees, partners, agents, officers or advisors will infringe upon any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- agree with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application, including applications made by HKSCC Nominees, to have agreed, for ourselves and on behalf of each of our shareholder) (and if applicable, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations and the Articles of Association;

- agree with us, each of our shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each shareholder (and if applicable, with each CCASS Participant giving electronic application instructions), to refer all claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

- agree with us and each of our shareholder that H Shares in us are freely transferable by the holders thereof;

- authorize us to enter into a contract on behalf of you with each of our Directors, Supervisors and officers whereby each such Director, Supervisor and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association;

- confirm that you understand entirely that our registered share capital comprises Domestic Shares and H Shares and that holders of H Shares shall have the same rights as holders of Domestic Shares save as to the differences due to the Hong Kong Listing Rules requirements; and

- confirm that you agree to be bound by the terms and conditions and application procedures set out in the Prospectus and the Application Form.

(b) If you apply for the Hong Kong Offer Shares using a yellow Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee agree that:

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Hong Kong Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such Hong Kong Offer Shares for deposit into CCASS; (2) to cause such Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the name of the first-named applicant) and in such a case, to post the H Share certificates for such Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of Hong Kong Offer Shares allotted to you and issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Bank nor any other person in respect of such things or the breach of the terms and conditions of the white Application Form or this prospectus:

- instruct and authorize HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instruct and authorize HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price of HK$6.00 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- in addition to the confirmations and agreements set out in paragraph (a) above instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf all the things which are stated to be done on your behalf on the white Application Form and the following:

  — agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input electronic application instructions on your behalf;

  — undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given electronic application instructions, or any lesser number;

  — (if the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;

  — (if you are an agent for another person) declare that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;

  — understand that the above declarations and representations will be relied upon by us, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

  — authorize us to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allocated in respect of your electronic application instructions and to send H Share certificates and/or refund money in accordance with arrangements separately agreed between the Bank and HKSCC;

  — confirm that you have read the terms and conditions and application procedures set in this prospectus and agree to be bound by them;

  — confirm that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;

  — agree that we, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in the prospectus;

— agree (without prejudice to any other rights which you may have) that, once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;

— agree to disclose to us, the H Share Registrar, receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their respective agents and advisors any personal data and any other information about you which they may reasonably require;

— agree that any application made by HKSCC Nominees on your behalf pursuant to electronic application instructions given by you is irrevocable on or before January 2, 2011, such agreement to take effect as a collateral contract with us and to become binding when you give the instructions, and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person on or before January 2, 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before January 2, 2011, if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for the prospectus;

— agree that, once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked or withdrawn and that acceptance of that application will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions and provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot respectively; and

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares.

(d) We, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents and advisors are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

(a) It will be a term and condition of all applications that by completing and delivering an Application Form or giving electronic application instructions, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a white or yellow Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a white or yellow Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service, and that you are duly authorized to sign the Application Form as that other person's agent.

(b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications (including the part of the application made by HKSCC Nominees acting on electronic application instructions) will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a white or yellow Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service;

- both apply (whether individually or jointly) on one white Application Form and one yellow Application Form or on one white or yellow Application Form and give electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service;

- apply on one white or yellow Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service for more than 50% of the H Shares initially being offered for public subscription under the Hong Kong Public Offering (that is, 81,957,000 H Shares), as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) International Offer Shares under the International Offering.

(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

— control the composition of the board of directors of that company; or

— control more than half of the voting power of that company; or

— hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) if your application is revoked or withdrawn:

By completing and submitting an application, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before January 2, 2011. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly or to the White Form eIPO Service Provider. This collateral contract will be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person on or before January 2, 2011 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before January 2, 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinace) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If we, the Joint Bookrunners or the White Form eIPO Service Provider (where applicable) or our or their respective agents exercise their discretion to reject your application:

We and the Joint Bookrunners (as agent for our Bank) and the White Form eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for such rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions to HKSCC or apply by a yellow Application Form) will be void if the Listing Committee does not grant permission to list the H Shares either:

- within 3 weeks from the closing of the application lists; or

- within a longer period of up to 6 weeks if the Listing Committee notifies our Bank of that longer period within 3 weeks of the closing date of the application lists.

(d) In the following circumstances:

- you make multiple applications or suspected multiple applications;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the Application Forms or giving electronic instructions to HKSCC or to the White Form eIPO Service Provider through the White Form eIPO service, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;

- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering (that is, 81,957,000 H Shares);

- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;

- your Application Form is not completed and in accordance with the instructions (if you apply by an Application Form);

- your electronic application instructions through the White Form eIPO Service are not completed in accordance with the instructions, terms and conditions set out in the designated website www.eipo.com.hk;

- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement does not become unconditional;

- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement is terminated in accordance with their respective terms; or

- the Company or the Joint Bookrunners believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and signed.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on yellow Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited in CCASS).

H share certificates will only become valid certificates of title at 8:00 a.m. on December 16, 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" has not been exercised.

(a) **If you apply using a white Application Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more on a white Application Form and indicated your intention in your Application Form to collect your H Share certificate(s) and/or refund check (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect them in person from Computershare Hong Kong Investor Services Limited, at Shops Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on December 15, 2010 or such other date as notified by our Bank in the newspapers as of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity to Computershare Hong Kong Investor Services Limited.

If you do not collect your H Share certificate(s) and/or refund check(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your H Share certificate(s) and/or refund check(s) (where applicable) in person, your H Share certificate(s) and/or refund check(s) (where applicable) will be sent to the address on the Application Form on December 15, 2010 by ordinary post and at your own risk.

(b) **If you apply using a yellow Application Form:**

If you apply for Hong Kong Offer Shares using a yellow Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on December 15, 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a yellow Application Form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Bank expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on December 15, 2010 in the manner described in "How To Apply for Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refund of Application

Monies." You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on December 15, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 or more Hong Kong Offer Shares and you have elected on your yellow Application Form to collect your refund check (where applicable) in person, please follow the same procedure, as those for white Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund check (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check (if any) will be sent to the address on your Application Form on December 15, 2010, by ordinary post and at your own risk.

(c) **If you apply through White Form eIPO:**

If you apply for 1,000,000 or more Hong Kong Offer Shares through the White Form eIPO service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on December 15, 2010, or such other date as notified by our Bank in the newspapers on the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the White Form eIPO Service Provider on December 15, 2010 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the applications monies through a single bank account, refund monies (if any) will be dispatched to the application payment account, in the form of e-Refund payment instructions; If you apply through the **White Form eIPO** service and paid the application monies through multiple bank accounts, refund monies (if any) will be dispatched to the address as specified in your application instruction to the White Form eIPO Service Provider, in the form of refund checks, by ordinary post at their own risk.

Please also note the additional information relating to refund of application money overpaid, application money underpaid or applications rejected by the White Form eIPO Service Provider set out below in "— 9. Additional Information for Applicants Applying Through White Form eIPO."

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out above in the section headed "— 6. Circumstances in Which You Will Not Be Allotted Hong Kong Offer Shares";

- the Offer Price as finally determined is less than the Offer Price of HK$6.00 per H Share (excluding brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application;

- the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering;"

- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the dated refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Bank and the Joint Bookrunners, checks for applications for certain small denominations of Hong Kong Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on December 15, 2010 in accordance with the various arrangements as described above. Refund checks will be crossed "Account Payee Only" and made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund check. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through the White Form eIPO service to the White Form eIPO Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in "— 8. Refund of Application Monies" shall be made pursuant to the arrangements described above in "— 7. If Your Application for Hong Kong Offer Shares is Successful (in whole or in part) — (c) If you apply through White Form eIPO."

10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given will be treated as an applicant.

(b) Deposit of H Share Certificates into CCASS and Refund of Application Monies

- No temporary document of title will be issued. No receipt will be issued for sums on paid application.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account on December 15, 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

- Our Bank expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Bank will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offering in the manner as described in the section headed "How to Apply for Hong Kong Offer Shares — 10. Publications of Results, Dispatch/Collection of H Shares Certificates and Refunds of Application Monies." on December 15, 2010. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on December 15, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on December 15, 2010. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or a difference between the Offer Price and the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on December 15, 2010. No interest will be paid thereon.

11. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the ***"Ordinance"***) came into effect on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of our H Shares of the policies and practices of our Bank and our H Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Bank or our agent and our H Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Bank or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s), and/or the dispatch of e-Refund payment instructions, and/or the dispatch of refund check(s) to which you are entitled.

It is important that holders of securities inform us and our H Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) **Purposes**

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund check, where applicable, and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating our register of holders of securities;
- conducting or assisting in the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Bank, such as dividends, rights issues and bonus issues;
- distributing communications from us and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Bank and our H Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by us and our H Share Registrar relating to the applicants and the holders of securities will be kept confidential by us and our H Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- we or our respective appointed agents such as financial advisors and receiving bankers;

- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us and/or our H Share Registrar in connection with the operation of their business;

- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and

- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

(d) **Access to and correction of personal data**

The Ordinance provides the holders of securities with rights to ascertain whether we or our H Share Registrar holds their personal data, to obtain a copy of that data and to correct any data that is inaccurate.

In accordance with the Ordinance, we and our H Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time in accordance with applicable law, to the attention of the company secretary, or our H Share Registrar to the attention of the privacy compliance officer.

By signing an Application Form or by giving electronic application instructions to HKSCC, you agree to all of the above.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

3 December 2010

The Directors
Chongqing Rural Commercial Bank Co., Ltd.
Morgan Stanley Asia Limited
Nomura International (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information (the "CRCU Financial Information") in relation to the banking business (the "Business") carried out by 38 rural credit cooperative unions at the county level of Chongqing, the People's Republic of China (the "PRC") and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the "39 Rural Credit Unions"), all of which were managed by Chongqing Rural Credit Cooperative Union (the "CRCCU") at the municipal level of Chongqing, the PRC (together with the 39 Rural Credit Unions, collectively referred to as the "CQR Credit Unions") for the year ended 31 December 2007 and the period from 1 January 2008 to 26 June 2008 (the date prior to the establishment of Chongqing Rural Commercial Bank Limited) (the "Predecessor Periods"), for inclusion in the prospectus of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") dated 3 December 2010 (the "Prospectus") in connection with the initial listing (the "Listing") of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CRCCU was formerly known as the Association of Chongqing Rural Credit Cooperative Union, which was established in 2000 by 42 rural credit cooperative unions at the county level of Chongqing of the PRC. From 2003 to 2005, pursuant to a restructuring exercise initiated by Chongqing Municipal Government, the 42 rural credit coorperative unions were merged into 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank. The 39 Rural Credit Unions together with CRCCU were approved by the China Banking Regulatory Committee in Chongqing to carry out the Business. In 2008, pursuant to a restructuring exercise initiated by Chongqing Municipal Government, the Business were transferred to the Bank. Details of which are more fully explained in the paragraph headed "Our Financial Restructuring" in the section "Our History, Restructuring and Organizational Reform" to the Prospectus.

Particulars of 39 Rural Credit Unions are as follows:

		Paid-in capital in thousands of RMB	
	Date of establishment	As at 31 December 2007	As at 26 June 2008
Chongqing Yuzhong District Rural Credit Cooperative Union	23 June 2004	11,422	11,422
Chongqing Jiangbei District Rural Credit Cooperative Union	13 May 2004	32,551	32,551
Chongqing Shapingbei District Rural Credit Cooperative Union	17 May 2004	26,089	26,089
Chongqing Jiulongpo District Rural Credit Cooperative Union	7 June 2004	44,873	44,873
Chongqing Nanan District Rural Credit Cooperative Union	28 May 2004	49,056	49,056
Chongqing Dadukou District Rural Credit Cooperative Union	12 May 2004	28,878	28,878
Chongqing Beibei District Rural Credit Cooperative Union	4 June 2004	39,327	39,327
Chongqing Wansheng District Rural Credit Cooperative Union	1 June 2004	26,915	26,915
Chongqing Yubei District Rural Credit Cooperative Union	22 March 2004	34,256	34,256
Chongqing Banan District Rural Credit Cooperative Union	26 May 2004	65,464	65,464
Chongqing Hechuan District Rural Credit Cooperative Union	12 January 2004	93,810	93,810
Chongqing Jiangjin District Rural Credit Cooperative Union	28 May 2004	134,479	134,479
Chongqing Changshou District Rural Credit Cooperative Union	22 March 2004	78,301	78,301
Chongqing Qijiang District Rural Credit Cooperative Union	13 May 2004	65,342	65,342
Chongqing Yongchuan District Rural Credit Cooperative Union	26 May 2004	94,356	94,356
Chongqing Bishan District Rural Credit Cooperative Union	19 May 2004	46,260	46,260
Chongqing Tongliang District Rural Credit Cooperative Union	21 May 2004	23,796	23,796
Chongqing Tongnan District Rural Credit Cooperative Union	25 May 2004	19,364	19,364

	Date of establishment	Paid-in capital in thousands of RMB As at 31 December 2007	As at 26 June 2008
Chongqing Rongchang District Rural Credit Cooperative Union	7 June 2004	37,786	37,786
Chongqing Dazu District Rural Credit Cooperative Union	1 June 2004	45,557	45,557
Chongqing Wanzhou District Rural Credit Cooperative Union	28 May 2004	63,907	63,907
Chongqing Kaixian District Rural Credit Cooperative Union	30 March 2004	45,617	45,617
Chongqing Zhongxian District Rural Credit Cooperative Union	1 June 2004	35,799	35,799
Chongqing Liangping District Rural Credit Cooperative Union	19 May 2004	51,202	51,202
Chongqing Yunyang District Rural Credit Cooperative Union	30 March 2004	23,363	23,363
Chongqing Fengjie District Rural Credit Cooperative Union	24 May 2004	18,024	18,024
Chongqing Wuxi District Rural Credit Cooperative Union	25 August 2004	45,748	45,748
Chongqing Wushan District Rural Credit Cooperative Union	31 March 2004	7,776	7,776
Chongqing Chengkou District Rural Credit Cooperative Union	14 February 2004	23,876	23,876
Chongqing Fuling District Rural Credit Cooperative Union	27 May 2004	62,081	62,081
Chongqing Nanchuan District Rural Credit Cooperative Union	18 May 2004	53,351	53,351
Chongqing Dianjiang District Rural Credit Cooperative Union	31 May 2004	46,278	46,278
Chongqing Qianjiang District Rural Credit Cooperative Union	19 July 2004	16,127	16,127
Chongqing Pengshui District Rural Credit Cooperative Union	20 May 2004	13,146	13,146
Chongqing Youyang District Rural Credit Cooperative Union	18 June 2004	34,922	34,922
Chongqing Xiushan District Rural Credit Cooperative Union	31 May 2004	21,220	21,220

	Date of establishment	Paid-in capital in thousands of RMB As at 31 December 2007	As at 26 June 2008
Chongqing Shizhu District Rural Credit Cooperative Union	15 June 2004	21,915	21,915
Chongqing Fengdu District Rural Credit Cooperative Union	18 May 2004	24,782	24,782
Chongqing Wulong Rural Cooperative Bank	20 May 2004	32,915	32,915

The 39 Rural Credit Unions and CRCCU had adopted 31 December as their financial year end date.

No statutory combined financial statements have been prepared for the period from 1 January 2008 to 26 June 2008 as there is no such statutory requirement. The statutory combined financial statements of the Bank for the year ended 31 December 2008 were audited by Chongqing Kanghua CPA Ltd. (重慶康華會計師事務所) , a certified public accountants registered in the PRC. These statutory combined financial statements were prepared in accordance "Accounting Standards for Business Enterprises" (《企業會計準則》) and "Fundamental Accounting Systems Governing Rural Credit Cooperative Unions"(《農村信用合作社會計基本制度》) and on the basis that the Business carried out by the Bank is a continuation of the Business carried out by 39 Rural Credit Unions and CRCCU.

For the purpose of this report, the directors of the Bank have prepared the financial statements of the Business for the Predecessor Periods in accordance with accounting policies that conform with International Financial Reporting Standards ("IFRSs") (the "CRCU Underlying Financial Statements"), on the basis set out in Note II of section A below. Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司) has carried out an independent audit on the CRCU Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The CRCU Financial Information of the Business for the Predecessor Periods set out in this report has been prepared from the CRCU Underlying Financial Statements on the basis of presentation set out in Note II of Section A below. No adjustments were deemed necessary by us to the CRCU Underlying Financial Statements in preparing our report on the CRCU Financial Information for inclusion in the Prospectus.

For the purpose of this report, we have examined the CRCU Underlying Financial Statements and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Preparation of the CRCU Underlying Financial Statements are the responsibility of the directors of the Bank who approved their issue. The directors of the Bank are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the CRCU Financial Information set out in this report from the CRCU Underlying Financial Statements, to form an independent opinion on the CRCU Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note II below, the CRCU Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Business as at 31 December 2007 and 26 June 2008 (the date prior to the establishment of the Bank), and of the results and cash flows of the Business for the year ended 31 December 2007 and the period from 1 January 2008 to 26 June 2008 (the date prior to the establishment of the Bank).

A. CRCU FINANCIAL INFORMATION

(Amounts in thousands of Renminbi, unless otherwise stated)

Combined Income Statements

	Notes	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Interest income	VI. 1	6,420,508	3,830,833
Interest expense	VI. 1	(2,106,277)	(1,557,844)
Net interest income		4,314,231	2,272,989
Fee and commission income	VI. 2	66,042	31,682
Fee and commission expense	VI. 2	(12,652)	(6,365)
Net fee and commission income		53,390	25,317
Net trading loss	VI. 3	(2,849)	—
Other operating income, net	VI. 4	1,347,688	11,439
Operating income		5,712,460	2,309,745
Operating expenses	VI. 5	(1,845,703)	(829,181)
Impairment losses on assets	VI. 7	(883,444)	(161,618)
Net gain/(loss) on disposal of available-for-sale financial assets		18,935	(1,157)
Profit before tax		3,002,248	1,317,789
Profit for the year/period		3,002,248	1,317,789

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Combined Statements of Comprehensive Income

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Profit for the year/period	3,002,248	1,317,789
Other comprehensive income:		
Fair value loss on available-for-sale financial assets		
- fair value loss arising during the year/period	(146,511)	(84,067)
- amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(18,935)	1,157
Other comprehensive income for the year/period	(165,446)	(82,910)
Total comprehensive income for the year/period	2,836,802	1,234,879

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Combined Statements of Financial Position

	Notes	As at 31 December 2007	As at 26 June 2008
Assets			
Cash and balances with central bank	VI. 10	19,170,287	22,079,546
Deposits with banks	VI. 11	3,532,413	5,624,874
Financial assets designated as at fair value through profit or loss	VI. 12	1,577,563	830,820
Financial assets held under resale agreements	VI. 13	2,205,173	12,143,964
Loans and advances to customers	VI. 14	69,083,962	64,984,323
Available-for-sale financial assets	VI. 15	3,964,397	2,078,124
Held-to-maturity investments	VI. 16	15,620,686	20,561,275
Debt securities classified as receivables	VI. 17	1,849,891	6,972,426
Property and equipment	VI. 18	1,875,470	1,824,605
Other assets	VI. 19	1,607,139	1,785,828
Total assets		120,486,981	138,885,785
Liabilities			
Deposits from banks	VI. 20	800,093	70,546
Financial assets sold under repurchase agreements	VI. 21	19,683,592	22,216,968
Due to customers	VI. 22	96,350,760	106,942,352
Accrued staff costs	VI. 23	1,530,410	1,368,716
Other liabilities	VI. 24	2,314,390	7,355,351
Total liabilities		120,679,245	137,953,933
Equity			
Paid-in capital	VI. 25	1,639,930	1,639,930
Capital reserve	VI. 26	3,600,000	3,600,000
Investment revaluation reserve	VI. 27	(89,311)	(172,221)
General and regulatory reserve	VI. 28	1,489,106	1,903,189
Accumulated losses		(6,831,989)	(6,039,046)
Total equity		(192,264)	931,852
Total equity and liabilities		120,486,981	138,885,785

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Combined Statements of Changes in Equity

	Notes	Paid in capital	Capital reserve	General and regulatory reserve	Accumulated losses	Investment revaluation reserve	Total
As at 1 January 2007		1,466,275	—	1,489,106	(9,834,237)	76,135	(6,802,721)
Profit for the year		—	—	—	3,002,248	—	3,002,248
Other comprehensive income		—	—	—	—	(165,446)	(165,446)
Total comprehensive income for the period		—	—	—	3,002,248	(165,446)	2,836,802
Capital contribution	VI. 25 (1)	459,866	—	—	—	—	459,866
Capital conversion	VI. 25 (2)	(110,336)	110,336	—	—	—	—
Capital withdrawal	VI. 25 (1)	(175,875)	—	—	—	—	(175,875)
Amount received to write off non-performing assets	VI. 24 (2)	—	3,489,664	—	—	—	3,489,664
As at 31 December 2007		1,639,930	3,600,000	1,489,106	(6,831,989)	(89,311)	(192,264)
Profit for the period		—	—	—	1,317,789	—	1,317,789
Other comprehensive income		—	—	—	—	(82,910)	(82,910)
Total comprehensive income for the period		—	—	—	1,317,789	(82,910)	1,234,879
Appropriation to general and regulatory reserve	VI. 28	—	—	414,083	(414,083)	—	—
Distribution to owners of the 39 Rural Credit Unions	VI. 9	—	—	—	(110,763)	—	(110,763)
As at 26 June 2008		1,639,930	3,600,000	1,903,189	(6,039,046)	(172,221)	931,852

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Combined Statements of Cash Flows

	Note	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Cash flows from operating activities			
Profit before tax		3,002,248	1,317,789
Adjustments for:			
Depreciation and amortisation		190,464	83,735
Impairment losses on assets		883,444	161,618
Interest income arising from investment securities		(608,792)	(547,281)
Interest income arising from impaired financial assets		(567,676)	(199,678)
Net gain on disposal of investment securities		(18,935)	1,157
Dividend income from investment securities		(536)	—
Net gain on disposal of property and equipment and other assets		(18,187)	(1,405)
Operating cash flows before movements in working capital		2,862,030	815,935
Increase in balances with central bank and deposits with banks		(7,538,296)	(4,926,466)
Increase in financial assets held under resale agreements		(98,010)	(10,857,451)
Decrease in financial assets held for trading		3,303	—
(Increase)/decrease in loans and advances to customers		(23,490,744)	4,149,103
Increase in financial assets sold under repurchase agreements		16,333,592	2,533,376
Increase in due to customers and deposits from banks		19,006,964	9,862,220
(Increase)/decrease in other operating assets		(670,151)	590,718
Increase in other operating liabilities		610,981	511,433
Net cash generated by operating activities		7,019,669	2,678,868
Cash flows from investing activities			
Cash received from disposal and redemption of investment securities		4,531,778	4,959,417
Cash received from disposal of property and equipment		35,392	24,366
Cash paid for purchase of investment securities		(11,674,724)	(13,164,500)
Cash paid for purchase of property and equipment and other assets		(248,748)	(52,076)
Interest income received from investment securities		640,068	453,623
Net cash used in investing activities		(6,716,234)	(7,779,170)
Cash flows from financing activities			
Contribution from owners of the 39 Rural Credit Unions		459,866	—
Amount received to write off non-performing assets			
- from owners of the 39 Rural Credit Unions		873,621	—
- from promoters of the Bank		2,616,043	—
Subscription proceeds for shares of the Bank from promoters of the Bank		—	4,360,070
Withdrawal of capital		(175,875)	—
Distribution to owners of the 39 Rural Credit Unions		(89,623)	(103,174)
Net cash from financing activities		3,684,032	4,256,896
Net increase/(decrease) in cash and cash equivalents		3,987,467	(843,406)
Opening balances of cash and cash equivalents		7,626,838	11,614,305
Closing balances of cash and cash equivalents	VI. 29	11,614,305	10,770,899

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

Since 1950s, 42 rural credit cooperative unions at the county level of Chongqing were established in the the PRC. From 2003 to 2005, pursuant to a restructuring exercise initiated by Chongqing Municipal Government, the 42 credit cooperative unions were merged into 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank.

Pursuant to the relevant regulations of the PRC, the Association of Chongqing Rural Credit Cooperative Union was established in 2000 with capital participation from 42 rural credit cooperative unions. In 2004, the name of the Association of Chongqing Rural Credit Cooperative Union was changed to Chongqing Rural Credit Cooperative Union (the "CRCCU"). According to the revised articles of association of CRCCU dated 1 September 2004, CRCCU was established to centralise the management and operation of 39 Rural Credit Unions in Chongqing of the PRC with the following functions:

- CRCCU was responsible for formulating and providing guidance on corporate governance regime, internal control and risk management system, and business operation of the 39 Rural Credit Unions;

- CRCCU was responsible for supervising the above implementations by the 39 Rural Credit Unions;

- CRCCU was responsible for supervising the election of directors and supervisors and the selection of members of the senior management of the 39 Rural Credit Unions in accordance with the relevant PRC laws and regulations;

- CRCCU was responsible for managing the funding requirements among the 39 Rural Credit Unions, and providing funding clearance services to them; and

- CRCCU was responsible for reporting the combined financial results and combined statistical data of CRCCU and the 39 Rural Credit Unions to the China Banking Regulatory Commission (the "CBRC") in accordance with the relevant PRC laws and regulations.

The 39 Rural Credit Unions together with CRCCU were established to carry out the banking business (the "Business") approved by the CBRC in Chongqing, the PRC.

Pursuant to the promoters' agreement, the Bank was incorporated on 27 June 2008 and the Business including all the assets and liabilities of the CQR Credit Unions was transferred to the Bank on the same date.

The CRCU Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the 39 Rural Credit Unions and CRCCU.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

II. BASIS OF PRESENTATION OF CRCU FINANCIAL INFORMATION

The CRCU Financial Information has been prepared to present the financial information of the Business for the Predecessor Periods which was transferred to the Bank on 27 June 2008.

The combined income statements and statements of cash flows included the results and cash flows of the Business carried out by CQR Credit Unions during the Predecessor Periods. The combined statements of financial position included the assets and liabilities of the Business held by CQR Credit Unions as at 31 December 2007 and 26 June 2008. The paid-in capital and reserves of 39 Rural Credit Unions and CRCCU were aggregated and eliminated, as appropriate and included in the combined statements of changes in equity.

All transactions, balances, income, and expenses among CQR Credit Unions have been eliminated in preparation of the CQCU Financial Information.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the CRCU Financial Information, a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") which are effective for the period beginning on 1 January 2008 have been consistently applied during the Predecessor Periods. In addition, a number of new and revised IASs, IFRSs, amendments and IFRICs which became effective for annual period beginning on 1 January 2009 and 1 January 2010 (except IFRS 3 and IAS 27) have been applied throughout the Predecessor Periods in advance of their respective effective dates.

The following new and revised standards, amendments and interpretations that have been issued but are not yet effective have not been applied.

IFRSs (Amendments)	Improvements to IFRSs May 2010[2]
IAS 24 (Revised)	Related Party Disclosures[5]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[4]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 7 (Amendment)	Disclosures-Transfers of Financial Assets[6]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 July 2011

[7] Effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and financial liabilities and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets and financial liabilities that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. For financial assets, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other financial assets, including debt investments and equity investments, are measured at fair value. Financial liabilities held for trading or designated as at fair value through profit or loss are measured at fair value. All other financial liabilities are measured at amortised cost. In the opinion of directors of the Bank, the application of IFRS 9 will have a material effect on the classification and measurement of the future financial assets of the Business which was transferred to the Bank on 27 June 2008. Since there are no financial liabilities at fair value through profit or loss, the directors of the Bank do not expect the application of IFRS 9 will have a material effect on the financial liabilities of the Business.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The CRCU Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Predecessor Periods. In addition, the CRCU Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

2. Basis of preparation

The CRCU Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant 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 or financial liability. When calculating the effective interest rate, the cash flows are estimated after considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The CQR Credit Unions earn fee and commission income from a range of services it provides to its customers. For those services that are over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

Dividend income

Dividend income from investments is recognised when the CQR Credit Unions' right to receive payment is established.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Employee benefits

In the period in which an employee has rendered services, a liability is recognised for the employee benefits payable for those services.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. CQR Credit Unions contribute on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. CQR Credit Unions' liabilities in respect of these funds are limited to the contribution payable in the relevant periods.

Retirement benefits

CQR Credit Unions pay supplementary retirement benefits to retired employees and early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the CQR Credit Unions' defined benefits obligations and fair value of plan assets arising from changes in actuarial assumptions are recognised in profit or loss for the period in which they are incurred.

5. Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the CQR Credit Unions recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to CQR Credit Unions with no future related costs are recognised in profit or loss in the period in which they become receivable.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments

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

(1) ***Financial assets***

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. All regular way purchases or sales of financial assets are recognised and derecognised 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.

Financial assets at fair value through profit or loss

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
- it is part of an identified portfolio of financial instruments that are managed together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

(1) ***Financial assets (continued)***

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

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 carried at amortised 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 maturities that the management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

(1) ***Financial assets (continued)***

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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, the objective evidence of impairment could include:

(1) significant financial difficulty of the issuer or obligor;

(2) a breach of contract, such as a default or delinquency in interest or principal payments;

(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties; or

(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

(1) ***Financial assets (continued)***

Impairment of financial assets (continued)

For impairment testing purpose, financial assets are firstly assessed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collaterised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is reclassified to profit or loss.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

(1) ***Financial assets (continued)***

Impairment of available-for-sale financial assets (continued)

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment loss on available-for-sale equity investments at cost is not reversed.

(2) ***Financial liabilities and equity***

Financial liabilities and equity instruments issued by CQR Credit Unions are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of CQR Credit Unions after deducting all of its liabilities. CQR Credit Unions' financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

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

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

(2) ***Financial liabilities and equity (continued)***

Equity instruments

Equity instruments including paid-in capital of the CQR Credit Unions are recorded at the proceeds received.

(3) ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and CQR Credit Unions have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 recognised in other comprehensive income is recognised in profit or loss. If CQR Credit Unions retain substantially all the risks and rewards of ownership of a transferred asset, the CQR Credit Unions continue to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(4) ***Offsetting financial assets and financial liabilities***

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (1) the holder of the instruments has a legal right to set off the recognised amounts and the legal right is currently enforceable; and (2) the holder of the instruments intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

7. Repurchase agreements and agreements to resale

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as "available-for-sale financial assets", "debt securities classified as receivables", "held-to-maturity investments" or "loans and advances to customers" as appropriate. The corresponding liability is included in" financial assets sold under repurchase agreements", as appropriate. Financial assets held under agreements to resell are recorded as "financial assets held under resale agreements" as appropriate.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Property and equipment

Property and equipment, including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful live	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	5 years	3%	19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Construction in progress includes property and equipment in the course of construction for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis, as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

9. Land use right

Land use right is classified in other assets and amortised on straight-line basis over the lease term.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the period in which the item is disposed.

A foreclosed asset used by CQR Credit Unions is transferred to property and equipment at net carrying amount.

11. Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

12. 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.

CQR Credit Unions as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

CQR Credit Unions as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Leasing (continued)

Leasehold land

Leasehold interests in land (i.e. land use rights) is classified as finance lease if substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The leasehold land is classified as property and equipment when the land is qualified as finance lease. Other leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

13. Impairment of tangible assets

At the end of the reporting period, a review is conducted to determine whether there is any indication that any of the tangible 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. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

14. Provisions

Provisions are recognised when CQR Credit Unions have a present obligation as a result of a past event, and it is probable that CQR Credit Unions will be required to settle that obligation.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Provisions (continued)

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. Where 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 is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies which are described in Note IV, the directors of the Bank are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 recognised 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.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the CRCU Financial Information and/or in the subsequent financial year.

Impairment losses on loans and advances to customers

The directors of the Bank review their loan portfolio to assess impairment. In determining whether an impairment loss should be recognised in profit or loss, the directors of the Bank make judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, the directors of the Bank use estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of further cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the directors of the Bank have the positive intention and ability to hold to maturity were classified as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the directors of the Bank evaluate the intention and ability of CQR Credit Unions to hold such investments to maturity. If CQR Credit Unions fail to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of assets as available-for-sale financial assets.

Fair value of financial instruments

Valuation technique was employed to estimate the fair value for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as credit risk of CQR Credit Unions and counterparty, volatilities and correlations require the directors of the Bank to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Supplementary retirement benefit and early retirement benefit obligation

Liabilities in connection with retirement benefits of employees were measured using the projected unit credit method based on various assumptions, including the discount rate, average medical expense increase rate for early retirements and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognised in profit or loss and the corresponding liability.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION

1. Net interest income

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Interest income		
Loans and advances to customers	5,453,258	2,881,985
Including: Corporate loans and advances	2,535,138	1,401,220
Personal loans and advances	2,273,144	1,141,513
Discounted bills	644,976	339,252
Debt securities classified as receivables	39,036	129,258
Held-to-maturity investments	426,968	364,833
Balances with central bank	191,772	148,001
Financial assets held under resale agreements	29,605	141,958
Deposits with banks	116,271	68,879
Available-for-sale financial assets	142,788	53,190
Financial assets held for trading	12,293	—
Financial assets designated as at fair value through profit or loss	8,517	42,729
Subtotal	6,420,508	3,830,833
Interest expense		
Due to customers	(1,643,821)	(1,198,487)
Deposits from banks and other financial institutions	(6,525)	(3,397)
Financial assets sold under repurchase agreements	(455,725)	(355,960)
Borrowings from central bank	(206)	—
Subtotal	(2,106,277)	(1,557,844)
Net interest income	4,314,231	2,272,989
Included within interest income is interest income accrued on impaired financial assets	567,676	199,678
Included within interest income		
Interest income on listed investments	594,870	424,438
Interest income on unlisted investments	5,825,638	3,406,395
	6,420,508	3,830,833

Listed investments include securities traded on the China Domestic Interbank Bond Market and securities listed on exchanges.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

2. Net fee and commission income

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Fee and commission income		
Agency commissions	21,699	12,785
Bank card fees	23,972	10,833
Custodian and other fiduciary service fees	10,448	1,959
Settlement and clearing fees	7,216	4,154
Others	2,707	1,951
Subtotal	66,042	31,682
Fee and commission expense		
Bank card fees	(9,195)	(4,482)
Settlement and clearing fees	(983)	(599)
Other service fees	(2,474)	(1,284)
Subtotal	(12,652)	(6,365)
Total	53,390	25,317

3. Net trading loss

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Net loss on held-for-trading debt securities	2,849	—
Total	2,849	—

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

4. Other operating income, net

	Notes	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Net gain on disposal of property and equipment . . .		18,187	1,405
Rental income.		27,222	12,073
Government grant in connection with Three Gorges Area	(1)	312,210	—
Government grant to write off non-performing loans	(2)	1,000,000	—
Dividend income from listed available-for-sale investments		138	—
Dividend income from unlisted available-for-sale investments		398	—
Net (loss) gain on disposal of foreclosed assets . . .		(15,283)	1,891
Others.		4,816	(3,930)
Total.		1,347,688	11,439

(1) In connection with the loan losses incurred by 6 rural credit unions at the Three Gorges areas during the Three Gorges migration, the People's Bank of China (the "PBOC") granted a special loan of approximately RMB743 million to Chongqing Yufu Assets Management Company Limited ("Chongqing Yufu") in 2007, which is owned by Chongqing Municipal Government and one of the shareholders of the Bank after its incorporation on 27 June 2008. This special loan bears an interest rate of 2.25% per annum with a maturity of 13 years. Pursuant to (i) a trust agreement entered between the 6 rural credit unions and Chongqing International Trust Co., Ltd.("CITCO"), an asset management company, and (ii) two sets of assets management agreements entered into by the 6 rural credit unions, Chongqing Yufu and CITCO, Chongqing Yufu is required to pay an amount to the 6 rural credit unions which equals to the difference between the benchmark interest rate as quoted by the PBOC for 5-year commercial loans and 2.25% (after adjusting for commission fee as stipulated in the trust agreement) on an annual basis during the period of this special loan. In June 2007, the 6 rural credit unions recognised approximately RMB312 million as subsidy income with the corresponding subsidy receivable (see also Note VI.19), representing the present value of approximately RMB 339 million.

(2) In November 2007, as part of Chonqging Municipal Government's initiative to further the reforms of rural credit unions and to establish the Bank, CRCCU received RMB 1 billion from Chongqing Yufu who paid on behalf of Chongqing Municipal Government to write off non-performing loans of the 39 Rural Credit Unions.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

5. Operating expenses

	Note	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Staff costs	(1)	1,007,935	417,161
General operating and administrative expenses		386,905	185,865
Business tax and surcharges		182,422	100,985
Depreciation and amortisation		190,464	83,735
Auditor's remuneration		329	243
Others		77,648	41,192
Total		1,845,703	829,181

(1) *Staff costs*

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Salaries, bonuses, and allowances	692,493	221,253
Staff welfare	83,109	51,013
Social insurance	119,385	71,949
Housing funds	76,971	42,782
Labor union fees and staff education expenses	24,237	7,744
Supplementary retirement benefits	1,390	14,780
Early retirement benefits	10,350	7,640
Total	1,007,935	417,161

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

6. Emoluments of the management

(1) ***Five highest paid individuals (in thousands of RMB)***

The emoluments payable to the five individuals whose emoluments were the highest in the CQR Credit Unions for the year ended 31 December 2007 and the period from 1 January 2008 to 26 June 2008 are as follows:

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Basic salaries and allowances	246	122
Bonuses	1,634	1,461
Contribution to pension schemes	135	83
Total	2,015	1,666

(2) ***Emoluments of the individuals were within the following band:***

	Number of individuals	
	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
HK$ nil - HK$1,000,000	5	5

No directors were appointed during the Predecessor Periods before the incorporation of the Bank on 27 June 2008.

7. Impairment losses on assets

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Loans and advances to customers	865,876	150,214
Foreclosed assets	8,621	11,284
Other assets	8,947	120
Total	883,444	161,618

8. Income tax expense

CQR Credit Unions were exempt from PRC Enterprise Income Tax for the year ended 31 December 2007 and for the period from 1 January 2008 to 26 June 2008.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

9. Distribution to owners of the 39 Rural Credit Unions

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Distribution recognised during the period	—	110,763
Total	—	110,763

The 39 Rural Credit Unions approved the final distribution in total of approximately RMB111 million on 23 April 2008 which was distributed to owners of the 39 Rural Credit Unions in proportion to their paid-in capital.

10. Cash and balances with central bank

	Notes	As at 31 December 2007	As at 26 June 2008
Cash		1,468,450	1,478,249
Mandatory reserve deposits with central bank	(1)	11,475,438	16,814,232
Surplus reserve deposits with central bank	(2)	5,143,219	3,124,165
Special deposits with central bank	(3)	1,081,480	652,915
Other deposits with central bank.	(4)	1,700	9,985
Total.		19,170,287	22,079,546

(1) The CQR Credit Unions place mandatory reserve deposits with the PBOC. This includes RMB reserve deposits. These mandatory reserve funds are not available for CQR Credit Unions' daily operations.

As at 31 December 2007, and 26 June 2008, mandatory reserve deposits with the PBOC were calculated at 12% of eligible RMB deposits from customers.

(2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) Upon the redemption of PBOC's special bills by the PBOC (Note VI.17), the 39 Rural Credit Unions are required to place the redemption money as special deposits with the PBOC for 1 year.

(4) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

(5) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

11. Deposits with banks

	As at 31 December 2007	As at 26 June 2008
Deposits with domestic banks	3,532,413	5,624,874
Total	3,532,413	5,624,874

Deposits with domestic banks are interest bearing at prevailing market interest rate.

12. Financial assets designated as at fair value through profit or loss

	As at 31 December 2007	As at 26 June 2008
Unlisted debt instruments issued by financial institutions	1,577,563	830,820
Total	1,577,563	830,820

13. Financial assets held under resale agreements

	As at 31 December 2007	As at 26 June 2008
Analysed by collateral type:		
Bonds	395,000	730,465
Bills	1,810,173	11,413,499
Total	2,205,173	12,143,964

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

14. Loans and advances to customers

(1) ***Analysis of loans and advances to customers***

	As at 31 December 2007	As at 26 June 2008
Corporate loans and advances		
Loans and advances	29,929,065	33,436,385
Discounted bills	18,885,107	10,374,226
Subtotal	48,814,172	43,810,611
Personal loans and advances		
Mortgages	7,163,139	8,762,045
Loans to private business and employment assistance loans	8,840,674	8,708,884
Farmer loans	8,024,658	7,077,594
Others	2,555,909	3,013,893
Subtotal	26,584,380	27,562,416
Gross loans and advances	75,398,552	71,373,027
Individually assessed	(2,304,272)	(2,116,397)
Collectively assessed	(4,010,318)	(4,272,307)
Allowance for impairment losses	(6,314,590)	(6,388,704)
Loans and advances to customers	69,083,962	64,984,323

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

14. Loans and advances to customers (continued)

(2) ***Analysis of loans and advances to customers by collective and individual assessments***

		Identified impaired loans and advances (b)				
	Loans and advances for which allowance is collectively assessed (a)	For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired loans and advances as a % of gross total loans and advances
As at 31 December 2007						
Gross loans and advances	65,427,140	4,297,163	5,674,249	9,971,412	75,398,552	13.22
Allowance for impairment losses	(1,592,966)	(2,417,352)	(2,304,272)	(4,721,624)	(6,314,590)	
Loans and advances to customers	63,834,174	1,879,811	3,369,977	5,249,788	69,083,962	
As at 26 June 2008						
Gross loans and advances	61,740,906	4,672,502	4,959,619	9,632,121	71,373,027	13.50
Allowance for impairment losses	(1,532,219)	(2,740,088)	(2,116,397)	(4,856,485)	(6,388,704)	
Loans and advances to customers	60,208,687	1,932,414	2,843,222	4,775,636	64,984,323	

(a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

(3) ***Movements of allowance for impairment losses on loans and advances to customers***

	2007		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	3,575,121	6,545,791	10,120,912
Net additions	471,543	394,333	865,876
Written off	(1,507,695)	(2,729,941)	(4,237,636)
Recovery of loans and advances written off in previous years	58,342	74,772	133,114
Unwinding of discount on allowance	(293,039)	(274,637)	(567,676)
As at 31 December	2,304,272	4,010,318	6,314,590

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

14. Loans and advances to customers (continued)

(3) ***Movements of allowance for impairment losses on loans and advances to customers (continued)***

	For the period from 1 January 2008 to 26 June 2008		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	2,304,272	4,010,318	6,314,590
Net (reversals)/additions	(140,011)	290,225	150,214
Recovery of loans and advances written off in previous years	72,278	51,300	123,578
Unwinding of discount on allowance	(120,142)	(79,536)	(199,678)
As at 26 June	2,116,397	4,272,307	6,388,704

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

15. Available-for-sale financial assets

	Notes	As at 31 December 2007	As at 26 June 2008
Debt securities issued by:			
Government		1,690,652	90,713
Public sector and quasi-governments		587,059	582,537
Financial institutions		816,013	817,942
Corporations		593,972	397,594
Subtotal		3,687,696	1,888,786
Equity instruments			
- at fair value		235,148	148,503
- at cost	(1)	41,553	40,835
Subtotal		276,701	189,338
Total		3,964,397	2,078,124
Analysed as:			
Listed outside Hong Kong	(2)	3,922,844	2,037,289
Unlisted		41,553	40,835
Total		3,964,397	2,078,124

(1) The unlisted equity securities are measured at cost because their fair value cannot be reliably measured.

(2) All available-for-sale debt securities are traded on the China Domestic Interbank Bond Market and included in "Listed outside Hong Kong".

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

16. Held-to-maturity investments

	As at 31 December 2007	As at 26 June 2008
Debt securities issued by:		
Government	4,698,192	9,341,450
Public sector and quasi-governments	4,372,725	4,641,991
Financial institutions	2,468,453	2,468,321
Corporations	4,081,316	4,109,513
Total	15,620,686	20,561,275

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

17. Debt securities classified as receivables

	Notes	As at 31 December 2007	As at 26 June 2008
Certificate treasury bonds		89,960	101,394
PBOC's special bills	(1)	375,040	117,430
Financial institution bonds		209,793	209,819
Debt securities issued by public sector and quasi-governments		51,916	51,863
Debt instruments issued by financial institutions	(2)	1,123,182	6,491,920
Total		1,849,891	6,972,426

(1) The 39 Rural Credit Unions disposed of certain non-performing assets with total principal amount of approximately RMB2,418 million in 2004. The consideration was settled by special bills issued by the PBOC. The special bills bear an interest rate of 1.89% per annum with original maturity of 2 years and extended for an additional 2 years. The special bills are restricted from circulation, transfer, or being collateralised.

(2) The debt instruments issued by financial institutions include loans which are non-callable before maturity with fixed interest rate and not quoted in active market.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

18. Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2007	1,977,063	154,742	147,604	106,722	224,293	2,610,424
Additions	66,508	62,355	17,961	37,057	67,463	251,344
Transfers	183,901	—	—	—	(183,901)	—
Disposals	(26,373)	(2,752)	(10,226)	(2,072)	(5,120)	(46,543)
As at 31 December 2007	2,201,099	214,345	155,339	141,707	102,735	2,815,225
Accumulated depreciation						
As at 1 January 2007	(583,775)	(72,244)	(86,840)	(51,514)	—	(794,373)
Provided for the year	(100,751)	(33,233)	(20,040)	(19,128)	—	(173,152)
Eliminated on disposals	15,485	1,203	9,353	1,729	—	27,770
As at 31 December 2007	(669,041)	(104,274)	(97,527)	(68,913)	—	(939,755)
Carrying amount						
As at 1 January 2007	1,393,288	82,498	60,764	55,208	224,293	1,816,051
As at 31 December 2007	1,532,058	110,071	57,812	72,794	102,735	1,875,470

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2008	2,201,099	214,345	155,339	141,707	102,735	2,815,225
Additions	1,995	14,482	1,115	5,140	29,195	51,927
Transfers	6,476	—	—	—	(6,476)	—
Disposals	(13,068)	(12,337)	(2,918)	(178)	(351)	(28,852)
As at 26 June 2008	2,196,502	216,490	153,536	146,669	125,103	2,838,300
Accumulated depreciation						
As at 1 January 2008	(669,041)	(104,274)	(97,527)	(68,913)	—	(939,755)
Provided for the period	(48,981)	(11,496)	(8,608)	(10,746)	—	(79,831)
Eliminated on disposals	2,352	1,200	2,261	78	—	5,891
As at 26 June 2008	(715,670)	(114,570)	(103,874)	(79,581)	—	(1,013,695)
Carrying amount						
As at 1 January 2008	1,532,058	110,071	57,812	72,794	102,735	1,875,470
As at 26 June 2008	1,480,832	101,920	49,662	67,088	125,103	1,824,605

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

18. Property and equipment (continued)

The carrying amounts of buildings are located on land use rights with the following leases terms:

	As at 31 December 2007	As at 26 June 2008
Held in the PRC		
on long-term lease (over 50 years)	50,228	48,521
on medium-term lease (10-50 years)	1,252,412	1,207,488
on short-term lease (less than 10 years)	229,418	224,823
Total	1,532,058	1,480,832

19. Other assets

	Notes	As at 31 December 2007	As at 26 June 2008
Interest receivable	(1)	576,760	767,698
Foreclosed assets	(2)	635,164	594,135
Subsidy receivable	VI. 4	296,081	296,081
Accounts receivable		83,571	111,399
Land use rights	(3)	8,175	8,072
Others		7,388	8,443
Total		1,607,139	1,785,828

(1) ***Interest receivable***

Analysed by type

	As at 31 December 2007	As at 26 June 2008
Held-to-maturity investments	203,170	297,746
Loans and advances to customers	251,727	299,323
Available-for-sale financial assets	81,151	28,541
Debt securities classified as receivables	14,441	10,298
Deposits with banks	10,312	9,468
Balances with central bank	9,310	6,595
Financial assets held under resale agreements	6,649	115,727
Total	576,760	767,698

As at 31 December 2007 and 26 June 2008, all interest receivable is due within 1 year.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

19. Other assets (continued)

(2) ***Foreclosed assets***

Analysed by type

	As at 31 December 2007	As at 26 June 2008
Land use rights and buildings	962,653	933,357
Others	26,207	22,818
Subtotal	988,860	956,175
Allowance for impairment losses	(353,696)	(362,040)
Total	635,164	594,135

(3) ***Land use rights***

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	As at 31 December 2007	As at 26 June 2008
Held in the PRC		
on medium-term lease (10-50 years)	6,317	6,283
on short-term lease (less than 10 years)	1,858	1,789
Total	8,175	8,072

20. Deposits from banks

	As at 31 December 2007	As at 26 June 2008
Deposits from domestic banks	800,093	70,546
Total	800,093	70,546

Deposits from domestic banks are interest bearing at prevailing market interest rate.

21. Financial assets sold under repurchase agreements

	Note	As at 31 December 2007	As at 26 June 2008
Analysed by collateral:			
Bonds		12,542,660	14,807,773
Bills		7,140,932	7,409,195
Total	VI.33(f)	19,683,592	22,216,968

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

22. Due to customers

	Note	As at 31 December 2007	As at 26 June 2008
Demand deposits			
Corporate customers		17,435,176	16,314,571
Individual customers		18,466,105	20,585,255
Time deposits			
Corporate customers		726,418	920,474
Individual customers		58,869,939	68,129,504
Pledged deposits	(1)	817,696	909,327
Others (including outward remittance and remittance outstanding)		35,426	83,221
Total		96,350,760	106,942,352

(1) Analysed by products for which deposit is required:

		As at 31 December 2007	As at 26 June 2008
Acceptances		490,736	538,107
Others	(i)	326,960	371,220
Total		817,696	909,327

(i) Others mainly represent pledged deposits the 39 Rural Credit Unions received to secure loans and advances to customers.

23. Accrued staff costs

	Notes	As at 31 December 2007	As at 26 June 2008
Salaries, bonuses and allowances		295,186	145,434
Social insurance		7,417	18,386
Housing funds		22,236	17,118
Supplementary retirement benefits	(1)	767,570	762,400
Early retirement benefits	(2)	407,200	394,450
Labor union fees and staff education expenses		30,801	30,928
Total		1,530,410	1,368,716

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

23. Accrued staff costs (continued)

CQR Credit Unions' obligation in respect of the supplementary retirement benefits and early retirement benefits at the end of each reporting period was calculated using the projected unit credit method by Towers Watson, an external independent actuary.

(1) ***Supplementary retirement benefits***

Supplementary retirement benefits include supplementary pension and medical benefits.

The movements of supplementary retirement benefits recognised are as follows:

As at 1 January 2007	791,600
Amounts recognised in the income statement	
Interest cost	25,320
Net actuarial gain recognised in the year	(23,930)
Benefits paid	(25,420)
As at 31 December 2007	767,570
Amounts recognised in the income statement	
Interest cost	15,250
Net actuarial gain recognised in the period	(470)
Benefits paid	(19,950)
As at 26 June 2008	762,400

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December 2007	As at 26 June 2008
Discount rate	4.5%	4.5%
Annual average medical expenses inflation rate	7%	7%
Annual subsidies inflation rate	1%	1%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

23. Accrued staff costs (continued)

(2) ***Early retirement benefits***

The movements of the early retirement benefits recognised are as follows:

As at 1 January 2007	431,630
Amounts recognised in the income statement	
Interest cost	10,350
Net actuarial gain recognised in the year	—
Benefits paid	(34,780)
As at 31 December 2007	407,200
Amounts recognised in the income statement	
Interest cost	7,640
Net actuarial gain recognised in the period	—
Benefits paid	(20,390)
As at 26 June 2008	394,450

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December 2007	As at 26 June 2008
Discount rate	4.25%	4.25%
Annual average medical expenses inflation rate	7%	7%
Annual subsidies inflation rate	1%	1%
Normal retirement age		
- Male	60	60
- Female	50	50

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

24. Other liabilities

	Notes	As at 31 December 2007	As at 26 June 2008
Interest payable	(1)	1,496,404	1,861,308
Other payables	(2)	698,322	5,378,919
Business and other tax payables		89,723	72,234
Distribution payable to owners of the 39 Rural Credit Unions		26,066	33,656
Provision	(3)	3,875	9,234
Total		2,314,390	7,355,351

(1) Interest payable

	As at 31 December 2007	As at 26 June 2008
Due to customers	1,350,892	1,713,215
Financial assets sold under repurchase agreements	145,269	148,082
Deposits from banks	243	11
Total	1,496,404	1,861,308

(2) Other payables

	Note	As at 31 December 2007	As at 26 June 2008
Payables arise from providing agency services to government bodies		339,035	286,860
Dormant accounts		71,027	114,688
Items in process of clearing and settlement		18,127	292,710
Subscription proceeds for shares of the Bank	(i)	—	4,360,070
Others		270,133	324,591
Total		698,322	5,378,919

(i) According to the promotors' agreement of the Bank signed in November 2007, the promoters of the Bank injected in total approximately RMB 2,616 million and certain owners of the 39 Rural Credit Unions injected in total approximately RMB 874 million to write off non-performing assets of the Business during the year ended 31 December 2007. An aggregate amount of approximately RMB 3,490 million was credited to capital reserve.

In addition, the promoters of the Bank paid approximately RMB 4,360 million for the purpose of subscribing 4,360,070,000 shares of the Bank during the period from 1 January 2008 to 26 June 2008. The amount is recognised as a liability in the financial information of the Business.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

24. Other liabilities (continued)

(3) Provision

	2007			
	As at 1 January	Additions	Reversals	As at 31 December
Allowances for litigation losses	—	3,875	—	3,875
Total	—	3,875	—	3,875

	2008			
	As at 1 January	Additions	Reversals	As at 26 June
Allowances for litigation losses	3,875	5,359	—	9,234
Total	3,875	5,359	—	9,234

25. Paid-in capital

Paid-in capital represents the aggregate paid-in capital of the 39 Credit Unions.

	Notes	Amount
As at 1 January 2007		1,466,275
Contribution	(1)	459,866
Withdrawal	(1)	(175,875)
Conversion	(2)	(110,336)
As at 31 December 2007 and 26 June 2008		1,639,930

(1) During 2007, certain owners of the 39 Rural Credit Unions contributed capital of approximately 460 million in total and withdrew capital of approximately RMB176 million.

(2) During 2007, the paid-in capital of certain owners of the 39 Rural Credit Unions were converted at a conversion ratio of 1.60:1.00 in accordance with the promoters' agreement for the establishment of the Bank. Accordingly, paid-in capital was reduced by approximately RMB110 million and an equivalent amount was credited to capital reserve.

No earnings per share is presented in the CRCU Financial Information as the paid-in capital of owners of 39 Rural Credit Unions is not divided into shares.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

26. Capital reserve

In accordance with the promoters' agreement for the establishment of the Bank, existing owners of the 39 Rural Credit Unions paid additional RMB0.60 per share in connection with their subscription of the Bank's shares, except for certain employee and other individual owners who could not be located, whose paid-in capital was to be exchanged for the Bank's shares in the ratio of RMB1.6 for 1 share. Together with the conversion of paid-in capital set out in Note VI.25(2) and RMB0.60 per share paid by corporations which subsequently became the promoters of Bank, total amount of RMB3,600 million was recognised as capital reserve.

27. Investment revaluation reserve

	2007	2008
As at 1 January	76,135	(89,311)
Loss on fair value changes of available-for-sale financial assets	(146,511)	(84,067)
Reclassification adjustment to profit or loss upon disposal of available-for-sale financial assets	(18,935)	1,157
As at 31 December/26 June	(89,311)	(172,221)

28. General and regulatory reserve

Pursuant to Caijin [2005] No. 49 "*Measures on General Provision for Bad and Doubtful Debts for Financial Institutions*" and Caijin [2007] No. 23 "*Application Guidance of Financing Measures for Financial Institutions*" issued by MOF, in addition to the specific and collective allowances for impairment losses, CQR Credit Unions are required to establish and maintain a general and regulatory reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

29. Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2007	As at 26 June 2008
Cash	1,468,450	1,478,249
Balances with central bank	5,143,219	3,124,165
Deposits with banks with an original maturity of less than 3 months	2,895,473	4,979,982
Financial assets held under resale agreements with an original maturity of less than 3 months	2,107,163	1,188,503
Total	11,614,305	10,770,899

30. Segment analysis

As detailed in Note I, the Business was carried out by the 39 Rural Credit Unions together with CRCCU. The 39 Rural Credit Unions were legal entities themselves and operated in accordance with the guidance and under the supervision of CRCCU.

Operating segment was identified on the basis of internal reports that were regularly reviewed by relevant management committees (chief operating decision maker) of the 39 Rural Credit Unions and CRCCU for the purposes of allocating resources and assessing their performance. The 39 Rural Credit Unions and CRCCU operated in Chongqing, the PRC. All of their customers and non-current assets were located in the Chongqing, the PRC. Chief operating decision makers of the 39 Rural Credit Unions reviewed financial information of each entity without segregating different activities. As an entity established to centralise the management and operation of the 39 Rural Credit Unions, CRCCU reviewed the combined financial information of the 39 Rural Credit Unions and its own. Each of the 39 Rural Credit Unions and CRCCU represents separate operating segments.

All the 39 Rural Credit Unions and CRCCU carried out banking business (including provision of corporate and personal banking services as well as treasury operations) in Chongqing, the PRC. Since the 39 Rural Credit Unions and CRCCU provided the same nature of services to the same type of customers at the same location and subject to the same regulatory requirements, the directors of the Bank considered the operation of the 39 Rural Credit Unions as one reportable segment.

The measurement of segment assets and liabilities, segment income and results is based on "Accounting Standards for Business Enterprises" (《企業會計準則》) and "Fundamental Accounting Systems Governing Rural Credit Cooperative Unions"(《農村信用合作社會計基本制度》) adopted by

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

30. Segment analysis (continued)

the 39 Rural Credit Unions and CRCCU in preparing their statutory financial statements. The policies applied in preparing the CRCU Financial Information are different from the segment accounting policy. Such differences mainly relate to recognition and measurement basis and presentation of financial assets, income taxes, employee benefits, and government grant.

CQR Credit Unions had no major customers that contributed 10% or more of the Business.

Segment revenue and result

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Interest income	6,247,652	2,692,459
Interest expense	(3,362,916)	(733,543)
Net interest income	2,884,736	1,958,916
Fee and commission income	94,747	41,000
Fee and commission expense	(57,761)	(24,035)
Net fee and commission income	36,986	16,965
Investment income	523,203	367,979
Other operating income (expense), net	160,864	(7,589)
Operating income	3,605,789	2,336,271
Operating expenses	(2,950,273)	(749,978)
Profit for the year/period	655,516	1,586,293

Segment assets and liabilities

	As at 31 December 2007	As at 26 June 2008
Reportable segment assets	134,129,664	163,029,105
Reportable segment liabilities	129,940,269	157,275,012

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

30. Segment analysis (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Total segment operating income	3,605,789	2,366,271
Adjustments	2,106,671	(56,526)
Operating income of the Business as reported in combined income statements	5,712,460	2,309,745
Total segment profit	655,516	1,586,293
Adjustments	2,346,732	(268,504)
Profit for the year/period of the Business as reported in combined income statements	3,002,248	1,317,789

	As at 31 December 2007	As at 26 June 2008
Total segment assets	134,129,664	163,029,105
Adjustments	(13,642,683)	(24,143,320)
Total assets of the Business as reported in combined statements of financial position	120,486,981	138,885,785
Total segment liabilities	129,940,269	157,275,012
Adjustments	(9,261,024)	(19,321,079)
Total liabilities of the Business as reported in combined statements of financial position	120,679,245	137,953,933

31. Related party transactions

Key management personnel are those persons in CRCCU who have the authority and responsibility to plan, direct and control the activities of CQR Credit Unions.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

31. Related party transactions (continued)

The remuneration of members of key management during the periods was as follows:

	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Basic salaries and allowances	513	237
Bonuses	2,528	2,643
Contribution to pension schemes	277	166
Total	3,318	3,046

32. Government grant

	Notes	Year ended 31 December 2007	For the period from 1 January 2008 to 26 June 2008
Government grant related to:			
Refund of business tax	(1)	2,970	—
Government grant in connection with Three Gorges Area	VI.4	312,210	—
Government grant to write off non-performing loans	VI.4	1,000,000	—
Total		1,315,180	—

(1) Certain rural credit unions in the county areas are entitled to refund of business tax arising from their local lending business in order to support their development of financial services in the county areas. In 2007, CQR Credit Unions received a government subsidy of approximately RMB3 million from Chongqing Finance Bureau.

33. Contingent liabilities and commitments

(a) ***Legal proceedings***

CQR Credit Unions are involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2007 and 26 June 2008, provisions of approximately RMB4 million and RMB9 million respectively were made based on court judgments or the advice of counsel. Directors of the Bank believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of CQR Credit Unions. Provision for litigation losses as advised by in-house or the external legal professionals is disclosed in Note VI. 24. (3) "Provision".

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

33. Contingent liabilities and commitments (continued)

(b) ***Capital commitments***

	As at 31 December 2007	As at 26 June 2008
Contracted but not provided for	20,466	26,389
Authorised but not contracted for	17,154	26,167
Total	37,620	52,556

(c) ***Credit commitments***

	As at 31 December 2007	As at 26 June 2008
Acceptances	562,014	660,635
Total	562,014	660,635

(d) ***Operating lease commitment***

At the end of each reporting period, CQR Credit Unions as lessee have the following non-cancellable operating lease commitments with fixed lease term and lease payment:

	As at 31 December 2007	As at 26 June 2008
Within 1 year	6,559	7,722
1 to 2 years	5,293	6,609
2 to 3 years	4,525	5,676
Above 3 years	11,083	14,038
Total	27,460	34,045

The leases are negotiated for lease term of 1 to 16 years.

(e) ***Credit risk weighted amounts for credit commitments***

	As at 31 December 2007	As at 26 June 2008
Credit commitments	68,946	129,328

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. NOTES TO CRCU FINANCIAL INFORMATION (continued)

33. Contingent liabilities and commitments (continued)

(f) ***Collateral***

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement by CQR Credit Unions is as follows:

	As at 31 December 2007	As at 26 June 2008
Bonds	13,578,453	16,072,284
Bills	7,140,932	7,409,195
Total	20,719,385	23,481,479

As at 31 December 2007 and 26 June 2008, securities held by CQR Credit Unions under repurchase agreements amounted to approximately RMB19,684 million and RMB22,217 million respectively (Note VI. 21). All repurchase agreements are due within twelve months from inception.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. As at 31 December 2007 and 26 June 2008, the fair value of collateral accepted by CQR Credit Unions is approximately RMB1,810 million and RMB11,838 million respectively. Included in the above, certain collateral were sold or re-pledged by CQR Credit Unions with a fair value of nil and approximately RMB6,824 million as at 31 December 2007 and 26 June 2008, respectively.

VII. FINANCIAL RISK MANAGEMENT

1. Overview

CQR Credit Unions' primary risk management was to maintain risk within acceptable parameters and satisfy the regulatory requirements.

CQR Credit Unions designed risk management policies and set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. CQR Credit Unions regularly reviewed their risk management policies and systems to address changes in markets, products and emerging best practice.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

1. Overview (continued)

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management managed and monitored these exposures to ensure appropriate measures are implemented on a timely and effective manner.

2. Risk management framework

As detailed in Note I, the organisation structure of CQR Credit Unions comprised of 39 Rural Credit Unions and CRCCU. CRCCU was established to centralise the management and operation of 39 Rural Credit Unions and to provide guidance and to supervise the operation of the 39 Rural Credit Unions.

Union council was established in each of the 39 Rural Credit Unions and CRCCU respectively and was responsible for setting the overall risk management and internal control strategies of 39 Rural Credit Unions in accordance with the guideline of CRCCU. CRCCU established a Credit Consulting Committee, which was responsible for assessment and approval of significant risk events. Various departments set up by CRCCU were responsible for managing and monitoring of credit risk, market risks, liquidity risk and operation risk, including primarily the Business Development Department, Operation Management Department, Risk Management Department and Verification Department. Business Development Department was primarily responsible for investigation and risk identification before credit granting and risk control. Operation Management Department was primarily responsible for managing the legal and compliance risk and credit risk. Risk Management Department was responsible for monitoring the risks 39 Rural Credit Unions exposed to, and reporting to the management of CRCCU periodically. CRCCU established Verification Department and four district Verification Offices to reinforced the routine verification work to ensure the activities are in compliance with relevant rules and regulations. The 39 Rural Credit Unions had set up Risk Management Department of their own which was primarily responsible for collection of risk information, real time monitoring and risk prevention. The functions of credit approval and granting, risk monitoring and early warning were carried out by the Risk Management Department.

3. Credit risk

3.1 *Credit risk management*

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. Major credit risk of CQR Credit Unions came from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.1 ***Credit risk management (continued)***

CQR Credit Unions exercised standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. CQR Credit Unions enhanced their credit risk management by strict compliance with their credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks, the credit risk arising from treasury business was managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available.

3.2 ***Impairment assessment***

Key factors on impairment assessment

CQR Credit Unions generally measured and managed the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which required to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories were regarded as non-performing loans. The main factors considered in loan impairment assessment included probability of loan repayment and recoverability of principal and interest, which related to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses were assessed collectively or individually as appropriate.

The five category loan classification in which the CQR Credit Unions classified its loans and advances to customers is set out below:

- Normal: Borrowers can honour 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 able to service their loans currently, 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 operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.2 ***Impairment assessment (continued)***

Key factors on impairment assessment (continued)

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

- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding estimation of impairment losses on financial assets are set out in Note IV.6(1) "Impairment of financial assets".

3.3 ***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements***

The maximum exposure to credit risk represents the credit risk exposure to CQR Credit Unions at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the statements of financial position and credit commitments disclosed in Note VI.33 "Contingent liabilities and commitments".

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 ***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)***

A summary of the maximum exposure to credit risk is as follows:

	As at 31 December 2007	As at 26 June 2008
Balances with central bank	17,701,837	20,601,297
Deposits with banks	3,532,413	5,624,874
Financial assets designated as at fair value through profit or loss	1,577,563	830,820
Financial assets held under resale agreements	2,205,173	12,143,964
Loans and advances to customers	69,083,962	64,984,323
Available-for-sale financial assets	3,687,696	1,888,786
Held-to-maturity investments	15,620,686	20,561,275
Debt securities classified as receivables	1,849,891	6,972,426
Other financial assets	956,412	1,175,178
Subtotal	116,215,633	134,782,943
Off-balance sheet items		
Credit commitments	562,014	660,635
Total	116,777,647	135,443,578

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 ***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)***

CQR Credit Unions implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these was by obtaining collateral and guarantees. The amount and type of acceptable collateral were determined by credit risk evaluations of borrowers. CQR Credit Unions implemented guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained were as follows:

- Mortgage loans to personal customers were generally collateralised by mortgages over residential properties;

- Other personal lending and corporate loans and advances were mainly collateralised by charges over land and properties and other assets of the borrowers; and

- Reverse repurchase transactions were mainly collateralised by bonds or bills.

CQR Credit Unions monitored the market value of collateral periodically and requested for additional collateral in accordance with the underlying agreement when necessary.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers***

(1) The composition of gross loans and advances to customers by industry or usage is analysed as follows:

	As at 31 December 2007		As at 26 June 2008	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply of electricity, gas and water	1,443,614	2.96	1,601,669	3.66
Real estate	10,023,128	20.53	10,444,472	23.84
Construction	1,762,597	3.61	1,881,062	4.29
Financial concerns	17,767,415	36.40	9,524,266	21.74
Retail and wholesale	1,857,690	3.81	1,887,213	4.31
Water, environment and public Utilities management	555,139	1.14	984,869	2.25
Manufacturing	8,621,566	17.66	9,750,971	22.26
Leasing and commercial services	2,942,330	6.03	3,172,629	7.24
Others	3,840,693	7.86	4,563,460	10.41
Subtotal	48,814,172	100.00	43,810,611	100.00
Personal loans and advances				
Mortgages	7,163,139	26.94	8,762,045	31.79
Loans to private business and employment assistance loans	8,840,674	33.26	8,708,884	31.60
Farmer loans	8,024,658	30.19	7,077,594	25.68
Others	2,555,909	9.61	3,013,893	10.93
Subtotal	26,584,380	100.00	27,562,416	100.00
Gross loans and advances to customers	75,398,552		71,373,027	

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(2) The composition of gross loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	4,521,369	4,759,456	186,784	9,467,609
Guaranteed loans	3,269,841	3,089,766	447,375	6,806,982
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,426,656	22,779,203	7,010,888	37,216,747
- other pledged loans	19,233,074	2,246,361	427,779	21,907,214
Total	34,450,940	32,874,786	8,072,826	75,398,552

	As at 26 June 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	3,887,091	4,832,245	394,344	9,113,680
Guaranteed loans	4,088,639	4,375,780	565,614	9,030,033
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,216,515	23,441,659	8,444,842	39,103,016
- other pledged loans	10,686,242	3,048,035	392,021	14,126,298
Total	25,878,487	35,697,719	9,796,821	71,373,027

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(3) *Past due loans*

	As at 31 December 2007				
	Up to 90 days (including 90 days)	90-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	406,058	973,628	692,026	330,771	2,402,483
Guaranteed loans	110,965	279,991	179,611	66,663	637,230
Collateralised and other secured loans					
- loans secured by property and other immovable assets	688,255	1,397,248	878,990	455,986	3,420,479
- other pledged loans	22,504	685,656	3,165,179	880,279	4,753,618
Total	1,227,782	3,336,523	4,915,806	1,733,699	11,213,810

	As at 26 June 2008				
	Up to 90 days (including 90 days)	90-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,605,615	1,747,119	787,680	424,747	4,565,161
Guaranteed loans	752,466	663,894	241,719	84,635	1,742,714
Collateralised and other secured loans					
- loans secured by property and other immovable assets	3,684,576	1,848,669	1,044,962	505,186	7,083,393
- other pledged loans	151,637	179,652	819,455	138,515	1,289,259
Total	6,194,294	4,439,334	2,893,816	1,153,083	14,680,527

Note: If either a loan's principal or interest past due by 1 day in any period, the whole loan is classified as past due loan.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers*

	As at 31 December 2007	As at 26 June 2008
Neither past due nor impaired (i)	58,917,092	53,945,983
Past due but not impaired (ii)	6,510,048	7,794,923
Impaired (iii)	9,971,412	9,632,121
Subtotal	75,398,552	71,373,027
Less: Allowances for impairment losses of loans and advances to customers	(6,314,590)	(6,388,704)
Loans and advances to customers	69,083,962	64,984,323

(i) *Loans and advances neither past due nor impaired*

	As at 31 December 2007		
	Normal	Special mention	Total
Corporate loans and advances	21,473,721	16,228,072	37,701,793
Personal loans and advances	19,250,840	1,964,459	21,215,299
Total	40,724,561	18,192,531	58,917,092

	As at 26 June 2008		
	Normal	Special mention	Total
Corporate loans and advances	20,211,799	15,393,157	35,604,956
Personal loans and advances	17,151,612	1,189,415	18,341,027
Total	37,363,411	16,582,572	53,945,983

(ii) *Loans and advances past due but not impaired*

	As at 31 December 2007					
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	Total	Fair value of collateral
Corporate loans and advances	32,887	4,130	40,226	4,645,870	4,723,113	529,951
Personal loans and advances	91,333	40,223	253,526	1,401,853	1,786,935	1,045,931
Total	124,220	44,353	293,752	6,047,723	6,510,048	1,575,882

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers (continued)*

(ii) *Loans and advances past due but not impaired (continued)*

	As at 26 June 2008					
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	Total	Fair value of collateral
Corporate loans and advances	1,253,906	80,662	202,839	1,273,504	2,810,911	3,189,317
Personal loans and advances	3,199,294	198,145	223,970	1,362,603	4,984,012	3,380,849
Total	4,453,200	278,807	426,809	2,636,107	7,794,923	6,570,166

(iii) *Impaired loans and advances*

	As at 31 December 2007		
	Gross amount	Allowance for impairment losses	Carrying value
Individually assessed	5,674,249	2,304,272	3,369,977
Collectively assessed	4,297,163	2,417,352	1,879,811
Total	9,971,412	4,721,624	5,249,788

	As at 26 June 2008		
	Gross amount	Allowance for impairment losses	Carrying value
Individually assessed	4,959,619	2,116,397	2,843,222
Collectively assessed	4,672,502	2,740,088	1,932,414
Total	9,632,121	4,856,485	4,775,636

	As at 31 December 2007	As at 26 June 2008
Individually assessed and impaired	5,674,249	4,959,619
Individually assessed and impaired %	7.53	6.95
Fair value of collateral	7,678,504	5,864,137

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(5) *Rescheduled loans and advances*

Rescheduled loans and advances arose from rescheduling and deferral of repayment terms. Rescheduled loans and advances were under continuous monitoring. Rescheduled loans and advances were approximately RMB325 million and RMB452 million as at 31 December 2007 and 26 June 2008, respectively.

(6) *Assets foreclosed under credit enhancement arrangement*

Details of such assets are disclosed in Note VI.19.

3.5 ***Debt securities***

(1) *Credit quality of debt securities*

	As at 31 December 2007	As at 26 June 2008
Neither past due nor impaired (i)	22,735,836	30,253,307

(i) Debt securities neither past due nor impaired

	As at 31 December 2007				
	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	—	1,690,652	4,698,192	—	6,388,844
Public sector, quasi-government bonds	—	587,059	4,372,725	51,916	5,011,700
Financial institution bonds	—	816,013	2,468,453	209,793	3,494,259
Corporate bonds	—	593,972	4,081,316	—	4,675,288
Certificate treasury bonds	—	—	—	89,960	89,960
PBOC's special bills	—	—	—	375,040	375,040
Debt instruments issued by financial institutions	1,577,563	—	—	1,123,182	2,700,745
Total	1,577,563	3,687,696	15,620,686	1,849,891	22,735,836

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(1) *Credit quality of debt securities (continued)*

	As at 26 June 2008				
	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	—	90,713	9,341,450	—	9,432,163
Public sector, quasi-government bonds	—	582,537	4,641,991	51,863	5,276,391
Financial institution bonds	—	817,942	2,468,321	209,819	3,496,082
Corporate bonds	—	397,594	4,109,513	—	4,507,107
Certificate treasury bonds	—	—	—	101,394	101,394
PBOC's special bills	—	—	—	117,430	117,430
Debt instruments issued by financial institutions	830,820	—	—	6,491,920	7,322,740
Total	830,820	1,888,786	20,561,275	6,972,426	30,253,307

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(2) *Debt securities analysed by credit rating and credit risk characteristic*

The CQR Credit Unions relied on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2007				
	AAA	AA	A	Unrated	Total
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	1,577,563	1,577,563
Subtotal	—	—	—	1,577,563	1,577,563
Available-for-sale financial assets					
Government bonds	—	—	—	1,690,652	1,690,652
Public sector, quasi-government bonds	—	—	—	587,059	587,059
Financial institution bonds	670,290	145,723	—	—	816,013
Corporate bonds	295,783	—	298,189	—	593,972
Subtotal	966,073	145,723	298,189	2,277,711	3,687,696
Held-to-maturity investments					
Government bonds	—	—	—	4,698,192	4,698,192
Public sector, quasi-government bonds	—	—	—	4,372,725	4,372,725
Financial institution bonds	2,468,453	—	—	—	2,468,453
Corporate bonds	3,867,904	213,412	—	—	4,081,316
Subtotal	6,336,357	213,412	—	9,070,917	15,620,686
Debt securities classified as receivables					
Certificate treasury bonds	—	—	—	89,960	89,960
Public sector, quasi-government bonds	—	—	—	51,916	51,916
Financial institution bonds	124,979	84,814	—	—	209,793
PBOC's special bills	—	—	—	375,040	375,040
Debt instruments issued by financial institutions	—	—	—	1,123,182	1,123,182
Subtotal	124,979	84,814	—	1,640,098	1,849,891
Total	7,427,409	443,949	298,189	14,566,289	22,735,836

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(2) *Debt securities analysed by credit rating and credit risk characteristic (continued)*

	As at 26 June 2008			
	AAA	AA	Unrated	Total
Financial assets designated as at fair value through profit or loss				
Debt instruments issued by financial institutions	—	—	830,820	830,820
Subtotal	—	—	830,820	830,820
Available-for-sale financial assets				
Government bonds	—	—	90,713	90,713
Public sector, quasi-government bonds	—	—	582,537	582,537
Financial institution bonds	670,927	147,015	—	817,942
Corporate bonds	346,752	50,842	—	397,594
Subtotal	1,017,679	197,857	673,250	1,888,786
Held-to-maturity investments				
Government bonds	—	—	9,341,450	9,341,450
Public sector, quasi-government bonds	—	—	4,641,991	4,641,991
Financial institution bonds	2,468,321	—	—	2,468,321
Corporate bonds	3,896,326	213,187	—	4,109,513
Subtotal	6,364,647	213,187	13,983,441	20,561,275
Debt securities classified as receivables				
Certificate treasury bonds	—	—	101,394	101,394
Public sector, quasi-government bonds	—	—	51,863	51,863
Financial institution bonds	124,984	84,835	—	209,819
PBOC's special bills	—	—	117,430	117,430
Debt instruments issued by financial institutions	—	—	6,491,920	6,491,920
Subtotal	124,984	84,835	6,762,607	6,972,426
Total	7,507,310	495,879	22,250,118	30,253,307

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department of CQR Credit Unions managed its liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base;
- Making advanced projection on future cash flows and evaluating of the appropriate current assets position; and
- Maintaining an efficient internal fund transfer mechanism within the CQR Credit Unions.

(1) ***Analysis of the remaining maturity of the financial assets and liabilities***

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

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

	As at 31 December 2007							
	Past due/ Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	11,482,963	6,613,369	50,000	412,590	611,365	—	—	19,170,287
Deposits with banks	3,000	2,943,419	—	40,134	459,860	86,000	—	3,532,413
Financial assets designated as at fair value though profit or loss	—	—	340,468	—	1,237,095	—	—	1,577,563
Financial assets held under resale agreements	—	—	2,107,162	98,011	—	—	—	2,205,173
Loans and advances to customers	10,020,440	—	14,565,831	3,761,712	18,753,068	18,265,166	3,717,745	69,083,962
Available-for-sale financial assets	276,701	—	357,893	840,600	699,674	1,174,107	615,422	3,964,397
Held-to-maturity investments	—	—	—	49,740	159,139	4,330,760	11,081,047	15,620,686
Debt securities classified as receivables	—	31,280	166,951	554,298	628,263	207,390	261,709	1,849,891
Other financial assets	—	660,331	—	—	34,655	134,364	127,062	956,412
Total financial assets	21,783,104	10,248,399	17,588,305	5,757,085	22,583,119	24,197,787	15,802,985	117,960,784
Non-derivative financial liabilities								
Deposits from banks	—	800,093	—	—	—	—	—	800,093
Financial assets sold under repurchase agreements	—	—	14,069,953	4,683,741	929,898	—	—	19,683,592
Due to customers	—	39,725,067	3,491,565	9,544,875	31,306,923	12,201,953	80,377	96,350,760
Other financial liabilities	—	2,180,332	—	—	—	—	14,394	2,194,726
Total financial liabilities	—	42,705,492	17,561,518	14,228,616	32,236,821	12,201,953	94,771	119,029,171
Net position	21,783,104	(32,457,093)	26,787	(8,471,531)	(9,653,702)	11,995,834	15,708,214	(1,068,387)

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

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

	As at 26 June 2008							
	Past due/ Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	16,814,232	4,612,399	14,995	339,605	298,315	—	—	22,079,546
Deposits with banks	—	3,888,666	883,210	520,000	282,000	50,998	—	5,624,874
Financial assets designated as at fair value though profit or loss	—	—	480,762	—	350,058	—	—	830,820
Financial assets held under resale agreements	—	—	3,964,857	3,057,071	5,122,036	—	—	12,143,964
Loans and advances to customers	16,312,114	—	1,437,059	4,303,116	17,977,313	20,040,276	4,914,445	64,984,323
Available-for-sale financial assets	189,338	—	—	—	277,417	899,362	712,007	2,078,124
Held-to-maturity investments	—	—	—	30,004	119,616	8,110,010	12,301,645	20,561,275
Debt securities classified as receivables	—	—	1,352,818	1,131,718	3,935,457	290,751	261,682	6,972,426
Other financial assets	—	879,097	—	—	34,177	165,759	96,145	1,175,178
Total financial assets	33,315,684	9,380,162	8,133,701	9,381,514	28,396,389	29,557,156	18,285,924	136,450,530
Non-derivative financial liabilities								
Deposits from banks	—	70,546	—	—	—	—	—	70,546
Financial assets sold under repurchase agreements	—	—	10,478,391	3,993,455	7,745,122	—	—	22,216,968
Due to customers	—	40,542,373	3,013,066	8,404,364	42,376,163	12,561,802	44,584	106,942,352
Other financial liabilities	—	7,212,574	—	—	—	—	27,653	7,240,227
Total financial liabilities	—	47,825,493	13,491,457	12,397,819	50,121,285	12,561,802	72,237	136,470,093
Net position	33,315,684	(38,445,331)	(5,357,756)	(3,016,305)	(21,724,896)	16,995,354	18,213,687	(19,563)

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows***

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 31 December 2007							
	Past due/ Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	11,482,963	6,621,937	50,132	419,930	620,911	—	—	19,195,873
Deposits with banks	3,000	2,944,753	483	43,220	473,461	88,168	—	3,553,085
Financial assets designated as at fair value through profit or loss	—	—	341,768	—	1,265,266	—	—	1,607,034
Financial assets held under resale agreements	—	—	2,114,936	100,001	—	—	—	2,214,937
Loans and advances to customers	7,546,470	—	15,585,619	5,620,367	24,640,006	22,922,543	4,948,258	81,263,263
Available-for-sale financial assets	276,701	—	370,973	892,800	772,156	1,403,237	919,253	4,635,120
Held-to-maturity investments	—	—	5,959	162,891	654,586	6,563,503	13,848,643	21,235,582
Debt securities classified as receivables	—	31,280	170,095	563,033	653,533	263,856	329,651	2,011,448
Other financial assets	—	729,211	—	—	35,633	143,273	144,294	1,052,411
Total financial assets	19,309,134	10,327,181	18,639,965	7,802,242	29,115,552	31,384,580	20,190,099	136,768,753
Non-derivative financial liabilities								
Deposits from banks	—	800,336	—	—	—	—	—	800,336
Financial assets sold under repurchase agreements	—	—	14,175,111	4,768,634	963,580	—	—	19,907,325
Due to customers	—	39,836,545	3,598,730	9,838,661	32,542,823	13,729,039	80,719	99,626,517
Other financial liabilities	—	683,928	—	—	—	—	17,197	701,125
Total financial liabilities	—	41,320,809	17,773,841	14,607,295	33,506,403	13,729,039	97,916	121,035,303
Net position	19,309,134	(30,993,628)	866,124	(6,805,053)	(4,390,851)	17,655,541	20,092,183	15,733,450

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows (continued)***

	As at 26 June 2008							
	Past due/ Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	16,814,232	4,618,209	15,028	344,309	302,353	—	—	22,094,131
Deposits with banks	—	3,890,012	887,945	530,310	296,481	51,586	—	5,656,334
Financial assets designated as at fair value through profit or loss	—	—	492,197	—	371,913	—	—	864,110
Financial assets held under resale agreements	—	—	4,024,082	3,119,837	5,240,054	—	—	12,383,973
Loans and advances to customers	5,905,829	—	10,411,809	5,866,783	23,757,893	25,447,342	6,659,788	78,049,444
Available-for-sale financial assets	189,338	—	3,782	11,486	342,896	1,121,141	1,036,499	2,705,142
Held-to-maturity investments	—	—	29,354	143,684	816,562	10,838,869	15,314,978	27,143,447
Debt securities classified as receivables	—	—	1,375,921	1,169,443	4,155,585	360,480	325,311	7,386,740
Other financial assets	—	756,467	—	—	35,633	141,718	110,217	1,044,035
Total financial assets	22,909,399	9,264,688	17,240,118	11,185,852	35,319,370	37,961,136	23,446,793	157,327,356
Non-derivative financial liabilities								
Deposits from banks	—	70,557	—	—	—	—	—	70,557
Financial assets sold under repurchase agreements	—	—	10,555,602	4,055,121	7,995,203	—	—	22,605,926
Due to customers	—	40,660,835	3,109,741	8,699,590	44,258,094	14,320,251	45,718	111,094,229
Other financial liabilities	—	5,351,266	—	—	—	—	32,976	5,384,242
Total financial liabilities	—	46,082,658	13,665,343	12,754,711	52,253,297	14,320,251	78,694	139,154,954
Net position	22,909,399	(36,817,970)	3,574,775	(1,568,859)	(16,933,927)	23,640,885	23,368,099	18,172,402

Assets available to meet all of the liabilities included cash, balances with central banks, deposits with banks, and financial assets designated as at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand were expected to be revolved.

A. CRCU FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(3) ***Off-balance sheet items***

Off-balance sheet items of CQR Credit Unions included acceptances only. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	As at 31 December 2007			
	Up to 1 year	1-5 years	Over 5 years	Total
Acceptances	562,014	—	—	562,014

	As at 26 June 2008			
	Up to 1 year	1-5 years	Over 5 years	Total
Acceptances	660,635	—	—	660,635

5. Market risk

Market risk is the risk of loss, in respect of CQR Credit Unions' on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk mainly aroses from CQR Credit Unions' proprietary business.

CQR Credit Unions were primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk was inherent in many of its businesses and largely arose from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The management considered the market risk arising from foreign exchange rate or equity prices in respect of its trading and investment portfolios was immaterial.

(1) ***Interest rate risk***

CQR Credit Unions' interest rate risk arose from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. CQR Credit Unions' interest-generating assets and interest-bearing liabilities were mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

CQR Credit Unions managed their interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;

- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and

- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of CQR Credit Unions' financial assets and liabilities.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) *Interest rate risk (continued)*

	As at 31 December 2007						
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interst bearing	Total
Cash and balances with central bank	16,676,182	412,590	611,365	—	—	1,470,150	19,170,287
Deposits with banks and other financial institutions	2,971,419	150,134	324,860	86,000	—	—	3,532,413
Financial assets designated as at fair value through profit or loss	340,468	—	1,237,095	—	—	—	1,577,563
Financial assets held under resale agreements	2,107,162	98,011	—	—	—	—	2,205,173
Loans and advances to customers	31,028,561	15,020,059	21,812,543	1,174,550	48,249	—	69,083,962
Available for sale financial assets	357,893	840,600	699,674	1,174,107	615,422	—	3,687,696
Held-to-maturity investments	—	49,740	159,139	4,330,760	11,081,047	—	15,620,686
Debt securities classified as receivables	198,231	554,298	628,263	207,390	261,709	—	1,849,891
Other financial assets	—	—	—	—	—	956,412	956,412
Total financial assets	53,679,916	17,125,432	25,472,939	6,972,807	12,006,427	2,426,562	117,684,083
Deposits from banks and other financial institutions	800,093	—	—	—	—	—	800,093
Financial assets sold under repurchase agreements	14,069,953	4,683,741	929,898	—	—	—	19,683,592
Due to customers	43,216,632	9,544,875	31,306,923	12,201,953	80,377	—	96,350,760
Other financial liabilities	—	—	—	—	14,394	2,180,332	2,194,726
Total financial liabilities	58,086,678	14,228,616	32,236,821	12,201,953	94,771	2,180,332	119,029,171
Interest rate gap	(4,406,762)	2,896,816	(6,763,882)	(5,229,146)	11,911,656	246,230	(1,345,088)

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

	As at 26 June 2008						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	19,963,377	339,605	298,315	—	—	1,478,249	22,079,546
Deposits with banks and other financial institutions	4,771,876	520,000	282,000	50,998	—	—	5,624,874
Financial assets designated as at fair value through profit or loss	480,762	—	350,058	—	—	—	830,820
Financial assets held under resale agreements	3,964,857	3,057,071	5,122,036	—	—	—	12,143,964
Loans and advances to customers	21,603,620	3,428,553	34,434,787	5,308,916	208,447	—	64,984,323
Available-for-sale financial assets	—	—	277,417	899,362	712,007	—	1,888,786
Held-to-maturity investments	—	30,004	119,616	8,110,010	12,301,645	—	20,561,275
Debt securities classified as receivables	1,352,818	1,131,718	3,935,457	290,751	261,682	—	6,972,426
Other financial assets	—	—	—	—	—	1,175,178	1,175,178
Total financial assets	52,137,310	8,506,951	44,819,686	14,660,037	13,483,781	2,653,427	136,261,192
Due to banks and other financial institutions	70,546	—	—	—	—	—	70,546
Financial assets sold under repurchase agreements	10,478,391	3,993,455	7,745,122	—	—	—	22,216,968
Due to customers	43,555,439	8,404,364	42,376,163	12,561,802	44,584	—	106,942,352
Other financial liabilities	—	—	—	—	27,653	7,212,574	7,240,227
Total financial liabilities	54,104,376	12,397,819	50,121,285	12,561,802	72,237	7,212,574	136,470,093
Interest rate gap	(1,967,066)	(3,890,868)	(5,301,599)	2,098,235	13,411,544	(4,559,147)	(208,901)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and equity, based on CQR Credit Unions' position of interest-bearing assets and liabilities at the end of the reporting period.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

	Year ended 31 December 2007		For the period from 1 January 2008 to 26 June 2008	
	Net interest income	Equity	Net interest income	Equity
+ 100 basis points	310,626	(84,204)	142,337	(75,732)
- 100 basis points	(310,626)	93,444	(142,337)	83,644

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at the end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

6. Capital management

The capital structure of the CQR Credit Unions consisted of paid-in capital and cash and cash equivalents.

The CQR Credit Unions' objectives on capital management were to:

- safeguard the ability of 39 Rural Credit Unions to continue as a going concern so that it can continue to provide returns for owners of the 39 Rural Credit Unions and benefits for other stakeholders;
- support the stability and growth of CQR Credit Unions; and
- maintain an adequate capital base of 39 Rural Credit Unions to support the development of its Business.

No combined capital adequacy ratio for the Business of CQR Credit Union had been presented for the Predecessor Periods before the incorporation of the Bank on 27 June 2008.

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management (continued)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, discounted cash flow analysis is adopted by using the applicable yield curve for the duration of the instruments, to the extent possible;

- the fair value of unlisted debt instruments issued by financial institutions is estimated based on the net asset value per unit reported by the issuers .

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as balances with central bank, deposits with banks, loans and advances to customers, debt securities classified as receivables, financial assets held under resale agreements, deposits from banks, due to customers and financial assets sold under repurchase agreements issued are not included in the tables below.

	31 December 2007		26 June 2008	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Held-to-maturity investments	15,620,686	14,411,578	20,561,275	19,318,291

A. CRCU FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the statements of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
As at 31 December 2007				
Financial assets designated as at fair value through profit or loss	—	1,577,563	—	1,577,563
Available-for-sale financial assets	3,922,844	—	—	3,922,844
Total assets	3,922,844	1,577,563	—	5,500,407

	Level 1	Level 2	Level 3	Total
As at 26 June 2008				
Financial assets designated as at fair value through profit or loss	—	830,820	—	830,820
Available-for-sale financial assets	2,037,289	—	—	2,037,289
Total assets	2,037,289	830,820	—	2,868,109

B. EVENT AFTER THE REPORTING PERIOD

Pursuant to the promoters' agreement, the Bank was incorporated on 27 June 2008 and the Business including all the assets and liabilities of the CQR Credit Unions was transferred to the Bank on the same date.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

3 December 2010

The Directors
Chongqing Rural Commercial Bank Co., Ltd.
Morgan Stanley Asia Limited
Nomura International (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiary (hereinafter collectively referred to as the "Group") for the period from 27 June 2008 (date of incorporation) to 31 December 2008, the year ended 31 December 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), for inclusion in the prospectus of the Bank dated 3 December 2010 (the "Prospectus") in connection with the initial listing (the "Listing") of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Bank was incorporated in the People's Republic of China (the "PRC") on 27 June 2008 as a joint-stock commercial bank. Its establishment was authorised by the People's Bank of China (the "PBOC").

The Bank and its subsidiary have adopted 31 December as its financial year end date. As at the date of this report, the Bank has direct interest in a subsidiary as set out in Note V.20 of section A below.

No statutory financial statements of the Bank have been prepared for the period from 27 June 2008 to 31 December 2008 as there is no such statutory requirement. The statutory combined financial statements of the Bank for the year ended 31 December 2008 were audited by Chongqing Kanghua CPA Ltd. (重慶康華會計師事務所), a certified public accountants registered in the PRC. These statutory combined financial statements were prepared in accordance "Accounting Standards for Business Enterprises" (《企業會計準則》) and "Fundamental Accounting Systems Governing Rural Credit Cooperative Unions" (《農村信用合作社會計基本制度》) and on the basis that the Business carried out by the Bank is a continuation of the Business carried out by 39 Rural Credit Unions and CRCCU.

The statutory financial statements of the Bank for the year ended 31 December 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司), a certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises.

For the purpose of this report, the directors of the Bank have prepared the financial statements of the Bank and the consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). Deloitte Touche Tohmatsu CPA Ltd. has carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information of the Bank and the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report on the Financial Information for inclusion in the Prospectus.

For the purpose of this report, we have examined the Underlying Financial Statements and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Underlying Financial Statements are the responsibility of the directors of the Bank who approve their issue. The directors of the Bank are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of (i) the state of affairs of the Bank as at 31 December 2008, 31 December 2009 and 30 June 2010, and of the results and cash flows of the Bank for the period from 27 June 2008 (date of incorporation) to 31 December 2008, and the year ended 31 December 2009; and (ii) the state of affairs of the Group as at 30 June 2010 and the results and cash flows of the Group for the six months ended 30 June 2010.

The comparative income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Bank's financial information for the same period (the "30 June 2009 Financial Information"), which was prepared by the directors of the Bank solely for the purpose of this report. We conducted our review on the 30 June 2009 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists of making inquiries, 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 with the Hong Kong 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 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of Financial Information, which conform with IFRSs.

A. FINANCIAL INFORMATION

(Amounts in thousands of Renminbi, unless otherwise stated)

Income Statements

		Bank			Group
	Notes	For the period from 27 June 2008 (date of incorporation) to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Interest income	V. 1	4,953,258	8,702,929	4,006,673	5,238,328
Interest expense	V. 1	(2,042,973)	(3,228,474)	(1,659,630)	(1,798,428)
Net interest income		2,910,285	5,474,455	2,347,043	3,439,900
Fee and commission income	V. 2	56,620	148,833	60,475	129,172
Fee and commission expense	V. 2	(7,613)	(12,090)	(6,712)	(6,050)
Net fee and commission income		49,007	136,743	53,763	123,122
Net trading gain	V. 3	—	8,321	2,151	12,670
Other operating income, net	V. 4	25,303	57,266	11,956	21,601
Operating income		2,984,595	5,676,785	2,414,913	3,597,293
Operating expenses	V. 5	(1,643,473)	(3,190,672)	(1,203,515)	(1,650,314)
Impairment (losses) reversals on assets	V. 7	(130,378)	(122,971)	(111,707)	142,083
Net gain on disposal of available-for-sale financial assets		726	121,402	100,842	108,020
Profit before tax		1,211,470	2,484,544	1,200,533	2,197,082
Income tax expense	V. 8	(534,073)	(596,215)	(280,019)	(536,637)
Profit for the period/year		677,397	1,888,329	920,514	1,660,445
Attributable to:					
Equity holders of the Bank		677,397	1,888,329	920,514	1,662,846
Non-controlling interests		—	—	—	(2,401)
		677,397	1,888,329	920,514	1,660,445
Earnings per share (Expressed in RMB per share)					
- Basic	V. 9	0.11	0.31	0.15	0.26

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Statements of Comprehensive Income

	Bank			Group
	For the period from 27 June 2008 (date of incorporation) to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Profit for the period/year	677,397	1,888,329	920,514	1,660,445
Other comprehensive income:				
Fair value gain on available-for-sale financial assets				
- fair value gain arising during the period/year	182,611	27,148	3,093	64,548
- amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(726)	(121,402)	(100,842)	(108,020)
Income tax relating to available-for-sale financial assets	(45,471)	23,563	24,437	10,868
Other comprehensive income (expense) for the period/year (net of tax)	136,414	(70,691)	(73,312)	(32,604)
Total comprehensive income for the period/year	813,811	1,817,638	847,202	1,627,841
Total comprehensive income attributable to:				
Equity holders of the Bank	813,811	1,817,638	847,202	1,630,242
Non-controlling interests	—	—	—	(2,401)
Total comprehensive income for the period/year	813,811	1,817,638	847,202	1,627,841

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Statements of Financial Position

		Bank			Group
		At 31 December		At 30 June	At 30 June
	Notes	2008	2009	2010	2010
Assets					
Cash and balances with central bank	V. 11	19,053,410	27,415,934	32,839,783	32,844,031
Deposits with banks and other financial institutions	V. 12	5,355,150	10,154,410	7,649,457	7,651,314
Financial assets held for trading	V. 13	—	—	3,534,978	3,534,978
Financial assets designated as at fair value through profit or loss	V. 14	2,714,577	6,548,592	17,729,041	17,729,041
Financial assets held under resale agreements	V. 15	29,941,284	13,374,196	33,499,744	33,499,744
Loans and advances to customers	V. 16	72,213,816	96,815,703	109,352,371	109,416,063
Available-for-sale financial assets	V. 17	2,673,943	1,400,406	927,560	927,560
Held-to-maturity investments	V. 18	21,128,843	24,207,259	26,549,918	26,549,918
Debt securities classified as receivables	V. 19	7,829,050	15,274,116	23,219,676	23,219,676
Investment in subsidiary	V. 20	—	—	30,600	—
Property and equipment	V. 21	2,061,939	2,117,204	2,051,773	2,053,562
Deferred tax assets	V. 31	1,426,381	1,263,923	1,112,361	1,112,361
Goodwill	V. 22	440,129	440,129	440,129	440,129
Other assets	V. 24	2,429,583	2,348,870	2,636,347	2,636,712
Total assets		167,268,105	201,360,742	261,573,738	261,615,089
Liabilities					
Deposits from banks and other financial institutions	V. 25	2,176,814	4,135,578	10,944,208	10,938,601
Placements from banks	V. 26	—	—	857,909	857,909
Financial assets sold under repurchase agreements	V. 27	34,769,648	26,505,587	44,246,768	44,246,768
Due to customers	V. 28	117,282,450	153,776,403	185,379,733	185,402,110
Accrued staff costs	V. 29	1,601,518	1,814,470	1,633,465	1,633,465
Tax liabilities		258,830	225,260	380,839	380,839
Debt securities issued	V. 30	—	2,300,000	2,300,000	2,300,000
Other liabilities	V. 32	3,287,034	3,126,094	3,170,725	3,170,806
Total liabilities		159,376,294	191,883,392	248,913,647	248,930,498
Equity					
Share capital	V. 33	6,000,000	6,000,000	7,000,000	7,000,000
Share premium		586,229	586,229	1,496,229	1,496,229
Investment revaluation reserve	V. 34	136,414	65,723	33,119	33,119
Surplus reserve	V. 35	70,175	263,878	263,878	263,878
General and regulatory reserve	V. 36	491,771	491,771	1,904,193	1,904,193
Retained earnings		607,222	2,069,749	1,962,672	1,960,173
Equity attributable to equity holders of the Bank		7,891,811	9,477,350	12,660,091	12,657,592
Non-controlling interests		—	—	—	26,999
Total equity		7,891,811	9,477,350	12,660,091	12,684,591
Total equity and liabilities		167,268,105	201,360,742	261,573,738	261,615,089

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Statements of Changes in Equity

	Notes	Share capital	Share premium	Surplus reserve	General and regulatory reserve	Retained earnings	Investment revaluation reserve	Subtotal	Non-controlling interests	Total
Bank										
As at 27 June 2008		—	—	—	—	—	—	—	—	—
Subscription by shareholders	V. 33	4,360,070	—	—	—	—	—	4,360,070	—	4,360,070
Shares issued for acquisition of Business	V. 38	1,639,930	586,229	—	491,771	—	—	2,717,930	—	2,717,930
Profit for the period		—	—	—	—	677,397	—	677,397	—	677,397
Other comprehensive income		—	—	—	—	—	136,414	136,414	—	136,414
Total comprehensive income for the period		—	—	—	—	677,397	136,414	813,811	—	813,811
Appropriation to surplus reserve	V. 35	—	—	70,175	—	(70,175)	—	—	—	—
As at 31 December 2008		6,000,000	586,229	70,175	491,771	607,222	136,414	7,891,811	—	7,891,811
Profit for the year		—	—	—	—	1,888,329	—	1,888,329	—	1,888,329
Other comprehensive income		—	—	—	—	—	(70,691)	(70,691)	—	(70,691)
Total comprehensive income for the year		—	—	—	—	1,888,329	(70,691)	1,817,638	—	1,817,638
Appropriation to surplus reserve	V. 35	—	—	193,703	—	(193,703)	—	—	—	—
Dividends recognised as distribution	V. 10	—	—	—	—	(232,099)	—	(232,099)	—	(232,099)
As at 31 December 2009		6,000,000	586,229	263,878	491,771	2,069,749	65,723	9,477,350	—	9,477,350
Group										
As at 1 January 2010		6,000,000	586,229	263,878	491,771	2,069,749	65,723	9,477,350	—	9,477,350
Profit (loss) for the period		—	—	—	—	1,662,846	—	1,662,846	(2,401)	1,660,445
Other comprehensive income		—	—	—	—	—	(32,604)	(32,604)	—	(32,604)
Total comprehensive income for the period		—	—	—	—	1,662,846	(32,604)	1,630,242	(2,401)	1,627,841
Subscription by shareholders	V.33	1,000,000	910,000	—	—	—	—	1,910,000	—	1,910,000
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	29,400	29,400
Appropriation to general and regulatory reserve	V.36	—	—	—	1,412,422	(1,412,422)	—	—	—	—
Dividends recognised as distribution	V.10	—	—	—	—	(360,000)	—	(360,000)	—	(360,000)
As at June 2010		7,000,000	1,496,229	263,878	1,904,193	1,960,173	33,119	12,657,592	26,999	12,684,591
UNAUDITED										
Bank										
As at 1 January 2009		6,000,000	586,229	70,175	491,771	607,222	136,414	7,891,811	—	7,891,811
Profit for the period		—	—	—	—	920,514	—	920,514	—	920,514
Other comprehensive expense		—	—	—	—	—	(73,312)	(73,312)	—	(73,312)
Total comprehensive income for the period		—	—	—	—	920,514	(73,312)	847,202	—	847,202
Dividends recognised as distribution	V.10	—	—	—	—	(232,099)	—	(232,099)	—	(232,099)
As at 30 June 2009		6,000,000	586,229	70,175	491,771	1,295,637	63,102	8,506,914	—	8,506,914

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Statements of Cash Flows

		Bank			Group
	Notes	For the period from 27 June 2008 (date of incorporation) to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Cash flows from operating activities					
Profit before tax		1,211,470	2,484,544	1,200,533	2,197,082
Adjustments for:					
Depreciation and amortisation		226,126	330,990	177,890	179,396
Impairment losses (reversals) on assets		130,378	122,971	111,707	(142,083)
Interest income arising from investment securities		(826,527)	(1,761,863)	(809,309)	(1,071,810)
Interest income arising from impaired financial assets		(195,432)	(229,108)	(135,620)	(75,688)
Interest expense on debt securities issued		—	—	—	63,250
Net gain on disposal of investment securities		(726)	(121,402)	(100,842)	(108,020)
Dividend income from investment securities		(1,229)	(5,625)	(180)	(1,323)
Net (gain) loss on disposal of property and equipment		(20,210)	(21,918)	(4,441)	2,240
Foreign exchange loss		—	—	—	57
Operating cash flows before movements in working capital		523,850	798,589	439,738	1,043,101
Decrease/(increase) in balances with central bank, deposits with banks and other financial institutions		3,119,244	(6,261,815)	(4,048,915)	(8,901,819)
Decrease (increase) in financial assets held under resale agreements		305,330	9,693,131	10,650,131	(5,258,342)
Increase in financial assets held for trading		—	—	—	(3,544,655)
Increase in loans and advances to customers		(7,128,777)	(24,490,311)	(26,953,224)	(12,399,191)
Increase/(decrease) in financial assets sold under repurchase agreements		12,552,680	(8,264,061)	(3,321,660)	17,741,181
Increase in due to customers, deposits from banks and other financial institutions, and placements from banks		12,446,405	38,453,951	25,561,523	39,286,644
Increase in other operating assets		(1,881,920)	(3,593,277)	(789,800)	(11,415,237)
Increase (decrease) in other operating liabilities		536,848	38,614	(742,029)	(221,134)
Cash generated by operating activities		20,473,660	6,374,821	795,764	16,330,548
Income tax paid		—	(443,763)	(269,644)	(218,628)
Net cash generated by operating activities		20,473,660	5,931,058	526,120	16,111,920

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Statements of Cash Flows (continued)

		Bank			Group
	Notes	**For the period from 27 June 2008 (date of incorporation) to 31 December 2008**	**Year ended 31 December 2009**	**Six months ended 30 June 2009**	**Six months ended 30 June 2010**
				(unaudited)	
Cash flows from investing activities					
Cash received from disposal and redemption of investment securities		7,390,871	9,879,589	7,104,360	13,952,580
Cash received from disposal of property and equipment		30,632	62,239	19,376	143,099
Cash paid for purchase of investment securities		(10,383,990)	(19,054,410)	(12,864,410)	(23,722,950)
Cash paid for purchase of property and equipment		(176,033)	(473,944)	(153,270)	(237,283)
Interest income received from investment securities		603,226	1,601,416	765,388	1,042,432
Cash inflows on acquisition of Business	V. 38	10,770,899	—	—	—
Net cash from/(used in) investing activities		8,235,605	(7,985,110)	(5,128,556)	(8,822,122)
Cash flows from financing activities					
Proceeds from issue of shares		—	—	—	1,910,000
Contribution from non-controlling shareholders		—	—	—	29,400
Cash received from debt securities issued		—	2,300,000	—	—
Dividends paid to owners of the 39 Rural Credit Unions		(12,332)	—	—	—
Dividends paid to shareholders of the Bank		—	(219,936)	(216,707)	(338,414)
Net cash (used in)/from financing activities		(12,332)	2,080,064	(216,707)	1,600,986
Net increase (decrease) in cash and cash equivalents		28,696,933	26,012	(4,819,143)	8,890,784
Opening balances of cash and cash equivalents		—	28,696,933	28,696,933	28,722,945
Effect of exchange rate changes on cash and cash equivalents		—	—	—	(396)
Closing balances of cash and cash equivalents	V. 37	28,696,933	28,722,945	23,877,790	37,613,333

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. is a joint-stock commercial bank incorporated in the PRC on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the "Business") was carried out by the 39 Rural Credit Unions. All of them were managed by the CRCCU at the municipal level of Chongqing, the PRC.

Pursuant to the promoters' agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank. Details of acquisition of the Business are set out in Note V.38.

The Bank has financial services certificate No.00177237 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No.500000000001239 issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Group comprise the provision of banking services, which includes deposits, loans, payment and settlement services, and other services as approved by the CBRC.

As at 30 June 2010, the Bank has 39 branches and provides retail and corporate banking services in Chongqing, the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiary.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Bank and the Group has consistently applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") which are effective for its financial year beginning on 1 January 2010 during the Relevant Periods except for IFRS 3 (Revised 2008), which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and IAS 27 (Revised 2008) which has been applied for accounting period beginning on January 1, 2010.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The following new and revised standards, amendments and interpretations that have been issued but are not yet effective have not been applied.

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[6]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 July 2011

6 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and financial liabilities and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets and financial liabilities that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. For financial assets, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other financial assets, including debt investments and equity investments, are measured at fair value. Financial liabilities held for trading or designated as at fair value through profit or loss are measured at fair value. All other financial liabilities are measured at amortised cost. In the opinion of the directors of the Bank, the application of IFRS 9 will have a material effect on the future classification and measurement of the Bank's and the Group's financial assets. Since there are no financial liabilities at fair value through profit or loss classified by the Bank and the Group, the directors of the Bank do not expect the application of IFRS 9 will have a material effect on the financial liabilities of the Bank and the Group.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities in the Stock Exchange and the Hong Kong Companies Ordinance.

2. Basis of preparation

The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

3. Basis of consolidation

The Financial Information incorporates the financial statements of the Bank and a subsidiary controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment in subsidiary

In the Bank's statements of financial position, its investment in the subsidiary is stated at cost, less impairment losses, if any.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Business combinations

Business combinations prior to 1 January 2010

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Business combinations on or after 1 January 2010

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

At the acquisition date, the acquirees' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values, except that:

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

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Business combinations (continued)

Business combinations on or after 1 January 2010 (continued)

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 assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquirees' identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant 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 or financial liability. When calculating the effective interest rate, the cash flows are estimated after considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment is established.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the income statements 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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.

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 realised, based on tax rates (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

8. Employee benefits

In the period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant periods.

Retirement benefits

The Group pays supplementary retirement benefits to retired employees and early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and fair value of plan assets arising from changes in actuarial assumptions are recognised in profit or loss for the period in which they are incurred.

9. Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Government grants (continued)

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 recognised in profit or loss in the period in which they become receivable.

10. Financial instruments

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

(1) ***Financial assets***

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. All regular way purchases or sales of financial assets are recognised and derecognised 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.

Financial assets at fair value through profit or loss

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
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) ***Financial assets (continued)***

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 carried at amortised 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 maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) ***Financial assets (continued)***

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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, the objective evidence of impairment could include:

(1) significant financial difficulty of the issuer or obligor;

(2) a breach of contract, such as a default or delinquency in interest or principal payments;

(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) ***Financial assets (continued)***

Impairment of financial assets (continued)

(4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties; or

(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) ***Financial assets (continued)***

Impairment of financial assets carried at amortised cost (continued)

The calculation of the present value of the estimated future cash flows of a collaterised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is reclassified to profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment loss on available-for-sale equity investments at cost is not reversed.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(2) ***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

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

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Group for cash are recorded at the proceeds received, net of direct issue costs.

Equity instruments issued by the Group to effect a business combination are recorded at fair value.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(3) ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(4) ***Offsetting financial assets and financial liabilities***

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (1) the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

11. Repurchase agreements and agreements to resale

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as "available-for-sale financial assets", "debt securities classified as receivables", "financial assets held for trading", "held-to-maturity investments" or "loans and advances to customers" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements", as appropriate. Financial assets held under agreements to resell are recorded as "financial assets held under resale agreements" as appropriate.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment

Property and equipment, including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful live	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	5 years	3%	19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Construction in progress includes property and equipment in the course of construction for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis, as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

13. Land use right

Land use right is classified in other assets and amortised over a straight-line basis over the lease term.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the period in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at net carrying amount.

15. Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

16. Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Leasehold interests in land (i.e. land use rights) is classified as finance lease if substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. The leasehold land is classified as property and equipment when the land is qualified as finance lease. Other leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

18. Impairment of tangible and intangible assets

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. Where 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. Where 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Impairment of tangible and intangible assets (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

19. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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. Where 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

20. Foreign currencies

In preparing the Financial Information of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note III, the directors of the Bank are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 recognised 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.

The following are the critical judgements and key estimation uncertainty 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 recognised in the Financial Information and/or in the next twelve months.

Impairment losses on loans and advances to customers

The directors of the Bank review its loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the directors of the Bank make judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, the directors of the Bank use estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intention and ability to hold to maturity were classified as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the directors of the Bank evaluate its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of assets as available-for-sale financial assets.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Bank and counterparties, volatilities and correlations require the directors of the Bank to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Supplementary retirement benefit and early retirement benefit obligation

The directors of the Bank recognise liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognised in profit or loss and the corresponding liability.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION

1. Net interest income

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Interest income				
Loans and advances to customers	3,362,505	6,160,730	2,791,789	3,363,912
Including: Corporate loans and advances	1,702,118	3,269,327	1,608,566	2,016,032
Personal loans and advances	1,447,679	2,219,908	1,028,856	1,117,161
Discounted bills	212,708	671,495	154,367	230,719
Debt securities classified as receivables	249,318	582,092	239,233	442,541
Held-to-maturity investments	519,537	1,085,308	513,891	600,398
Balances with central bank	183,285	312,318	142,234	204,188
Financial assets held under resale agreements	483,307	214,294	173,542	265,659
Deposits with banks and other financial institutions	77,429	102,872	51,975	47,711
Available-for-sale financial assets	57,672	94,463	56,185	28,871
Financial assets held for trading	—	4,681	938	27,353
Financial assets designated as at fair value through profit or loss	20,205	146,171	36,886	257,695
Subtotal	4,953,258	8,702,929	4,006,673	5,238,328
Interest expense				
Due to customers	(1,452,920)	(2,528,514)	(1,330,385)	(1,254,063)
Deposits from banks and other financial institutions	(25,849)	(76,635)	(33,862)	(72,815)
Financial assets sold under repurchase agreements	(564,099)	(623,094)	(295,383)	(408,300)
Debt securities issued	—	—	—	(63,250)
Others	(105)	(231)	—	—
Subtotal	(2,042,973)	(3,228,474)	(1,659,630)	(1,798,428)
Net interest income	2,910,285	5,474,455	2,347,043	3,439,900
Included within interest income				
Interest income on listed investments	584,711	1,233,762	586,904	694,686
Interest income on unlisted investments	4,368,547	7,469,167	3,419,769	4,543,642
	4,953,258	8,702,929	4,006,673	5,238,328

Listed investments included securities traded on the China Domestic Interbank Bond Market and securities listed on exchanges.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

2. Net fee and commission income

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Fee and commission income				
Agency commissions	23,538	76,409	35,274	49,229
Bank card fees	14,835	36,807	14,094	25,732
Custodian and other fiduciary service fees	9,691	14,037	2,652	2,348
Settlement and clearing fees	6,769	11,586	7,857	15,917
Consultancy and advisory fees	—	8,634	387	29,294
Others	1,787	1,360	211	6,652
Subtotal	56,620	148,833	60,475	129,172
Fee and commission expense				
Bank card fees	(5,892)	(8,230)	(5,076)	(4,786)
Settlement and clearing fees	(559)	(370)	(258)	(48)
Other service fees	(1,162)	(3,490)	(1,378)	(1,216)
Subtotal	(7,613)	(12,090)	(6,712)	(6,050)
Total	49,007	136,743	53,763	123,122

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

3. Net trading gain

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Net gain on held-for-trading debt securities	—	8,321	2,151	12,670
Total	—	8,321	2,151	12,670

4. Other operating income, net

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Dividend income from listed available-for-sale investments	1,044	4,090	—	—
Dividend income from unlisted available-for-sale investments	185	1,535	180	1,323
Net gain (loss) on disposal of property and equipment	20,210	21,918	4,441	(2,240)
Rental income	15,126	26,399	12,556	9,486
Net (loss) gain on disposal of foreclosed assets	(22,747)	(3,470)	(7,046)	14,517
Others	11,485	6,794	1,825	(1,485)
Total	25,303	57,266	11,956	21,601

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

5. Operating expenses

		Bank			Group
	Note	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Staff costs	(1)	804,114	1,809,724	568,709	904,771
General operating and administrative expenses		321,737	542,328	237,236	273,411
Business tax and surcharges		209,769	396,477	187,782	249,815
Depreciation and amortisation		226,126	330,990	177,890	179,396
Auditor's remuneration		243	1,500	—	1,000
Others		81,484	109,653	31,898	41,921
Total		1,643,473	3,190,672	1,203,515	1,650,314

(1) Staff costs

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Salaries, bonuses and allowances	580,180	1,341,675	355,558	565,544
Staff welfare	50,242	102,959	46,934	45,321
Social insurance	80,359	174,122	85,981	70,428
Housing funds	49,657	113,679	52,631	53,268
Labor union fees and staff education expenses	20,306	46,958	12,445	26,770
Supplementary retirement benefits	15,720	23,920	11,960	50,210
Early retirement benefits	7,650	6,411	3,200	93,230
Total	804,114	1,809,724	568,709	904,771

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

6. Emoluments of directors, supervisors and senior management

(1) ***Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):***

Bank

	For the period from 27 June 2008 to 31 December 2008				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonuses**	**Total**
Executive directors					
Liu JianZhong	—	34	17	241	292
Tan YuanSheng	—	35	17	240	292
Independent non-executive directors					
Xu Bin	38	—	—	—	38
Pu Yongjian	38	—	—	—	38
Ran Hua	38	—	—	—	38
Non-executive directors					
Tao Jun	19	—	—	—	19
Tu JianHua	19	—	—	—	19
Wen Hongmei	19	—	—	—	19
Wang Yongshu	19	—	—	—	19
Gao XiaoDong	19	—	—	—	19
Wu XiuFeng	19	—	—	—	19
Supervisors					
Yang MingPing	—	34	17	192	243
Zeng JianWu	13	—	—	—	13
Zuo RuiLan	13	—	—	—	13
Chen FangMing	13	—	—	—	13
Dong YunLin	25	—	—	—	25
Li Zhen	—	27	17	121	165
Zhang YiQiao	—	25	17	120	162
Total	292	155	85	914	1,446

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

6. Emoluments of directors, supervisors and senior management (continued)

(1) ***Details of the directors' and supervisors' emoluments are as follows (continued):***

Bank

	Year ended 31 December 2009				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonuses**	**Total**
Executive directors					
Liu JianZhong	—	111	33	607	751
Tan YuanSheng	—	111	33	607	751
Independent non-executive directors					
Xu Bin	75	—	—	—	75
Pu Yongjian	75	—	—	—	75
Ran Hua	75	—	—	—	75
Non-executive directors					
Tao Jun	38	—	—	—	38
Tu JianHua	38	—	—	—	38
Wen Hongmei	38	—	—	—	38
Wang Yongshu	38	—	—	—	38
Gao XiaoDong	38	—	—	—	38
Wu XiuFeng	38	—	—	—	38
Supervisors					
Yang MingPing	—	99	33	532	664
Zeng JianWu	25	—	—	—	25
Zuo RuiLan	25	—	—	—	25
Chen FangMing	25	—	—	—	25
Dong YunLin	50	—	—	—	50
Li Zhen	—	80	33	276	389
Zhang YiQiao	—	78	33	276	387
Total	578	479	165	2,298	3,520

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

6. Emoluments of directors, supervisors and senior management (continued)

(1) ***Details of the directors' and supervisors' emoluments are as follows (continued):***

Bank

	Six months ended 30 June 2009 (unaudited)				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonuses**	**Total**
Executive directors					
Liu JianZhong	—	64	17	154	235
Tan YuanSheng	—	64	17	154	235
Independent non-executive directors					
Xu Bin	—	—	—	—	—
Pu Yongjian	—	—	—	—	—
Ran Hua	—	—	—	—	—
Non-executive directors					
Tao Jun	—	—	—	—	—
Tu JianHua	—	—	—	—	—
Wen Hongmei	—	—	—	—	—
Wang Yongshu	—	—	—	—	—
Gao XiaoDong	—	—	—	—	—
Wu XiuFeng	—	—	—	—	—
Supervisors					
Yang MingPing	—	57	17	138	212
Zeng JianWu	—	—	—	—	—
Zuo RuiLan	—	—	—	—	—
Chen FangMing	—	—	—	—	
Dong YunLin	—	—	—	—	—
Li Zhen	—	39	17	71	127
Zhang YiQiao	—	39	17	71	127
Total	—	263	85	588	936

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

6. Emoluments of directors, supervisors and senior management (continued)

(1) ***Details of the directors' and supervisors' emoluments are as follows (continued):***

Group

	Six months ended 30 June 2010				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonuses**	**Total**
Executive directors					
Liu JianZhong	—	40	16	192	248
Tan YuanSheng	—	40	16	192	248
Independent non-executive directors					
Xu Bin	—	—	—	—	—
Pu Yongjian	—	—	—	—	—
Ran Hua	—	—	—	—	—
Non-executive directors					
Tao Jun	—	—	—	—	—
Tu JianHua	—	—	—	—	—
Wen Hongmei	—	—	—	—	—
Wang Yongshu	—	—	—	—	—
Gao XiaoDong	—	—	—	—	—
Wu XiuFeng	—	—	—	—	—
Supervisors					
Yang MingPing	—	36	16	177	229
Zeng JianWu	—	—	—	—	—
Zuo RuiLan	—	—	—	—	—
Chen FangMing	—	—	—	—	—
Dong YunLin	—	—	—	—	—
Li Zhen	—	40	16	55	111
Zhang YiQiao	—	38	16	93	147
Total	—	194	80	709	983

Directors' and supervisors' bonuses were paid quarterly and were determined by reference to the performance of the Group and each individual.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

6. Emoluments of directors, supervisors and senior management (continued)

(2) ***Five highest paid individuals***

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the relevant periods are as follows:

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Basic salaries and allowances	149	469	287	180
Bonuses	1,084	3,857	691	886
Contribution to pension schemes	83	169	84	81
Total	1,316	4,495	1,062	1,147

(3) ***Emoluments of the individuals were within the following bands:***

	Number of individuals			
	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
HKD nil - HKD1,000,000	5	4	5	5
HKD1,000,001 - HKD1,500,000	—	1	—	—

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the Relevant Periods.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

7. Impairment losses (reversals) on assets

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Loans and advances to customers				
Net additions	1,083,171	1,882,879	799,931	440,532
Recovery of loans	(988,455)	(1,765,347)	(688,224)	(566,013)
Subtotal	94,716	117,532	111,707	(125,481)
Foreclosed assets	32,032	5,439	—	8,707
Other assets	3,630	—	—	(25,309)
Total	130,378	122,971	111,707	(142,083)

8. Income tax expense

	Note	Bank			Group
		For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Income tax expense comprises:					
Current income tax					
- PRC Enterprise Income Tax		258,829	410,194	20,595	374,207
Deferred tax	V.31	275,244	186,021	259,424	162,430
Total		534,073	596,215	280,019	536,637

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

8. Income tax expense (continued)

The tax charges for the period/year can be reconciled to the profit before tax per the income statements as follows:

		Bank			Group
	Note	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Profit before tax		1,211,470	2,484,544	1,200,533	2,197,082
Tax calculated at applicable statutory tax rate of 25%		302,868	621,136	300,133	549,271
Tax effect of expenses not deductible for tax purpose		68,321	36,035	14,448	22,876
Tax effect of income not taxable for tax purpose		(38,495)	(60,956)	(34,562)	(35,510)
Effect of acquisition of Business	(1)	201,379	—	—	—
Income tax expense		534,073	596,215	280,019	536,637

(1) The amount represents additional tax liability imposed by the local tax authority on the Bank. CRCCU and the 39 Rural Credit Unions were exempted from PRC Enterprise Income Tax before their Business was transferred to the Bank on 27 June 2008. Pursuant to the requirement of local tax authority, the assessable profit of the Bank for the period from 27 June 2008 (date of incorporation) to 31 December 2008 is deemed as 50% of the sum of (a) assessable profit of CRCCU and the 39 Rural Credit Unions for the period from 1 January 2008 to 26 June 2008 and (b) assessable profit of the Bank from 27 June 2008 to 31 December 2008.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

9. Earnings per share

The calculation of basic earnings per share is as follows:

	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Earnings:				
Profit for the period/year attributable to equity holders of the Bank	677,397	1,888,329	920,514	1,662,846
Numbers of shares				
Weighted average number of ordinary shares in issue (thousand)	6,000,000	6,000,000	6,000,000	6,508,287
Basic earnings per share (RMB yuan)	0.11	0.31	0.15	0.26

There were no potential ordinary shares outstanding during the Relevant Periods. Accordingly, no diluted earnings per share was presented.

10. Dividends

	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June	
			2009	2010
			(unaudited)	
Dividends recognised as distribution during the period/year				
2008 Final - RMB 3 cents to RMB 6 cents per share	—	232,099	232,099	—
2009 Final - RMB 6 cents per share	—	—	—	360,000
Total	—	232,099	232,099	360,000

The final dividend in respect of the period from 27 June to 2008 to 31 December 2008 in total of RMB 232 million was approved on 23 April 2009. Dividend for shareholders who were the owners of the 39 Rural Credit Unions is RMB 6 cents per share while dividend for the promoters of the Bank is RMB 3 cent per share.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

10. Dividends (continued)

A final dividend of RMB 6 cents per share in respect of the year ended 31 December 2009 in total of RMB360 million was approved by the shareholders on 26 May 2010.

11. Cash and balances with central bank

		Bank			Group
		At 31 December		At 30 June	At 30 June
	Notes	2008	2009	2010	2010
Cash		1,568,543	2,025,691	2,023,803	2,024,680
Mandatory reserve deposits with central bank	(1)	13,941,398	19,992,329	27,111,709	27,114,171
Surplus reserve deposits with central bank	(2)	3,359,057	5,378,319	3,641,642	3,642,551
Special deposits with central bank	(3)	176,010	—	—	—
Other deposits with central bank	(4)	8,402	19,595	62,629	62,629
Total		19,053,410	27,415,934	32,839,783	32,844,031

(1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December 2008, 31 December 2009 and 30 June 2010, mandatory reserve deposits with the PBOC were calculated at 12%, 13.5% and 15% of eligible RMB deposits respectively , and 5% of foreign currency deposits from customers. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) Upon the redemption of PBOC's special bills by the PBOC (Note V.19), the 39 Rural Credit Unions are required to place the redemption money as special deposits with the PBOC for 1 year.

(4) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

(5) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

12. Deposits with banks and other financial institutions

Bank

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Deposits with:				
Domestic banks	5,355,150	10,145,689	7,628,472	7,630,329
Overseas banks	—	8,721	20,985	20,985
Total	5,355,150	10,154,410	7,649,457	7,651,314

Deposits with banks and other financial institutions are interest bearing at prevailing market interest rate.

13. Financial assets held for trading

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Note	2008	2009	2010
Debt securities issued by:				
Government		—	—	1,115,699
Public sector and quasi-governments		—	—	1,266,629
Corporations		—	—	1,152,650
Total		—	—	3,534,978
Analysed as:				
Listed in Hong Kong		—	—	—
Listed outside Hong Kong	(1)	—	—	3,534,978
Unlisted		—	—	—
Total		—	—	3,534,978

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

14. Financial assets designated as at fair value through profit or loss

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Unlisted debt instruments issued by financial institutions	2,714,577	6,548,592	17,729,041
Total	2,714,577	6,548,592	17,729,041

15. Financial assets held under resale agreements

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Analysed by collateral type:			
Bonds	3,279,849	1,250,000	2,155,736
Bills	26,661,435	11,167,196	30,517,008
Loans and advances to customers	—	957,000	827,000
Total	29,941,284	13,374,196	33,499,744

16. Loans and advances to customers

(1) ***Analysis of loans and advances to customers***

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Gross loans and advances	73,091,375	99,331,722	112,292,918	112,359,508
Individually assessed	(269,582)	(363,202)	(323,850)	(323,850)
Collectively assessed	(607,977)	(2,152,817)	(2,616,697)	(2,619,595)
	(877,559)	(2,516,019)	(2,940,547)	(2,943,445)
Loans and advances to customers	72,213,816	96,815,703	109,352,371	109,416,063

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

16. Loans and advances to customers (continued)

(2) ***Analysis of loans and advances to customers by collective and individual assessments***

		Identified impaired loans and advances (b)				
	Loans and advances for which allowance is collectively assessed (a)	For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired loans and advances as a % of gross total loans and advances
Bank						
At 31 December 2008						
Gross loans and advances.	69,561,368	1,311,673	2,218,334	3,530,007	73,091,375	4.83
Allowance for impairment losses	(224,098)	(383,879)	(269,582)	(653,461)	(877,559)	
Loans and advances to customers, net	69,337,270	927,794	1,948,752	2,876,546	72,213,816	
At 31 December 2009						
Gross loans and advances.	96,342,893	1,684,440	1,304,389	2,988,829	99,331,722	3.01
Allowance for impairment losses	(1,043,535)	(1,109,282)	(363,202)	(1,472,484)	(2,516,019)	
Loans and advances to customers, net	95,299,358	575,158	941,187	1,516,345	96,815,703	
At 30 June 2010						
Gross loans and advances	109,490,033	1,791,448	1,011,437	2,802,885	112,292,918	2.49
Allowance for impairment losses	(1,345,466)	(1,271,231)	(323,850)	(1,595,081)	(2,940,547)	
Loans and advances to customers, net	108,144,567	520,217	687,587	1,207,804	109,352,371	
Group						
At 30 June 2010						
Gross loans and advances	109,556,623	1,791,448	1,011,437	2,802,885	112,359,508	2.49
Allowance for impairment losses	(1,348,364)	(1,271,231)	(323,850)	(1,595,081)	(2,943,445)	
Loans and advances to customers, net	108,208,259	520,217	687,587	1,207,804	109,416,063	

(a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

16. Loans and advances to customers (continued)

(3) ***Movements of allowance for impairment losses on loans and advances to customers***

Bank

	Period from 27 June 2008 to 31 December 2008		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 27 June	—	—	—
Net additions	295,492	787,679	1,083,171
Written off	(25,910)	(179,702)	(205,612)
As at 31 December	269,582	607,977	877,559

Bank

	Year ended 2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	269,582	607,977	877,559
Net additions	135,945	1,746,934	1,882,879
Written off	(28,990)	(186,890)	(215,880)
Unwinding of discount on allowance	(13,335)	(15,204)	(28,539)
As at 31 December	363,202	2,152,817	2,516,019

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

16. Loans and advances to customers (continued)

(3) ***Movements of allowance for impairment losses on loans and advances to customers (continued) (continued)***

Bank

	Six months ended 30 June 2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	363,202	2,152,817	2,516,019
Net (reversals)/additions	(36,781)	474,415	437,634
Unwinding of discount on allowance	(2,571)	(10,535)	(13,106)
As at 30 June	323,850	2,616,697	2,940,547

Group

	Six months ended 30 June 2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	363,202	2,152,817	2,516,019
Net (reversals)/additions	(36,781)	477,313	440,532
Unwinding of discount on allowance	(2,571)	(10,535)	(13,106)
As at 30 June	323,850	2,619,595	2,943,445

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

17. Available-for-sale financial assets

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Notes	2008	2009	2010
Debt securities issued by:				
Government		90,930	—	—
Public sector and quasi-governments		893,204	276,858	—
Financial institutions		1,045,500	101,391	102,032
Corporations		481,978	776,404	753,867
Subtotal		2,511,612	1,154,653	855,899
Equity instruments				
- at fair value		122,016	205,438	31,396
- at cost	(1)	40,315	40,315	40,265
Subtotal		162,331	245,753	71,661
Total		2,673,943	1,400,406	927,560
Analysed as:				
Listed outside Hong Kong	(2)	2,633,628	1,360,091	887,295
Unlisted		40,315	40,315	40,265
Total		2,673,943	1,400,406	927,560

(1) The unlisted equity securities are measured at cost because their fair value cannot be reliably measured.

(2) All available-for-sale debt securities are traded on the China Domestic Interbank Bond Market and are included in "Listed outside Hong Kong".

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

18. Held-to-maturity investments

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Debt securities issued by:			
Government	9,909,409	10,434,730	10,376,080
Public sector and quasi-governments	4,496,103	5,176,819	7,120,274
Financial institutions	2,520,740	2,929,075	2,241,328
Corporations	4,202,591	5,666,635	6,812,236
Total	21,128,843	24,207,259	26,549,918

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

19. Debt securities classified as receivables

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Notes	2008	2009	2010
Certificate treasury bonds		118,523	875,595	1,021,486
PBOC's special bills	(1)	117,430	—	—
Financial institution bonds		198,969	817,578	818,204
Debt securities issued by public sector and quasi-governments		46,788	47,006	47,128
Debt instruments issued by financial institutions	(2)	7,347,340	13,533,937	21,332,858
Total		7,829,050	15,274,116	23,219,676

(1) The 39 Rural Credit Unions disposed of certain non-performing assets for a total consideration of RMB2,418 million in 2004. The consideration was settled by special bills issued by the PBOC. The special bills bear an interest rate of 1.89% per annum with original maturity of 2 years and extended for additional 2 years. The special bills are restricted from circulation, transfer, or being collateralised.

(2) The debt instruments issued by financial institutions include the loans which are non-callable before maturity with fixed interest rate and not quoted in active market.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

20. Investment in a subsidiary

Bank

	As at 31 December		As at 30 June
	2008	2009	2010
Investment cost	—	—	30,600

At 30 June 2010, details of the Bank's subsidiary are set out below.

Name of entity	Date of incorporation	Place of incorporation	Registered and Paid-in capital	Proportion of equity interest	Proportion of voting power on the board of directors	Principal activities
				(%)	(%)	
Jiangsu Zhangjiagang Huaxin County Bank Co., Ltd.	13 February 2010	Jiangsu	RMB60,000,000	51.00	51.00	Banking

Jiangsu Zhangjiagang Huaxin County Bank Co., Ltd. was incorporated in the PRC by the Bank on 13 February 2010 together with 5 corporates and an individual promoter, independent third parties. No financial statements of the subsidiary have been prepared up to the date of issuance of this report.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

21. Property and equipment

Bank

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Additions relating to acquisition of Business	1,766,121	101,920	49,662	67,087	122,131	2,106,921
Additions	23,740	55,348	3,108	12,742	50,661	145,599
Transfers	52,080	—	—	—	(52,080)	—
Disposals	(2,132)	(682)	(811)	(585)	(1,194)	(5,404)
As at 31 December 2008	1,839,809	156,586	51,959	79,244	119,518	2,247,116
Accumulated depreciation						
Provided for the period	(137,168)	(27,789)	(9,461)	(11,799)	—	(186,217)
Eliminated on disposals	911	48	44	37	—	1,040
As at 31 December 2008	(136,257)	(27,741)	(9,417)	(11,762)	—	(185,177)
Carrying amount						
As at 27 June 2008	—	—	—	—	—	—
As at 31 December 2008	1,703,552	128,845	42,542	67,482	119,518	2,061,939
Cost						
As at 1 January 2009	1,839,809	156,586	51,959	79,244	119,518	2,247,116
Additions	134,525	52,123	8,508	23,299	134,889	353,344
Transfers	44,677	—	—	—	(44,677)	—
Disposals	(56,189)	(3,469)	(2,676)	(8,021)	(1,758)	(72,113)
As at 31 December 2009	1,962,822	205,240	57,791	94,522	207,972	2,528,347
Accumulated depreciation						
As at 1 January 2009	(136,257)	(27,741)	(9,417)	(11,762)	—	(185,177)
Provided for the year	(191,269)	(29,629)	(15,612)	(22,901)	—	(259,411)
Eliminated on disposals	26,945	570	1,347	4,583	—	33,445
As at 31 December 2009	(300,581)	(56,800)	(23,682)	(30,080)	—	(411,143)
Carrying amount						
As at 1 January 2009	1,703,552	128,845	42,542	67,482	119,518	2,061,939
As at 31 December 2009	1,662,241	148,440	34,109	64,442	207,972	2,117,204
Cost						
As at 1 January 2010	1,962,822	205,240	57,791	94,522	207,972	2,528,347
Additions	54,679	25,834	7,184	11,652	118,187	217,536
Transfers	110,909	28,338	—	—	(139,247)	—
Disposals	(151,357)	(118)	(1,724)	(79)	(36,133)	(189,411)
As at 30 June 2010	1,977,053	259,294	63,251	106,095	150,779	2,556,472
Accumulated depreciation						
As at 1 January 2010	(300,581)	(56,800)	(23,682)	(30,080)	—	(411,143)
Provided for the period	(84,170)	(34,025)	(10,576)	(12,999)	—	(141,770)
Eliminated on disposals	46,555	84	1,516	59	—	48,214
As at 30 June 2010	(338,196)	(90,741)	(32,742)	(43,020)	—	(504,699)
Carrying amount						
As at 1 January 2010	1,662,241	148,440	34,109	64,442	209,972	2,117,204
As at 30 June 2010	1,638,857	168,553	30,509	63,075	150,779	2,051,773

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

21. Property and equipment (continued)

The carrying amounts of buildings are located on land use rights with the following leases terms:

Bank

	As at 31 December		As at 30 June
	2008	2009	2010
Held in the PRC			
on long-term lease (over 50 years)	37,385	33,197	27,296
on medium-term lease (10-50 years)	1,483,431	1,466,529	1,518,031
on short-term lease (less than 10 years)	182,736	162,515	93,530
Total	1,703,552	1,662,241	1,638,857

Group

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2010	1,962,822	205,240	57,791	94,522	207,972	2,528,347
Additions	55,942	26,034	7,184	11,652	118,564	219,376
Transfers	110,909	28,338	—	—	(139,247)	—
Disposals	(151,357)	(118)	(1,724)	(79)	(36,133)	(189,411)
As at 30 June 2010	1,978,316	259,494	63,251	106,095	151,156	2,558,312
Accumulated depreciation						
As at 1 January 2010	(300,581)	(56,800)	(23,682)	(30,080)	—	(411,143)
Provided for the period	(84,171)	(34,075)	(10,576)	(12,999)	—	(141,821)
Eliminated on disposals	46,555	84	1,516	59	—	48,214
As at 30 June 2010	(338,197)	(90,791)	(32,742)	(43,020)	—	(504,750)
Carrying amount						
As at 1 January 2010	1,662,241	148,440	34,109	64,442	207,972	2,117,204
As at 30 June 2010	1,640,119	168,703	30,509	63,075	151,156	2,053,562

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

21. Property and equipment (continued)

The carrying amounts of buildings have the following remaining leases terms:

Group

	As at 30 June 2010
Held in the PRC	
on long-term lease (over 50 years)	27,296
on medium-term lease (10-50 years)	1,519,293
on short-term lease (less than 10 years)	93,530
Total	1,640,119

According to the relevant laws and regulations, subsequent to transfer of the Business to the Bank, the legal title of certain properties previously held under the name of the 39 Rural Credit Unions and CRCCU is to be transferred to the Bank. As at the date of issuance of this report, the re-registration process is still in progress. The directors of the Bank anticipate that the re-registration process does not affect the rights of the Bank as the legal successor to these properties.

22. Goodwill

Bank

	Note	
Cost and carrying value		
Addition	V.38	440,129
At 31 December 2008, 31 December 2009 and 30 June 2010		440,129

Group

Cost and carrying value	
At 30 June 2010	440,129

Particulars regarding impairment testing on goodwill are disclosed in Note V.23.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

23. Impairment testing on goodwill and intangible assets

For the purpose of impairment testing, goodwill set out in Note V.22 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2008, 31 December 2009 and 30 June 2010 allocated to these units are as follows:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Corporate banking (Unit A)	234,934	234,934	234,934
Personal banking (Unit B)	108,019	108,019	108,019
Treasury operations (Unit C)	97,176	97,176	97,176
Total	440,129	440,129	440,129

Intangible assets including customer relationship and core deposits (Note V.24) are included in, respective CGUs for the purpose of impairment testing.

During the period from 27 June to 31 December 2008, the year ended 31 December 2009 and the six month ended 30 June 2010, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill and intangible assets.

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

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 11%, 10% and 9% as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively. The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

24. Other assets

		Bank			Group
		As at 31 December		As at 30 June	As at 30 June
	Notes	2008	2009	2010	2010
Interest receivable	(1)	1,006,315	961,977	1,198,060	1,198,060
Foreclosed assets	(2)	596,174	506,069	502,748	502,748
Intangible assets	(3)	121,750	75,748	62,161	62,161
Land use rights	(4)	379,694	484,402	479,693	479,693
Subsidy receivable	(5)	260,139	237,735	237,735	237,735
Others		65,511	82,939	155,950	156,315
Total		2,429,583	2,348,870	2,636,347	2,636,712

(1) ***Interest receivable***

Analysed by type

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Held-to-maturity investments	387,598	443,128	425,629
Loans and advances to customers	303,386	349,626	396,602
Available-for-sale financial assets	47,888	27,110	17,505
Debt securities classified as receivables	22,358	105,702	183,052
Financial assets designated as at fair value through profit or loss	—	3,125	20,581
Financial assets held under resale agreements	221,759	16,899	133,860
Balances with central bank	15,510	11,079	12,264
Deposits with banks and other financial institutions	7,816	5,308	8,567
Total	1,006,315	961,977	1,198,060

As at 31 December 2008, 2009 and 30 June 2010, all interest receivable is due within 1 year.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

24. Other assets (continued)

(2) ***Foreclosed assets***

Analysed by type

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Land use rights and buildings	626,418	541,006	543,923
Others	1,788	2,085	2,085
Subtotal	628,206	543,091	546,008
Allowance for impairment losses	(32,032)	(37,022)	(43,260)
Total	596,174	506,069	502,748

(3) ***Intangible assets***

Group and Bank

Intangible assets include computer software, core deposits and customer relationship which are amortised over 5, 3 and 3 years respectively.

(4) ***Land use rights***

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Held in the PRC			
on long-term lease (over 50 years)	25,306	24,662	9,080
on medium-term lease (10-50 years)	342,032	448,304	458,392
on short-term lease (less than 10 years)	12,356	11,436	12,221
Total	379,694	484,402	479,693

According to the relevant laws and regulations, subsequent to transfer of the Business, the legal title of certain land use rights previously held under the name of the 39 Rural Credit Unions and CRCCU is to be transferred to the Bank. As at the date of issuance of the Accountants' Report, the re-registration process is still in progress. The directors of the Bank anticipate that the re-registration process does not affect the rights of the Bank as the legal successor to those land use rights.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

24. Other assets (continued)

(5) To recoup certain loan losses incurred by the 6 rural credit unions located at Three Gorges areas during Three Gorges migration, the PBOC granted in 2007 a special loan of RMB743 million to Chongqing Yufu Assets Management Company Limited (the "Chongqing Yufu") which is owned by Chongqing Municipal Government (one of the shareholder of the Bank after its incorporation on 27 June 2008). This special loan bears interest at 2.25% per annum with a maturity of 13 years. Pursuant to (i) a trust agreement entered between the 6 rural credit unions and Chongqing International Trust Co., Ltd. (the "CITCO") , an asset management company and (ii) two sets of asset management agreements entered into by the 6 rural credit unions, Chongqing Yufu and CITCO, Chongqing Yufu is required to pay an amount to the 6 rural credit unions which equals to the difference between the benchmark interest rate as quoted by the PBOC for commercial loans with terms over 5 years and the 2.25% (after adjusting for commission fee to CITCO as stipulated in the trust agreement) during the period of this special loan. In June 2007, the 6 rural credit unions recognised it as subsidy income and subsidy receivable of RMB312 million. The arrangement was transferred from the 6 rural credit unions to the Bank when the Bank acquired the Business on 27 June 2008.

25. Deposits from banks and other financial institutions

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Deposits from domestic banks	2,176,814	4,135,578	10,729,104	10,723,497
Deposits from other domestic financial institutions	—	—	215,104	215,104
Total	2,176,814	4,135,578	10,944,208	10,938,601

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

26. Placements from banks

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Placements from domestic banks	—	—	857,909

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

27. Financial assets sold under repurchase agreements

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Note	2008	2009	2010
Analysed by collateral type:				
Bonds		23,357,183	10,708,444	30,709,381
Bills		11,412,465	15,797,143	13,537,387
Total	V. 43 (f)	34,769,648	26,505,587	44,246,768

28. Due to customers

		Bank			Group
		As at 31 December		As at 30 June	As at 30 June
	Note	2008	2009	2010	2010
Demand deposits					
Corporate customers		17,372,863	31,097,165	42,649,263	42,649,263
Individual customers		23,324,397	31,742,377	37,439,880	37,459,448
Time deposits					
Corporate customers		1,091,657	2,675,283	3,663,594	3,663,594
Individual customers		74,232,548	85,160,274	96,715,846	96,718,655
Pledged deposits	(1)	1,019,122	3,033,251	4,841,991	4,841,991
Others (including outward remittance and remittance outstanding)		241,863	68,053	69,159	69,159
Total		117,282,450	153,776,403	185,379,733	185,402,110

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

28. Due to customers (continued)

(1) Analysed by products for which deposit is required:

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Note	2008	2009	2010
Acceptances		632,425	2,097,889	3,448,732
Letters of guarantee		—	850	3,178
Others	(i)	386,697	934,512	1,390,081
Total		1,019,122	3,033,251	4,841,991

(i) Others mainly represent pledged deposits the Group received to secure loans and advances to customers.

29. Accrued staff costs

		Bank		Group and Bank
		As at 31 December		As at 30 June
	Notes	2008	2009	2010
Salaries, bonuses and allowances		388,269	671,426	380,296
Social insurance		4,270	2,903	8,842
Housing funds		23,936	5,940	12,420
Supplementary retirement benefits	(1)	758,310	731,780	751,940
Early retirement benefits	(2)	382,420	328,540	384,720
Labor union fees and staff education expenses		44,313	73,881	95,247
Total		1,601,518	1,814,470	1,633,465

The Group's obligation in respect of the supplementary retirement benefits and early retirement benefits at the end of the reporting period was calculated using the projected unit credit method by Towers Watson, an external independent actuary.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

29. Accrued staff costs (continued)

(1) Supplementary retirement benefits

Supplementary retirement benefits include supplementary pension and medical benefits.

The movements of supplementary retirement benefits recognized are as follows:

Bank

As at 27 June 2008	762,400
Amounts recognised in the income statement	
Interest cost	15,260
Net actuarial loss recognised in the period	470
Benefits paid	(19,820)
As at 31 December 2008	758,310
Amounts recognised in the income statement	
Interest cost	23,920
Net actuarial loss recognised in the year	—
Benefits paid	(50,450)
As at 31 December 2009	731,780
Amounts recognised in the income statement	
Interest cost	13,290
Present value of benefit obligation for participants entering the plan during the period	36,920
Net actuarial loss recognised in the period	—
Benefits paid	(30,050)
As at 30 June 2010	751,940

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

29. Accrued staff costs (continued)

(1) Supplementary retirement benefits (continued)

Group

As at 1 January 2010	731,780
Amounts recognised in the income statement	
Interest cost	13,290
Present value of benefit obligation for participants entering the plan during the period	36,920
Net acturial loss recognised in the period	—
Benefits paid	(30,050)
As at 30 June 2010	751,940

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December		As at 30 June	
	2008	2009	2009	2010
			(unaudited)	
Discount rate	3%	3.75%	3.5%	3.5%
Annual average medical expenses inflation rate	7%	7%	7%	7%
Annual subsidies inflation rate	1%	1%	1%	1%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003			

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

29. Accrued staff costs (continued)

(2) Early retirement benefits

The movements of the early retirement benefits recognized are as follows:

Bank

As at 27 June 2008	394,450
Amounts recognised in the income statement	
Interest cost	7,650
Net actuarial loss recognised in the period	—
Benefits paid	(19,680)
As at 31 December 2008	382,420
Amounts recognised in the income statement	
Interest cost	6,411
Net actuarial loss recognised in the year	—
Benefits paid	(60,291)
As at 31 December 2009	328,540
Amounts recognised in the income statement	
Interest cost	4,400
Present value of benefit obligation for participants entering the plan during the period	88,830
Net acturial loss recognised in the period	—
Benefits paid	(37,050)
As at 30 June 2010	384,720

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

29. Accrued staff costs (continued)

(2) Early retirement benefits (continued)

Group

As at 1 January 2010	328,540
Amounts recognised in the income statement	
Interest cost	4,400
Present value of benefit obligation for participants entering the plan during the period	88,830
Net actuarial loss recognised in the period	—
Benefits paid	(37,050)
As at 30 June 2010	384,720

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2009	2010
			(unaudited)	
Discount rate	1.75%	3.75%	2.25%	2.5%
Annual average medical expenses inflation rate	7%	7%	7%	7%
Annual subsidies inflation rate	1%	1%	1%	1%
Normal retirement age				
- Male	60	60	60	60
- Female	50	50	50	50

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

30. Debt securities issued

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Subordinated bonds issued	—	2,300,000	2,300,000
Total	—	2,300,000	2,300,000

As approved by the PBOC and CBRC, the Group issued callable subordinated fixed rate bonds of RMB2,300 million on 29 December 2009.

The subordinated fixed rate bonds issued in December 2009 have a maturity of 10 years, with a fixed coupon rate of 5.5%, payable annually. The Group has an option to redeem all of the bonds at par value on 30 December 2014. If the Group does not exercise this option, the coupon rate of the bonds will increase by 3% to 8.5% per annum from 30 December 2014 for the next five years.

31. Deferred tax assets

For the purpose of presentation in the statements of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Deferred tax assets	1,426,381	1,263,923	1,112,361

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

31. Deferred tax assets (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowances of impairment losses	Early retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
Bank								
Additions relating to acquisition of Business (Note V.38)	1,563,412	98,613	—	2,308	—	(81,302)	164,065	1,747,096
(Charge)/credit to profit or loss	(377,036)	(3,008)	97,067	628	—	1,227	5,878	(275,244)
Charge to other comprehensive income	—	—	—	—	(45,471)	—	—	(45,471)
As at 31 December 2008	1,186,376	95,605	97,067	2,936	(45,471)	(80,075)	169,943	1,426,381
(Charge)/credit to profit or loss	(242,477)	(13,470)	70,790	3	—	30,196	(31,063)	(186,021)
Credit to other comprehensive income	—	—	—	—	23,563	—	—	23,563
As at 31 December 2009	943,899	82,135	167,857	2,939	(21,908)	(49,879)	138,880	1,263,923
Group and Bank								
(Charge)/credit to profit or loss	(102,234)	14,045	(72,783)	(597)	—	7,190	(8,051)	(162,430)
Credit to other comprehensive income	—	—	—	—	10,868	—	—	10,868
As at 30 June 2010	841,665	96,180	95,074	2,342	(11,040)	(42,689)	130,829	1,112,361

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

32. Other liabilities

		Bank			Group
		As at 31 December		As at 30 June	As at 30 June
	Notes	2008	2009	2010	2010
Interest payable	(1)	2,473,683	2,245,727	2,299,075	2,299,075
Other payables	(2)	642,386	679,983	561,067	561,148
Business and other tax payables		137,897	135,140	196,895	196,895
Dividends payable		21,324	33,487	55,073	55,073
Provision	(3)	11,744	11,757	9,368	9,368
Deferred income	(4)	—	20,000	49,247	49,247
Total		3,287,034	3,126,094	3,170,725	3,170,806

(1) Interest payable

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Due to customers	2,161,562	2,026,171	2,040,968
Financial assets sold under repurchase agreements	309,616	214,909	181,713
Deposits from banks	2,505	4,647	13,144
Debt securities issued	—	—	63,250
Total	2,473,683	2,245,727	2,299,075

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

32. Other liabilities (continued)

(2) Other payables

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Payables arise from providing agency services to government bodies	134,716	282,224	194,331	194,331
Dormant accounts	72,246	65,381	62,302	62,302
Items in process of clearing and settlement	31,399	44,544	81,089	81,169
Others	404,025	287,834	223,345	223,346
Total	642,386	679,983	561,067	561,148

(3) Provision

Bank

	2008			
	As at 27 June	Additions relating to acquisition of Business	Additions	As at 31 December
Allowances for litigation losses	—	9,234	2,510	11,744
Total	—	9,234	2,510	11,744

Bank

	2009			
	As at 1 January	Additions	Reversals	As at 31 December
Allowances for litigation losses	11,744	13	—	11,757
Total	11,744	13	—	11,757

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

32. Other liabilities (continued)

(3) Provision (continued)

Group and Bank

	2010			
	As at 1 January	Additions	Reversals	As at 30 June
Allowances for litigation losses	11,757	121	(2,510)	9,368
Total	11,757	121	(2,510)	9,368

(4) Deferred income

In 2009, the Group received a government subsidy of RMB 20 million from the Chongqing Municipal Government (Note V.42) for the cost of construction of its head office building. The government grant was recognised as deferred income (included in other liabilities) and will be transferred to profit or loss over the useful lives of the head office building after it is completed.

In 2010, the Group received consultancy fee amounting to approximately RMB29 million from local enterprises for services covering a 2-year period.

33. Share capital

	Number of shares (in thousands)	Amount
As at 27 June 2008	—	—
Subscription	4,360,070	4,360,070
Acquisition of Business	1,639,930	1,639,930
As at 31 December 2008 and 2009	6,000,000	6,000,000
Subscription	1,000,000	1,000,000
As at 30 June 2010	7,000,000	7,000,000

As set out in Note I and Note V.38, the Bank was incorporated on 27 June 2008 and acquired the Business from CRCCU and the 39 Rural Credit Unions on the same date. Registered capital of the Bank is RMB6,000 million divided into 6,000 million of shares at par value of RMB1 each. Registered capital has been fully issued which comprised 1,639,930,000 shares issued to acquire the Business from CRCCU and the 39 Rural Credit Unions and 4,360,070,000 shares subscribed by the promoters of the Bank. The capital contribution was verified by Chongqing Jinhui CPA Ltd., with verification report Yu Jin Hui Yan [2008] No. 26 issued on 30 May 2008.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

33. Share capital (continued)

On 30 March 2010, the Bank issued 1,000 million new shares with a par value of RMB1 at a subscription price of RMB1.91 per share to three state-owned enterprises under a private placement. The capital contribution was verified by Chongqing Kanghua CPA Ltd., with verification report Chong Kang Hui Yan [2010] No. 5 issued on 30 March 2010.

34. Investment revaluation reserve

	Gross amount	Tax effect	Net effect
Bank			
Gain/(loss) on fair value changes of available-for-sale financial assets	182,611	(45,653)	136,958
Reclassification adjustment to profit or loss upon disposal of available-for-sale financial assets	(726)	182	(544)
As at 31 December 2008	181,885	(45,471)	136,414
Gain/(loss) on fair value changes of available-for-sale financial assets	27,148	(6,788)	20,360
Reclassification adjustment to profit or loss upon disposal of available-for-sale financial assets	(121,402)	30,351	(91,051)
At 31 December 2009	87,631	(21,908)	65,723
Group and Bank			
Gain/(loss) on fair value changes of available-for-sale financial assets	64,548	(16,137)	48,411
Reclassification adjustment to profit or loss upon disposal of available-for-sale financial assets	(108,020)	27,005	(81,015)
As at 30 June 2010	44,159	(11,040)	33,119

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

35. Surplus reserve

Under relevant PRC Laws, the Group is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

For the period from 27 June to 31 December 2008 and the year ended and 2009, the Bank appropriated approximately RMB70 million and RMB194 million to the surplus reserve respectively.

36. General and regulatory reserve

Pursuant to *Caijin [2005] No. 49 "Measures on General Provision for Bad and Doubtful Debts for Financial Institutions"* and *Caijin [2007] No. 23 "Application Guidance of Financing Measures for Financial Institutions"* issued by MOF, in addition to the specific and collective allowances for impairment losses, the Bank is required to establish and maintain a general and regulatory reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy.

37. Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	Bank		Group
	As at 31 December		As at 30 June
	2008	2009	2010
Cash	1,568,543	2,025,691	2,024,680
Balances with central bank	3,359,057	5,378,319	3,642,552
Deposits with banks and other financial institutions with an original maturity of less than 3 months	4,478,180	8,901,739	4,661,699
Financial assets held under resale agreements with an original maturity of less than 3 months	19,291,153	12,417,196	27,284,402
Total	28,696,933	28,722,945	37,613,333

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

38. Acquisition of Business

On 27 June 2008, the Bank acquired all the assets and liabilities of CRCCU and the 39 Rural Credit Unions in Chongqing as detailed in Note I. The consideration was satisfied by 1,639,930,000 ordinary shares issued by the Bank with a par value of RMB1 each. The fair value of the consideration amounted to approximately RMB2,717,930,000 is determined by reference to the fair value of the Business, which is measured by Jones Lang LaSalle Sallmanns Limited, an independent valuer, using discounted cash flow method. The transaction has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB 440 million.

The net assets acquired in the transaction and goodwill arising are as follows:

	Acquiree's carrying amount before combination	Notes	Fair value adjustments	Fair value
Cash and balances with central bank	22,079,546		—	22,079,546
Deposits with banks	5,624,874		—	5,624,874
Financial assets designated as at fair value through profit or loss	830,820		—	830,820
Financial assets held under resale agreements	12,143,964		—	12,143,964
Loans and advances to customers	64,984,323		—	64,984,323
Available-for-sale financial assets	2,078,124		—	2,078,124
Held-to-maturity investments	20,561,275		(1,242,984)	19,318,291
Debt securities classified as receivables	6,972,426		(16,006)	6,956,420
Property and equipment	1,824,605		282,316	2,106,921
Deferred tax assets	—		1,747,096	1,747,096
Other assets	1,785,828	(1)	575,527	2,361,355
Deposits from banks	(70,546)		—	(70,546)
Financial assets sold under repurchase agreements	(22,216,968)		—	(22,216,968)
Due to customers	(106,942,352)		—	(106,942,352)
Accrued staff costs	(1,368,716)		—	(1,368,716)
Other liabilities	(7,355,351)		—	(7,355,351)
	931,852		1,345,949	2,277,801
Goodwill		(2)		440,129
				2,717,930
Total consideration satisfied by:				
Shares issued at fair value				2,717,930
Cash inflows on acquisition of Business:				
Cash and cash equivalents		(3)		10,770,899

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

38. Acquisition of Business (continued)

(1) Included in fair value adjustments of other assets are customer relationship and core deposits with fair value of RMB 43,500,000 and RMB102,600,000 and with estimated useful lives of 3 years.

(2) Goodwill arose in the acquisition of Business because the consideration paid for combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(3) Cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 27 June 2008
Cash	1,478,249
Balances with central bank	3,124,165
Deposits with banks and other financial institutions with an original maturity of less than 3 months	4,979,982
Financial assets held under resale agreements with an original maturity of less than 3 months	1,188,503
Total	10,770,899

All revenue, profit and cash flows of the Group for the period from 27 June 2008 to 31 December 2008 are contributed by the Business acquired.

39. Non-cash transactions

Subscription proceeds from promoters of the Bank have been received by the 39 Rural Credit Unions prior to incorporation of the Bank.

40. Segment analysis

Operating segments are identified on the basis of internal reports about components of the Bank and the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates in Chongqing, PRC. All of its customers and non-current assets are located in the Chongqing, PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

40. Segment analysis (continued)

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the Financial Information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 per cent or more of the Group's income.

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

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit activities and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

40. Segment analysis (continued)

Operating segment (continued)

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers.

Bank

	For the period from 27 June 2008 to 31 December 2008					
	Corporate banking	**Personal banking**	**Treasury operations**	**Segment total**	**Unallocated**	**Total**
External interest income	1,797,980	1,447,679	1,707,599	4,953,258	—	4,953,258
External interest expense	(81,992)	(1,370,929)	(590,052)	(2,042,973)	—	(2,042,973)
Inter-segment interest (expense)/income	(361,564)	1,026,651	(665,087)	—	—	—
Net interest income	1,354,424	1,103,401	452,460	2,910,285	—	2,910,285
Fee and commission income	9,558	20,249	26,813	56,620	—	56,620
Fee and commission expense	(1,243)	(2,639)	(3,731)	(7,613)	—	(7,613)
Net fee and commission income	8,315	17,610	23,082	49,007	—	49,007
Other operating income, net	—	—	1,045	1,045	24,258	25,303
Operating income	1,362,739	1,121,011	476,587	2,960,337	24,258	2,984,595
Operating expense	(750,711)	(766,078)	(102,334)	(1,619,123)	(24,350)	(1,643,473)
Reversal of impairment loss (impairment loss) on assets	83,888	(214,266)	—	(130,378)	—	(130,378)
Net gain on disposal of available-for-sale financial assets	—	—	726	726	—	726
Profit/(loss) before tax	695,916	140,667	374,979	1,211,562	(92)	1,211,470
Income tax expense						(534,073)
Profit for the period						677,397
As at 31 December 2008						
Segment assets	37,273,271	23,117,171	102,418,568	162,809,010	4,459,095	167,268,105
Segment liabilities	21,234,752	100,664,205	37,456,012	159,354,969	21,325	159,376,294
Supplementary information						
Credit commitments	734,965	—	—	734,965	—	734,965
Depreciation and amortisation included in operating expenses	107,585	113,823	4,718	226,126	—	226,126
Capital expenditure	83,599	88,805	3,629	176,033	—	176,033

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

40. Segment analysis (continued)

Operating segment (continued)

Bank

	Year ended 31 December 2009					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	3,331,427	2,219,908	3,151,594	8,702,929	—	8,702,929
External interest expense	(201,002)	(2,327,511)	(699,961)	(3,228,474)	—	(3,228,474)
Inter-segment interest (expense)/income	(840,818)	1,999,159	(1,158,341)	—	—	—
Net interest income	2,289,607	1,891,556	1,293,292	5,474,455	—	5,474,455
Fee and commission income	35,720	55,068	58,045	148,833	—	148,833
Fee and commission expense	(2,901)	(4,473)	(4,716)	(12,090)	—	(12,090)
Net fee and commission income	32,819	50,595	53,329	136,743	—	136,743
Net trading gain	—	—	8,321	8,321	—	8,321
Other operating income, net	—	—	4,918	4,918	52,348	57,266
Operating income	2,322,426	1,942,151	1,359,860	5,624,437	52,348	5,676,785
Operating expense	(1,630,772)	(1,275,252)	(235,948)	(3,141,972)	(48,700)	(3,190,672)
Reversal of impairment loss (impairment loss) on assets	122,421	(245,392)	—	(122,971)	—	(122,971)
Net gain on disposal of available-for-sale financial assets	—	—	121,402	121,402	—	121,402
Profit before income tax	814,075	421,507	1,245,314	2,480,896	3,648	2,484,544
Income tax expense						(596,215)
Profit for the year						1,888,329
As at 31 December 2009						
Segment assets	57,441,509	25,932,661	113,575,964	196,950,134	4,410,608	201,360,742
Segment liabilities	38,319,061	120,017,837	33,286,817	191,623,715	259,677	191,883,392
Supplementary information						
Credit commitments	2,983,976	—	—	2,983,976	—	2,983,976
Depreciation and amortisation included in operating expenses	178,926	141,778	10,286	330,990	—	330,990
Capital expenditure	256,190	203,031	14,723	473,944	—	473,944

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

40. Segment analysis (continued)

Operating segment (continued)

Bank

	Six months ended 30 June 2009 (unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	1,622,280	1,028,856	1,355,537	4,006,673	—	4,006,673
External interest expense	(84,442)	(1,245,943)	(329,245)	(1,659,630)	—	(1,659,630)
Inter-segment interest (expense)/income	(197,105)	909,897	(712,792)	—	—	—
Net interest income	1,340,733	692,810	313,500	2,347,043	—	2,347,043
Fee and commission income	14,634	21,402	24,439	60,475	—	60,475
Fee and commission expense	(1,624)	(2,376)	(2,712)	(6,712)	—	(6,712)
Net fee and commission income	13,010	19,026	21,727	53,763	—	53,763
Net trading gains/(losses)	—	—	2,151	2,151	—	2,151
Other operating income, net	—	—	—	—	11,956	11,956
Operating income	1,353,743	711,836	337,378	2,402,957	11,956	2,414,913
Operating expense	(597,666)	(462,072)	(119,427)	(1,179,165)	(24,350)	(1,203,515)
Reversal of impairment loss (impairment loss) on assets	12,539	(124,246)	—	(111,707)	—	(111,707)
Net gain on sales of available-for-sale financial assets	—	—	100,842	100,842	—	100,842
Profit/(loss) before income tax	768,616	125,518	318,793	1,212,927	(12,394)	1,200,533
Income tax expense						(280,019)
Profit for the period						920,514
As at 30 June 2009						
Supplementary information						
Credit commitments	2,491,048	—	—	2,491,048	—	2,491,048
Depreciation and amortisation included in operating expenses	93,953	74,453	9,484	177,890	—	177,890
Capital expenditure	80,950	64,149	8,172	153,271	—	153,271

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

40. Segment analysis (continued)

Operating segment (continued)

Group

	Six months ended 30 June 2010					
	Corporate banking	**Personal banking**	**Treasury operations**	**Segment total**	**Unallocated**	**Total**
External interest income	2,060,545	1,117,161	2,060,622	5,238,328	—	5,238,328
External interest expense	(144,895)	(1,109,168)	(544,365)	(1,798,428)	—	(1,798,428)
Inter-segment interest (expense)/income	(389,418)	1,068,620	(679,202)	—	—	—
Net interest income	1,526,232	1,076,613	837,055	3,439,900	—	3,439,900
Fee and commission income	31,651	43,064	54,457	129,172	—	129,172
Fee and commission expense	(1,483)	(2,017)	(2,550)	(6,050)	—	(6,050)
Net fee and commission income	30,168	41,047	51,907	123,122	—	123,122
Net trading gain	—	—	12,670	12,670	—	12,670
Other operating (loss)/income, net	—	—	(57)	(57)	21,658	21,601
Operating income	1,556,400	1,117,660	901,575	3,575,635	21,658	3,597,293
Operating expense	(874,313)	(591,415)	(160,236)	(1,625,964)	(24,350)	(1,650,314)
Reversal of impairment loss on assets	85,591	56,492	—	142,083	—	142,083
Net gain on disposal of available-for-sale financial assets	—	—	105,385	105,385	2,635	108,020
Profit/(loss) before income tax	767,678	582,737	846,724	2,197,139	(57)	2,197,082
Income tax expense						(536,637)
Profit for the period						1,660,445
As at 30 June 2010						
Segment assets	75,158,261	32,554,904	149,724,866	257,438,031	4,177,058	261,615,089
Segment liabilities	52,197,703	137,110,926	59,185,876	248,494,505	435,993	248,930,498
Supplementary information						
Credit commitments	4,512,071	—	—	4,512,071	—	4,512,071
Depreciation and amortisation included in operating expenses	101,431	70,336	7,629	179,396	—	179,396
Capital expenditure	134,161	93,031	10,091	237,283	—	237,283

Unallocated assets mainly include property and equipment of the Group's head office. Unalloated liabilities mainly include tax liabilities and dividends payable.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

41. Related party transactions

(a) ***Related parties of the Bank and the Group***

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares hold	
	As at 31 December 2008 and 2009	As at 30 June 2010
Chongqing Yufu	10.00%	10.00%
Chongqing City Investment Co., Ltd.	—	9.56%
Loncin Holding Co., Ltd.	9.50%	8.14%
Chongqing Travel Investment Co., Ltd	—	6.73%
Beijing Jiuding Real Estate Co., Ltd.	5.00%	—

There are several entities significantly influenced by member of key management personnel of the Group which are considered as related parties of the Group ("other related parties").

(b) ***Related party transactions***

The transactions carried out with shareholders of the Bank are conducted in the normal course of business, with prices based on normal transaction prices, and under normal commercial terms.

During the period/year, the Bank and the Group entered into the following material transactions with related parties:

	Interest income				Interest expense			
	Bank			Group	Bank			Group
	For the period from 27 June 2008 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010	For the period from 27 June 20087 to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)				(unaudited)	
Shareholders of the Bank	56,941	101,183	68,426	59,266	16	444	197	5,604
Other related parties	61,518	114,782	54,865	33,577	1,081	2,022	648	721

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

41. Related party transactions (continued)

(b) ***Related party transactions (continued)***

At the end of each reporting period, the Bank and the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties			Customer deposits from related parties		
	Bank		Group and Bank	Bank		Group and Bank
	As at 31 December		As at 30 June	As at 31 December		As at June 30
	2008	2009	2010	2008	2009	2010
Shareholders of the Bank . . .	2,311,500	1,250,000	2,880,000	5,315	3,461	62,616
Other related parties	1,830,930	1,190,000	1,120,000	220,566	229,275	357,971

	Interest receivable from related parties			Interest payable to related parties		
	Bank		Group and Bank	Bank		Group and Bank
	As at 31 December		As at 30 June	As at 31 December		As at 30 June
	2008	2009	2010	2008	2009	2010
Shareholders of the Bank. . . .	57,011	132,134	138,894	2	1	5,506
Other related parties	8,344	2,369	2,106	887	1,433	1,776

	Subsidy receivable from related parties			Debt securities payable to related parties		
	Bank		Group and Bank	Bank		Group and Bank
	As at 31 December		As at 30 June	As at 31 December		As at 30 June
	2008	2009	2010	2008	2009	2010
Shareholder of the Bank. . . .	260,139	237,735	237,735	—	200,000	200,000

	Acceptance issued for related parties		
	Bank		Group and Bank
	As at 31 Decmeber		As at 30 June
	2008	2009	2010
Other related parties	—	500	126,160

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

41. Related party transactions (continued)

(b) ***Related party transactions (continued)***

As at 31 December 2008, 31 December 2009 and 30 June 2010 the debt instruments issued by financial institutions of RMB4,708 million, RMB4,665 million and RMB1,000 million respectively included in debt securities classified as receivables were used to finance the investments of those financial institutions in which a shareholder of the Bank has an option to acquire such investments from those financial institutions at a pre-determined price in future.

The credit facilities the Group granted to related parties (including employees) were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with independent third parties of a similar standing.

(c) ***Key management personnel***

Key management personnel are those persons in the Bank or the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the periods were as follows:

	Bank			Group
	Period from 27 June to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
			(unaudited)	
Basic salaries and allowances	352	1,311	723	541
Bonuses	2,081	5,759	1,605	2,043
Contribution to pension schemes	202	495	251	244
Fees	288	575	—	—
Total	2,923	8,140	2,579	2,828

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

42. Government grant

		Bank			Group
	Notes	Period from 27 June to 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
				(unaudited)	
Government grant received related to:					
Depreciable assets	(1)	—	20,000	—	—
Other subsidy income	(2)	8,930	3,320	780	100
Total		8,930	23,320	780	100

(1) The Group received a government subsidy of RMB20 million from the Chongqing Municipal Government (Note V.32) for the cost of construction of its head office building. The government grant was recognised as deferred income (included in other liabilities) and will be transferred to profit or loss over the useful live of the head office building after it is completed.

(2) Certain rural credit unions in the county areas are entitled to refund of business tax arising from their local lending business in order to support their development of financial services in the county areas. The benefit was transferred to the Group when the Bank acquired the Business on 27 June 2008.

In 2009, the Group received a government subsidy of RMB3 million from Ministry of Finance, Chongqing Municipal Office and Chongqing Foreign Trade and Economic Relations Commission which was determined based on new working capital loans granted to small and medium-sized enterprises in 2009. The amounts were recognised as other operating income.

43. Contingent liabilities and commitments

(a) ***Legal proceedings***

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2008, 31 December 2009 and 30 June 2010, provisions of RMB12 million, RMB12 million and RMB9 million respectively were made based on court judgments or the advice of counsel. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or the external legal professionals is disclosed in Note V. 32.(3) "Provision".

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

43. Contingent liabilities and commitments (continued)

(b) ***Capital commitments***

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Contracted but not provided for	22,165	120,235	130,661
Authorised but not contracted for	419,737	475,561	294,694
Total	441,902	595,796	425,355

(c) ***Credit commitments***

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Letters of guarantee	—	7,365	35,697
Acceptances	734,965	2,976,611	4,476,374
Total	734,965	2,983,976	4,512,071

(d) ***Operating lease commitment***

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Within 1 year	8,621	10,359	10,939
1 to 2 years	6,897	8,669	7,100
2 to 3 years	5,882	7,277	4,824
Above 3 years	12,819	12,583	13,130
Total	34,219	38,888	35,993

The leases are negotiated for a lease term of 1 to 14 years.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

43. Contingent liabilities and commitments (continued)

(e) ***Credit risk weighted amounts for credit commitments***

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Credit commitments	131,843	555,882	227,568

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

(f) ***Collateral***

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement by the Group is as follows:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Bonds	22,495,969	10,433,303	30,615,186
Bills	11,412,465	15,797,143	13,537,387
Total	33,908,434	26,230,446	44,152,573

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. NOTES TO FINANCIAL INFORMATION (continued)

43. Contingent liabilities and commitments (continued)

(f) ***Collateral (continued)***

Assets pledged (continued)

As at 31 December 2008 and 31 December 2009, securities held by the Bank under repurchase agreements amounted to RMB33,908 million and RMB26,230 million respectively (Note V.27); as at 30 June 2010, securities held by the Bank and the Group under repurchase agreements amounted to RMB44,153 million (Note V.27). All repurchase agreements are due within twelve months from inception.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of collateral accepted by the Bank is RMB30,034 million and RMB11,168 million as at 31 December 2008 and 31 December 2009 respectively. There was no collateral pledged to the Bank and the Group as at 30 June 2010. Included in the above, certain collateral were sold or re-pledged by the Bank with a fair value of RMB12,121 million and nil as at 31 December 2008 and 31 December 2009, respectively.

VI. FINANCIAL RISK MANAGEMENT

1. Overview

The primary risk management of the Bank and the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Bank and the Group have designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Bank and the Group regularly review its risk management policies and systems to address changes in markets, products and emerging best practice.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Bank and the Group manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

2. Risk management framework

The Bank has a Risk Management Committee under the Board of Directors. Risk Management Committee is responsible for setting the overall risk management and internal control strategies of the Bank and the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Bank and the Group.

Following the risk management strategies set by the Risk Management Committee, the Risk Management Department of the Bank and the Group formulate and implement relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Bank and the Group.

3. Credit risk

3.1 ***Credit risk management***

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Bank and the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Bank and the Group exercise standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Bank and the Group enhance its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Bank and the Group also provide financial guarantee service to customers which may require the Bank and the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.2 *Impairment assessment*

Key factors on impairment assessment

The Bank and the Group generally measure and manage the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which requires to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

The Bank and the Group assess the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in Note III. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly, loans and advances to customers.

The five category loan classification in which the Bank and the Group classify its loans and advances to customers is set out below:

- Normal: Borrowers can honour 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 able to service their loans currently, 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 operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

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

- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Bank and the Group's estimation of impairment losses on financial assets are set out in Note III.10 (1) "Impairment of financial assets".

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 ***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements***

The maximum exposure to credit risk represents the credit risk exposure to the Bank and the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the statements of financial position and credit commitments disclosed in Note V.43 "Contingent liabilities and commitments".

A summary of the maximum exposure to credit risk is as follows:

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Balances with central bank	17,484,867	25,390,243	30,815,980	30,819,351
Deposits with banks and other financial institutions	5,355,150	10,154,410	7,649,457	7,651,314
Financial assets held for trading	—	—	3,534,978	3,534,978
Financial assets designated as at fair value through profit or loss	2,714,577	6,548,592	17,729,041	17,729,041
Financial assets held under resale agreements	29,941,284	13,374,196	33,499,744	33,499,744
Loans and advances to customers	72,213,816	96,815,703	109,352,371	109,416,063
Available-for-sale financial assets	2,511,612	1,154,653	855,899	855,899
Held-to-maturity investments	21,128,843	24,207,259	26,549,918	26,549,918
Debt securities classified as receivables	7,829,050	15,274,116	23,219,676	23,219,676
Other financial assets	1,322,840	1,276,163	1,584,324	1,584,688
Subtotal	160,502,039	194,195,335	254,791,388	254,860,672
Off-balance sheet items				
Letters of guarantee	—	7,365	35,697	35,697
Acceptances	734,965	2,976,611	4,476,374	4,476,374
Total	161,237,004	197,179,311	259,303,459	259,372,743

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 ***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)***

The Bank and the Group implement specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Bank and the Group implement guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;

- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and

- Reverse repurchase transactions are mainly collateralised by bonds, bills, or loans and advances to customers.

The Bank and the Group monitor the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers***

(1) *The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:*

	Bank						Group	
	As at 31 December				As at 30 June		As at 30 June 2010	
	2008		2009		2010		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances								
Production and supply of electricity, gas and water	2,648,639	5.06	4,962,980	6.72	4,524,859	5.59	4,524,859	5.59
Real estate	12,279,272	23.47	14,159,567	19.21	15,889,670	19.64	15,889,670	19.64
Construction	1,759,514	3.36	3,034,916	4.12	5,318,334	6.57	5,318,334	6.57
Financial concerns	13,542,291	25.88	14,595,063	19.80	3,110,574	3.84	3,110,574	3.84
Retail and wholesale	2,246,924	4.29	3,052,259	4.14	4,580,307	5.66	4,580,307	5.66
Water, environment and public utilities management	633,255	1.21	4,161,840	5.65	8,823,920	10.91	8,823,920	10.91
Manufacturing	10,690,365	20.43	18,145,989	24.62	21,921,621	27.10	21,921,621	27.10
Leasing and commercial services	3,787,951	7.24	4,021,521	5.46	2,015,104	2.49	2,015,104	2.49
Transportation, logistics and postal services	1,699,142	3.25	2,132,841	2.89	4,236,673	5.24	4,236,673	5.24
Education	848,384	1.62	2,247,354	3.05	2,627,262	3.25	2,627,262	3.25
Others	2,187,023	4.19	3,203,273	4.34	7,863,781	9.71	7,863,781	9.71
Subtotal	52,322,760	100.00	73,717,603	100.00	80,912,105	100.00	80,912,105	100.00
Personal loans and advances								
Mortgages	8,622,302	33.77	12,333,644	43.89	16,939,756	50.52	16,939,756	50.41
Loans to private business and employment assistance loans	8,804,861	34.49	8,717,761	31.02	8,835,479	26.35	8,902,069	26.50
Farmer loans	5,783,688	22.65	4,321,722	15.38	3,824,289	11.40	3,824,289	11.38
Others	2,320,940	9.09	2,730,359	9.71	3,935,065	11.73	3,935,065	11.71
Subtotal	25,531,791	100.00	28,103,486	100.00	33,534,589	100.00	33,601,179	100.00
Contractual amount of loans and advances to customers	77,854,551		101,821,089		114,446,694		114,513,284	

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(2) *The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:*

Bank

	As at 31 December 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	3,103,474	4,157,623	78,173	7,339,270
Guaranteed loans	3,282,252	5,599,743	1,439,131	10,321,126
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,046,532	26,377,055	8,742,572	42,166,159
- other pledged loans	14,376,643	3,076,317	575,036	18,027,996
Total	27,808,901	39,210,738	10,834,912	77,854,551

Bank

	As at 31 December 2009			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	5,697,623	6,050,014	1,724,230	13,471,867
Guaranteed loans	4,960,379	7,152,833	2,530,432	14,643,644
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,443,890	29,174,034	13,658,074	50,275,998
- other pledged loans	16,706,593	5,077,362	1,645,625	23,429,580
Total	34,808,485	47,454,243	19,558,361	101,821,089

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(2) *The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows: (continued)*

Bank

	As at 30 June 2010			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	2,252,899	8,423,019	5,622,847	16,298,765
Guaranteed loans	5,620,456	12,382,379	4,102,992	22,105,827
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,334,508	34,303,039	19,253,894	60,891,441
- other pledged loans	7,224,802	5,207,664	2,718,195	15,150,661
Total	22,432,665	60,316,101	31,697,928	114,446,694

Group

	As at 30 June 2010			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	2,252,899	8,423,019	5,622,847	16,298,765
Guaranteed loans	5,665,546	12,382,379	4,102,992	22,150,917
Collateralised and other secured loans				
- loans secured by property and other immovable assets	7,350,008	34,309,039	19,253,894	60,912,941
- other pledged loans	7,224,802	5,207,664	2,718,195	15,150,661
Total	22,493,255	60,322,101	31,697,928	114,513,284

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(3) *Past due loans at contractual amount*

Bank

	As at 31 December 2008				
	Up to 90 days (including 90 days)	90-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,199,675	781,686	789,353	187,231	2,957,945
Guaranteed loans	298,795	383,278	294,294	68,195	1,044,562
Collateralised and other secured loans					
- loans secured by property and other immovable assets	1,191,387	1,057,078	1,299,186	439,746	3,987,397
- other pledged loans	606,992	31,782	69,645	174,083	882,502
Total	3,296,849	2,253,824	2,452,478	869,255	8,872,406

Bank

	As at 31 December 2009				
	Up to 90 days (including 90 days)	90-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	903,230	453,471	569,639	91,742	2,018,082
Guaranteed loans	167,934	263,822	264,276	28,716	724,748
Collateralised and other secured loans					
- loans secured by property and other immovable assets	738,892	1,049,143	637,734	226,462	2,652,231
- other pledged loans	24,132	61,834	34,316	31,487	151,769
Total	1,834,188	1,828,270	1,505,965	378,407	5,546,830

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(3) *Past due loans at contractual amount (continued)*

Group and Bank

	As at 30 June 2010				
	Up to 90 days (including 90 days)	90-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	447,929	657,535	653,182	171,127	1,929,773
Guaranteed loans	133,246	126,746	334,760	49,518	644,270
Collateralised and other secured loans					
- loans secured by property and other immovable assets	877,243	340,695	906,261	430,772	2,554,971
- other pledged loans	25,875	45,637	86,875	22,972	181,359
Total	1,484,293	1,170,613	1,981,078	674,389	5,310,373

Note: If either a loan's principal or interest past due by 1 day in any period, the whole loan is classified as past due loan.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount*

	Bank			Group
	As at 31 December		As at 30 June	As at 30 June
	2008	2009	2010	2010
Neither past due nor impaired (i)	67,362,478	95,701,696	108,895,621	108,962,211
Past due but not impaired (ii)	3,731,109	2,173,414	2,126,629	2,126,629
Impaired (iii)	6,760,964	3,945,979	3,424,444	3,424,444
Total contractual amount of loans and advances to customers	77,854,551	101,821,089	114,446,694	114,513,284
Less: Fair value adjustment and allowances for impairment losses of loans and advances to customers	(5,640,735)	(5,005,386)	(5,094,323)	(5,097,221)
Loans and advances to customers	72,213,816	96,815,703	109,352,371	109,416,063

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount (continued)*

(i) Loans and advances neither past due nor impaired

Bank

	As at 31 December 2008		
	Normal	**Special mention**	**Total**
Corporate loans and advances	31,158,332	16,414,683	47,573,015
Personal loans and advances	18,693,805	1,095,658	19,789,463
Total	49,852,137	17,510,341	67,362,478

Bank

	As at 31 December 2009		
	Normal	**Special mention**	**Total**
Corporate loans and advances	56,255,954	15,367,726	71,623,680
Personal loans and advances	23,193,220	884,796	24,078,016
Total	79,449,174	16,252,522	95,701,696

Bank

	As at 30 June 2010		
	Normal	**Special mention**	**Total**
Corporate loans and advances	64,911,354	14,133,049	79,044,403
Personal loans and advances	29,122,070	729,148	29,851,218
Total	94,033,424	14,862,197	108,895,621

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount (continued)*

(i) Loans and advances neither past due nor impaired (continued)

Group

	As at 30 June 2010		
	Normal	**Special mention**	**Total**
Corporate loans and advances	64,911,354	14,133,049	79,044,403
Personal loans and advances	29,188,660	729,148	29,917,808
Total	94,100,014	14,862,197	108,962,211

(ii) Loans and advances past due but not impaired

Bank

	As at 31 December 2008					
	Up to 30 days (including 30 days)	**30 - 60 days (including 60 days)**	**60 - 90 days (including 90 days)**	**More than 90 days**	**Total**	**Fair value of collateral**
Corporate loans and advances	757,877	67,785	22,290	157,400	1,005,352	635,086
Personal loans and advances	1,706,923	158,330	134,135	726,369	2,725,757	1,450,641
Total	2,464,800	226,115	156,425	883,769	3,731,109	2,085,727

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount (continued)*

(ii) Loans and advances past due but not impaired (continued)

Bank

	As at 31 December 2009					
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	Total	Fair value of collateral
Corporate loans and advances	47,823	19,460	8,500	62,812	138,595	150,613
Personal loans and advances	1,426,282	87,922	74,446	446,169	2,034,819	1,080,540
Total	1,474,105	107,382	82,946	508,981	2,173,414	1,231,153

Group and Bank

	As at 30 June 2010					
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	Total	Fair value of collateral
Corporate loans and advances	155,891	31,800	43,550	96,375	327,616	517,688
Personal loans and advances	959,005	117,387	79,511	643,110	1,799,013	1,270,043
Total	1,114,896	149,187	123,061	739,485	2,126,629	1,787,731

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount (continued)*

(iii) Impaired loans and advances

Bank

	As at 31 December 2008		
	Gross amount	**Allowance for impairment losses**	**Carrying value**
Individually assessed	3,857,336	1,908,584	1,948,752
Collectively assessed	2,903,628	1,975,834	927,794
Total	6,760,964	3,884,418	2,876,546

Bank

	As at 31 December 2009		
	Gross amount	**Allowance for impairment losses**	**Carrying value**
Individually assessed	1,888,129	946,941	941,188
Collectively assessed	2,057,850	1,482,692	575,158
Total	3,945,979	2,429,633	1,516,346

Group and Bank

	As at 30 June 2010		
	Gross amount	**Allowance for impairment losses**	**Carrying value**
Individually assessed	1,397,177	709,590	687,587
Collectively assessed	2,027,267	1,507,050	520,217
Total	3,424,444	2,216,640	1,207,804

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 ***Loans and advances to customers (continued)***

(4) *Credit quality of loans and advances to customers at contractual amount (continued)*

(iii) Impaired loans and advances (continued)

Including:

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Individually assessed and impaired	3,857,336	1,888,129	1,397,177
Individually assessed and impaired %	4.95	1.85	1.22
Fair value of collateral	5,205,385	2,904,563	2,139,582

(5) *Rescheduled loans and advances*

Rescheduled loans and advances arise from rescheduling and deferral of repayment terms. Rescheduled loans and advances are under continuous monitoring. Contractual amount of rescheduled loans and advances as at 31 December 2008, 31 December 2009 and 30 June 2010 were RMB729 million, RMB849 million and RMB726 million, respectively.

(6) *Assets foreclosed under credit enhancement arrangement*

Details of such assets are disclosed in Note V.24.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities***

(1) *Credit quality of debt securities*

	Bank		Group and Bank
	As at 31 December		As at 30 June
	2008	2009	2010
Neither past due nor impaired (i)	34,184,082	47,184,620	71,889,512

(i) Debt securities neither past due nor impaired

Bank

	As at 31 December 2008				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds and PBOC bills	—	90,930	9,909,409	—	10,000,339
Public sector, quasi-government bonds	—	893,204	4,496,103	46,788	5,436,095
Financial institution bonds	—	1,045,500	2,520,740	198,969	3,765,209
Corporate bonds	—	481,978	4,202,591	—	4,684,569
Certificate treasury bonds	—	—	—	118,523	118,523
PBOC's special bills	—	—	—	117,430	117,430
Debt instruments issued by financial institutions	2,714,577	—	—	7,347,340	10,061,917
Total	2,714,577	2,511,612	21,128,843	7,829,050	34,184,082

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 *Debt securities (continued)*

(1) *Credit quality of debt securities (continued)*

(i) Debt securities neither past due nor impaired (continued)

Bank

	As at 31 December 2009				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds & PBOC Bills	—	—	10,434,730	—	10,434,730
Public sector, quasi-government bonds	—	276,858	5,176,819	47,006	5,500,683
Financial institution bonds	—	101,391	2,929,075	817,578	3,848,044
Corporate bonds	—	776,404	5,666,635	—	6,443,039
Certificate treasury bonds	—	—	—	875,595	875,595
Debt instruments issued by financial institutions	6,548,592	—	—	13,533,937	20,082,529
Total	6,548,592	1,154,653	24,207,259	15,274,116	47,184,620

Group and Bank

	As at 30 June 2010				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds & PBOC Bills	1,115,699	—	10,376,080	—	11,491,779
Public sector, quasi-government bonds	1,266,629	—	7,120,274	47,128	8,434,031
Financial institution bonds	—	102,032	2,241,328	818,204	3,161,564
Corporate bonds	1,152,650	753,867	6,812,236	—	8,718,753
Certificate treasury bonds	—	—	—	1,021,486	1,021,486
Debt instruments issued by financial institutions	17,729,041	—	—	21,332,858	39,061,899
Total	21,264,019	855,899	26,549,918	23,219,676	71,889,512

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(2) *Debt securities analysed by credit rating and credit risk characteristic*

The Bank and the Group relied on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

Bank

	As at 31 December 2008			
	AAA	AA	Unrated	Total
Financial assets designated as at fair value through profit or loss				
Debt instruments issued by financial institutions	—	—	2,714,577	2,714,577
Subtotal	—	—	2,714,577	2,714,577
Available-for-sale financial assets				
Government bonds and PBOC bills	—	—	90,930	90,930
Public sector, quasi-government bonds	—	—	893,204	893,204
Financial institution bonds	715,892	329,608	—	1,045,500
Corporate bonds	381,569	100,409	—	481,978
Subtotal	1,097,461	430,017	984,134	2,511,612
Held-to-maturity investments				
Government bonds	—	—	9,909,409	9,909,409
Public sector, quasi-government bonds	—	—	4,496,103	4,496,103
Financial institution bonds	2,400,771	119,969	—	2,520,740
Corporate bonds	3,999,827	202,764	—	4,202,591
Subtotal	6,400,598	322,733	14,405,512	21,128,843
Debt securities classifies as receivables				
Certificate treasury bonds	—	—	118,523	118,523
Public sector, quasi-government bonds	—	—	46,788	46,788
Financial institution bonds	117,799	81,170	—	198,969
PBOC's special bills	—	—	117,430	117,430
Debt instruments issued by financial institutions	—	—	7,347,340	7,347,340
Subtotal	117,799	81,170	7,630,081	7,829,050
Total	7,615,858	833,920	25,734,304	34,184,082

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(2) *Debt securities analysed by credit rating and credit risk characteristic (continued)*

Bank

	As at 31 December 2009			
	AAA	AA	Unrated	Total
Financial assets designated as at fair value through profit or loss				
Debt instruments issued by financial institutions	—	—	6,548,592	6,548,592
Subtotal	—	—	6,548,592	6,548,592
Available-for-sale financial assets				
Public sector, quasi-government bonds	—	—	276,858	276,858
Financial institution bonds	101,391	—	—	101,391
Corporate bonds	272,045	504,359	—	776,404
Subtotal	373,436	504,359	276,858	1,154,653
Held-to-maturity investments				
Government bonds and PBOC bills	—	—	10,434,730	10,434,730
Public sector, quasi-government bonds	—	—	5,176,819	5,176,819
Financial institution bonds	2,429,117	499,958	—	2,929,075
Corporate bonds	5,053,233	613,402	—	5,666,635
Subtotal	7,482,350	1,113,360	15,611,549	24,207,259
Debt securities classifies as receivables				
Certificate treasury bonds	—	—	875,595	875,595
Public sector, quasi-government bonds	—	—	47,006	47,006
Financial institution Bonds	236,242	581,336	—	817,578
Debt instruments issued by financial institutions	—	—	13,533,937	13,533,937
Subtotal	236,242	581,336	14,456,538	15,274,116
Total	8,092,028	2,199,055	36,893,537	47,184,620

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 ***Debt securities (continued)***

(2) *Debt securities analysed by credit rating and credit risk characteristic* (continued)

Group and Bank

	As at 30 June 2010			
	AAA	AA	Unrated	Total
Financial assets held for trading				
Government bonds and PBOC bills	—	—	1,115,699	1,115,699
Public sector, quasi-government bonds	—	—	1,266,629	1,266,629
Corporate bonds	1,049,617	103,033	—	1,152,650
Subtotal	1,049,617	103,033	2,382,328	3,534,978
Financial assets designated as at fair value through profit or loss				
Debt instruments issued by financial institutions	—	—	17,729,041	17,729,041
Subtotal	—	—	17,729,041	17,729,041
Available-for-sale financial assets				
Financial institution bonds	102,032	—	—	102,032
Corporate bonds	163,684	590,183	—	753,867
Subtotal	265,716	590,183	—	855,899
Held-to-maturity investments				
Government bonds and PBOC bills	—	—	10,376,080	10,376,080
Public sector, quasi-government bonds	—	—	7,120,274	7,120,274
Financial institution bonds	1,741,382	499,946	—	2,241,328
Corporate bonds	6,149,593	662,643	—	6,812,236
Subtotal	7,890,975	1,162,589	17,496,354	26,549,918
Debt securities classifies as receivables				
Certificate treasury bonds	—	—	1,021,486	1,021,486
Public sector, quasi-government bonds	—	—	47,128	47,128
Financial institution bonds	236,563	581,641	—	818,204
Debt instruments issued by financial institutions	—	—	21,332,858	21,332,858
Subtotal	236,563	581,641	22,401,472	23,219,676
Total	9,442,871	2,437,446	60,009,195	71,889,512

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages its liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) ***Analysis of the remaining maturity of the financial assets and liabilities***

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

Bank

	As at 31 December 2008							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	13,941,398	4,936,002	30,000	—	146,010	—	—	19,053,410
Deposits with banks and other financial institutions	—	2,497,150	450,000	1,600,000	808,000	—	—	5,355,150
Financial assets designated as at fair value through profit or loss	—	—	664,218	2,050,359	—	—	—	2,714,577
Financial assets held under resale agreements	—	—	18,403,571	11,133,479	404,234	—	—	29,941,284
Loans and advances to customers	4,061,033	—	14,709,853	3,626,668	19,259,015	24,397,849	6,159,398	72,213,816
Available-for-sale financial assets	162,331	—	—	40,124	311,820	873,103	1,286,565	2,673,943
Held-to-maturity investments	—	—	—	—	—	9,207,089	11,921,754	21,128,843
Debt securities classified as receivables	—	—	310,767	1,067,848	2,079,619	4,125,059	245,757	7,829,050
Other financial assets	—	1,062,701	—	—	34,177	129,817	96,145	1,322,840
Total financial assets	18,164,762	8,495,853	34,568,409	19,518,478	23,042,875	38,732,917	19,709,619	162,232,913
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	176,814	500,000	300,000	1,200,000	—	—	2,176,814
Financial assets sold under repurchase agreements	—	—	20,073,054	12,219,842	2,476,752	—	—	34,769,648
Due to customers	—	45,352,186	5,472,685	14,124,383	39,763,955	12,457,378	111,863	117,282,450
Other financial liabilities	—	3,088,416	—	—	—	—	27,653	3,116,069
Total financial liabilities	—	48,617,416	26,045,739	26,644,225	43,440,707	12,457,378	139,516	157,344,981
Net position	18,164,762	(40,121,563)	8,522,670	(7,125,747)	(20,397,832)	26,275,539	19,570,103	4,887,932

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

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

Bank

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	19,992,329	7,423,605	—	—	—	—	—	27,415,934
Deposits with banks and other financial institutions	—	6,380,511	2,500,000	—	1,273,899	—	—	10,154,410
Financial assets designated as at fair value through profit or loss	—	—	2,019,143	2,174,114	1,855,338	499,997	—	6,548,592
Financial assets held under resale agreements	—	—	12,417,196	—	957,000	—	—	13,374,196
Loans and advances to customers	1,700,349	—	18,051,371	6,215,422	22,911,588	34,073,553	13,863,420	96,815,703
Available-for-sale financial assets	245,753	—	—	—	—	182,059	972,594	1,400,406
Held-to-maturity investments	—	—	119,932	1,016,401	1,368,531	8,666,282	13,036,113	24,207,259
Debt securities classified as receivables	—	—	299,994	—	7,279,249	6,830,290	864,583	15,274,116
Other financial assets	—	1,038,428	—	—	33,705	134,262	69,768	1,276,163
Total financial assets	21,938,431	14,842,544	35,407,636	9,405,937	35,679,310	50,386,443	28,806,478	196,466,779
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	1,277,619	—	—	150,000	2,707,959	—	4,135,578
Financial assets sold under repurchase agreements	—	—	16,427,665	4,919,703	5,158,219	—	—	26,505,587
Due to customers	—	68,307,302	7,464,430	16,378,898	49,715,220	11,750,259	160,294	153,776,403
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	2,887,826	—	—	—	—	37,884	2,925,710
Total financial liabilities	—	72,472,747	23,892,095	21,298,601	55,023,439	14,458,218	2,498,178	189,643,278
Net position	21,938,431	(57,630,203)	11,515,541	(11,892,664)	(19,344,129)	35,928,225	26,308,300	6,823,501

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

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

Bank

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	27,111,709	5,728,074	—	—	—	—	—	32,839,783
Deposits with banks and other financial institutions	—	3,678,636	1,000,000	—	2,270,821	700,000	—	7,649,457
Financial assets held for trading	—	—	—	—	—	1,104,140	2,430,838	3,534,978
Financial assets designated as at fair value through profit or loss	—	—	6,744,351	5,919,623	4,565,070	499,997	—	17,729,041
Financial assets held under resale agreements	—	—	15,657,174	11,627,228	6,215,342	—	—	33,499,744
Loans and advances to customers	1,551,022	—	5,104,396	5,746,435	23,356,204	44,195,141	29,399,173	109,352,371
Available-for-sale financial assets	71,661	—	—	—	—	245,165	610,734	927,560
Held-to-maturity investments	—	—	19,998	49,873	4,776,555	5,704,992	15,998,500	26,549,918
Debt securities classified as receivables	—	—	720,401	1,784,569	7,257,355	12,592,018	865,333	23,219,676
Other financial assets	—	1,346,589	—	—	33,705	134,262	69,768	1,584,324
Total financial assets	28,734,392	10,753,299	29,246,320	25,127,728	48,475,052	65,175,715	49,374,346	256,886,852
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	5,703,946	500,000	2,600,000	2,140,262	—	—	10,944,208
Placements from banks	—	—	857,909	—	—	—	—	857,909
Financial assets sold under repurchase agreements	—	—	22,040,939	14,948,543	7,257,286	—	—	44,246,768
Due to customers	—	85,975,826	5,990,499	14,192,052	66,253,409	12,893,313	74,634	185,379,733
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	2,822,258	—	—	—	—	37,884	2,860,142
Total financial liabilities	—	94,502,030	29,389,347	31,740,595	75,650,957	12,893,313	2,412,518	246,588,760
Net position	28,734,392	(83,748,731)	(143,027)	(6,612,867)	(27,175,905)	52,282,402	46,961,828	10,298,092

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

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

Group

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	27,114,171	5,729,860	—	—	—	—	—	32,844,031
Deposits with banks and other financial institutions	—	3,680,493	1,000,000	—	2,270,821	700,000	—	7,651,314
Financial assets held for trading	—	—	—	—	—	1,104,140	2,430,838	3,534,978
Financial assets designated as at fair value through profit or loss	—	—	6,744,351	5,919,623	4,565,070	499,997	—	17,729,041
Financial assets held under resale agreements	—	—	15,657,174	11,627,228	6,215,342	—	—	33,499,744
Loans and advances to customers	1,551,022	—	5,104,396	5,746,435	23,414,107	44,200,930	29,399,173	109,416,063
Available-for-sale financial assets	71,661	—	—	—	—	245,165	610,734	927,560
Held-to-maturity investments	—	—	19,998	49,873	4,776,555	5,704,992	15,998,500	26,549,918
Debt securities classified as receivables	—	—	720,401	1,784,569	7,257,355	12,592,018	865,333	23,219,676
Other financial assets	—	1,346,953	—	—	33,705	134,262	69,768	1,584,688
Total financial assets	28,736,854	10,757,306	29,246,320	25,127,728	48,532,955	65,181,504	49,374,346	256,957,013
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	5,698,339	500,000	2,600,000	2,140,262	—	—	10,938,601
Placements from banks	—	—	857,909	—	—	—	—	857,909
Financial assets sold under repurchase agreements	—	—	22,040,939	14,948,543	7,257,286	—	—	44,246,768
Due to customers	—	85,998,203	5,990,499	14,192,052	66,253,409	12,893,313	74,634	185,402,110
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	2,822,338	—	—	—	—	37,885	2,860,223
Total financial liabilities	—	94,518,880	29,389,347	31,740,595	75,650,957	12,893,313	2,412,519	246,605,611
Net position	28,736,854	(83,761,574)	(143,027)	(6,612,867)	(27,118,002)	52,288,191	46,961,827	10,351,402

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows***

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Bank

	As at 31 December 2008							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	13,941,398	4,943,642	30,115	1,150	146,179	—	—	19,062,484
Deposits with banks and other financial institutions	—	2,498,168	451,586	1,612,660	829,325	—	—	5,391,739
Financial assets designated as at fair value through profit or loss	—	—	665,794	2,054,668	—	—	—	2,720,462
Financial assets held under resale agreements	—	—	18,460,889	11,400,063	419,400	—	—	30,280,352
Loans and advances to customers	4,581,267	—	14,985,497	4,864,977	23,755,955	29,129,511	7,815,058	85,132,265
Available-for-sale financial assets	162,331	—	4,155	66,351	383,892	1,174,473	1,698,357	3,489,559
Held-to-maturity investments	—	—	56,161	201,822	658,631	12,147,912	14,892,240	27,956,766
Debt securities classified as receivables	—	—	322,380	1,114,022	2,372,015	4,456,896	303,367	8,568,680
Other financial assets	—	59,698	—	—	35,633	141,718	110,217	347,266
Total financial assets	18,684,996	7,501,508	34,976,577	21,315,713	28,601,030	47,050,510	24,819,239	182,949,573
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	176,867	500,302	302,920	1,227,404	—	—	2,207,493
Financial assets sold under repurchase agreements	—	—	20,118,955	12,541,154	2,587,199	—	—	35,247,308
Due to customers	—	45,491,053	5,697,697	14,703,757	41,466,377	14,302,122	111,905	121,772,911
Other financial liabilities	—	614,733	—	—	—	—	32,870	647,603
Total financial liabilities	—	46,282,653	26,316,954	27,547,831	45,280,980	14,302,122	144,775	159,875,315
Net position	18,684,996	(38,781,145)	8,659,623	(6,232,118)	(16,679,950)	32,748,388	24,674,464	23,074,258

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows (continued)***

Bank

	As at 31 December 2009							
	Past due/ undated	**On demand**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Non-derivative financial assets								
Cash and balances with central bank	19,992,329	7,434,684	—	—	—	—	—	27,427,013
Deposits with banks and other financial institutions	—	6,382,823	2,504,347	2,376	1,292,669	—	—	10,182,215
Financial assets designated as at fair value through profit or loss	—	—	2,041,630	2,205,152	1,900,169	511,808	—	6,658,759
Financial assets held under resale agreements	—	—	12,438,109	10,277	981,076	—	—	13,429,462
Loans and advances to customers	3,370,715	—	18,302,520	7,262,594	26,334,085	39,150,099	16,968,818	111,388,831
Available-for-sale financial assets	245,753	—	—	17,943	39,433	400,918	1,151,420	1,855,467
Held-to-maturity investments	—	—	175,904	1,259,376	2,090,430	11,606,032	15,950,046	31,081,788
Debt securities classified as receivables	—	—	300,775	65,950	7,762,515	7,596,375	1,218,677	16,944,292
Other financial assets	—	79,763	—	—	35,633	135,565	80,737	331,698
Total financial assets	23,608,797	13,897,270	35,763,285	10,823,668	40,436,010	59,400,797	35,369,698	219,299,525
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	1,278,627	—	—	155,012	2,742,389	—	4,176,028
Financial assets sold under repurchase agreements	—	—	16,519,402	5,041,221	5,257,195	—	—	26,817,818
Due to customers	—	68,496,949	7,657,172	16,833,742	51,191,554	13,255,582	163,777	157,598,776
Debt securities issued	—	—	—	—	126,500	506,000	3,277,500	3,910,000
Other financial liabilities	—	642,099	—	—	—	—	44,764	686,863
Total financial liabilities	—	70,417,675	24,176,574	21,874,963	56,730,261	16,503,971	3,486,041	193,189,485
Net position	23,608,797	(56,520,405)	11,586,711	(11,051,295)	(16,294,251)	42,896,826	31,883,657	26,110,040

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows (continued)***

Bank

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	27,111,709	5,740,338	—	—	—	—	—	32,852,047
Deposits with banks and other financial institutions	—	3,679,446	1,001,672	1,496	2,386,347	732,900	—	7,801,861
Financial assets held for trading	—	—	—	—	1,280	1,321,183	4,546,931	5,869,394
Financial assets designated as at fair value through profit or loss	—	—	6,816,420	5,974,301	4,680,777	501,485	—	17,972,983
Financial assets held under resale agreements	—	—	15,720,387	11,755,350	6,311,541	—	—	33,787,278
Loans and advances to customers	4,735,878	—	5,541,741	6,361,480	26,506,123	56,577,239	37,882,265	137,604,726
Available-for-sale financial assets	102,261	—	1,647	18,851	39,383	472,244	768,207	1,402,593
Held-to-maturity investments	—	—	40,572	222,567	5,705,931	8,974,647	19,456,297	34,400,014
Debt securities classified as receivables	—	—	766,317	1,889,067	7,990,658	13,764,831	1,387,713	25,798,586
Other financial assets	—	152,205	—	—	35,633	135,565	80,737	404,140
Total financial assets	31,949,848	9,571,989	29,888,756	26,223,112	53,657,673	82,480,094	64,122,150	297,893,622
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	5,709,790	501,000	2,621,358	2,171,863	—	—	11,004,011
Placements from banks	—	—	858,080	—	—	—	—	858,080
Financial assets sold under repurchase agreements	—	—	22,130,775	15,096,876	7,373,744	—	—	44,601,395
Due to customers	—	86,162,796	6,135,581	14,556,599	68,123,868	14,366,245	74,688	189,419,777
Debt securities issued	—	—	—	—	126,500	506,000	3,277,500	3,910,000
Other financial liabilities	—	523,183	—	—	—	—	44,764	567,947
Total financial liabilities	—	92,395,769	29,625,436	32,274,833	77,795,975	14,872,245	3,396,952	250,361,210
Net position	31,949,848	(82,823,780)	263,320	(6,051,721)	(24,138,302)	67,607,849	60,725,198	47,532,412

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) ***Analysis of the undiscounted contractual cash flows (continued)***

Group

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	27,114,171	5,742,124	—	—	—	—	—	32,856,295
Deposits with banks and other financial institutions	—	3,681,303	1,001,672	1,496	2,386,347	732,900	—	7,803,718
Financial assets held for trading	—	—	—	—	1,280	1,321,183	4,546,931	5,869,394
Financial assets designated as at fair value through profit or loss	—	—	6,816,420	5,974,301	4,680,777	501,485	—	17,972,983
Financial assets held under resale agreements	—	—	15,720,387	11,755,350	6,311,541	—	—	33,787,278
Loans and advances to customers	4,735,878	—	5,542,080	6,362,158	26,569,435	56,584,001	37,882,265	137,675,817
Available-for-sale financial assets	71,661	—	1,647	18,851	39,383	472,244	768,207	1,371,993
Held-to-maturity investments	—	—	40,572	222,567	5,705,931	8,974,647	19,456,297	34,400,014
Debt securities classified as receivables	—	—	766,317	1,889,067	7,990,658	13,764,831	1,387,713	25,798,586
Other financial assets	—	152,569	—	—	35,633	135,565	80,737	404,504
Total financial assets	31,921,710	9,575,996	29,889,095	26,223,790	53,720,985	82,486,856	64,122,150	297,940,582
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	5,704,183	501,000	2,621,358	2,171,863	—	—	10,998,404
Placements from banks	—	—	858,080	—	—	—	—	858,080
Financial assets sold under repurchase agreements	—	—	22,130,775	15,096,876	7,373,744	—	—	44,601,395
Due to customers	—	86,165,605	6,135,581	14,556,599	68,123,868	14,366,245	74,688	189,422,586
Debt securities issued	—	—	—	—	126,500	506,000	3,277,500	3,910,000
Other financial liabilities	—	523,264	—	—	—	—	44,764	568,028
Total financial liabilities	—	92,393,052	29,625,436	32,274,833	77,795,975	14,872,245	3,396,952	250,358,493
Net position	31,921,710	(82,817,056)	263,659	(6,051,043)	(24,074,990)	67,614,611	60,725,198	47,582,089

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, financial assets held for trading and financial assets designated as at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(3) ***Off-balance sheet items***

Off-balance sheet items of the Bank and the Group include letters of guarantee and acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

Bank

	As at 31 December 2008			
	Up to 1 year	1-5 years	Over 5 years	Total
Acceptances	734,965	—	—	734,965
Total	734,965	—	—	734,965

Bank

	As at 31 December 2009			
	Up to 1 year	1-5 years	Over 5 years	Total
Letters of guarantee	7,365	—	—	7,365
Acceptances	2,976,611	—	—	2,976,611
Total	2,983,976	—	—	2,983,976

Group and Bank

	As at 30 June 2010			
	Up to 1 year	1-5 years	Over 5 years	Total
Letters of guarantee	35,697	—	—	35,697
Acceptances	4,476,374	—	—	4,476,374
Total	4,512,071	—	—	4,512,071

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk

Market risk is the risk of loss, in respect of the Bank's and the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from both the proprietary business of the Bank and the Group.

The Bank and the Group are primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Bank and the Group consider the market risk arising from foreign exchange rate or equity prices in respect of its trading and investment portfolios is immaterial.

(1) *Interest rate risk*

The interest rate risk of the Bank and the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Bank and the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Bank and the Group manage its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's and the Group's financial assets and liabilities.

Bank

	As at 31 December 2008						
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interst bearing**	**Total**
Cash and balances with central bank	17,330,455	—	146,010	—	—	1,576,945	19,053,410
Deposits with banks and other financial institutions	2,947,150	1,600,000	808,000	—	—	—	5,355,150
Financial assets designated as at fair value through profit or loss	664,218	2,050,359	—	—	—	—	2,714,577
Financial assets held under resale agreements	18,403,571	11,133,479	404,234	—	—	—	29,941,284
Loans and advances to customers	47,193,374	2,974,026	20,847,754	1,198,662	—	—	72,213,816
Available-for-sale financial assets	—	40,124	311,820	873,103	1,286,565	—	2,511,612
Held-to-maturity investments	—	—	—	9,207,089	11,921,754	—	21,128,843
Debt securities classified as receivables	310,767	1,067,848	2,079,619	4,125,059	245,757	—	7,829,050
Other financial assets	—	—	—	—	—	1,322,840	1,322,840
Total financial assets	86,849,535	18,865,836	24,597,437	15,403,913	13,454,076	2,899,785	162,070,582
Deposits from banks	676,814	300,000	1,200,000	—	—	—	2,176,814
Financial assets sold under repurchase agreements	20,073,054	12,219,842	2,476,752	—	—	—	34,769,648
Due to customers	50,824,871	14,124,383	39,763,955	12,457,378	111,863	—	117,282,450
Other financial liabilities	—	—	—	—	27,653	3,088,416	3,116,069
Total financial liabilities	71,574,739	26,644,225	43,440,707	12,457,378	139,516	3,088,416	157,344,981
Interest rate gap	15,274,796	(7,778,389)	(18,843,270)	2,946,535	13,314,560	(188,631)	4,725,601

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

Bank

	As at 31 December 2009						
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with central bank	25,390,243	—	—	—	—	2,025,691	27,415,934
Deposits with banks and other financial institutions	8,880,511	—	1,273,899	—	—	—	10,154,410
Financial assets designated as at fair value through profit or loss	2,019,143	2,174,114	1,855,338	499,997	—	—	6,548,592
Financial assets held under resale agreements	12,417,196	—	957,000	—	—	—	13,374,196
Loans and advances to customers	52,624,716	6,979,049	35,248,881	1,782,878	180,179	—	96,815,703
Available-for-sale financial assets	—	—	—	182,059	972,594	—	1,154,653
Held-to-maturity investments	119,932	1,016,401	1,368,531	8,666,282	13,036,113	—	24,207,259
Debt securities classified as receivables	299,994	—	7,279,249	6,830,290	864,583	—	15,274,116
Other financial assets	—	—	—	—	—	1,276,163	1,276,163
Total financial assets	101,751,735	10,169,564	47,982,898	17,961,506	15,053,469	3,301,854	196,221,026
Deposits from banks	1,277,619	—	—	150,000	2,707,959	—	4,135,578
Financial assets sold under repurchase agreements	16,427,665	4,919,703	5,158,219	—	—	—	26,505,587
Due to customers	75,771,732	16,378,898	49,715,220	11,750,259	160,294	—	153,776,403
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	37,884	2,887,826	2,925,710
Total financial liabilities	93,477,016	21,298,601	54,873,439	11,900,259	5,206,137	2,887,826	189,643,278
Interest rate gap	8,274,719	(11,129,037)	(6,890,541)	6,061,247	9,847,332	414,028	6,577,748

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) *Interest rate risk (continued)*

Bank

	As at 30 June 2010						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Non-derivative financial assets							
Cash and balances with central bank	30,815,980	—	—	—	—	2,023,803	32,839,783
Deposits with banks and other financial institutions	4,678,636	—	2,270,821	700,000	—	—	7,649,457
Financial asstes held for trading	—	—	—	1,104,140	2,430,838	—	3,534,978
Financial assets designated as at fair value through profit or loss	6,744,351	5,919,623	4,565,070	499,997	—	—	17,729,041
Financial assets held under resale agreements	15,657,174	11,627,228	6,215,342	—	—	—	33,499,744
Loans and advances to customers	8,338,536	6,575,546	86,019,761	5,208,503	3,210,025	—	109,352,371
Available-for-sale financial assets	—	—	—	245,165	610,734	—	855,899
Held-to-maturity investments	19,998	49,873	4,776,555	5,704,992	15,998,500	—	26,549,918
Debt securities classified as receivables	720,401	1,784,569	7,257,355	12,592,018	865,333	—	23,219,676
Other financial assets	—	—	—	—	—	1,584,324	1,584,324
Total financial assets	66,975,076	25,956,839	111,104,904	26,054,815	23,115,430	3,608,127	256,815,191
Non-derivative financial liabilities							
Deposits from banks and other financial institutions	6,203,946	2,600,000	2,140,262	—	—	—	10,944,208
Placement from banks	857,909	—	—	—	—	—	857,909
Financial assets sold under repurchase agreements	22,040,939	14,948,543	7,257,286	—	—	—	44,246,768
Due to customers	91,966,325	14,192,052	66,253,409	12,893,313	74,634	—	185,379,733
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	37,884	2,822,258	2,860,142
Total financial liabilities	121,069,119	31,740,595	75,650,957	12,893,313	2,412,518	2,822,258	246,588,760
Interest rate gap	(54,094,043)	(5,783,756)	35,453,947	13,161,502	20,702,912	785,869	10,226,431

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) *Interest rate risk (continued)*

Group

	As at 30 June 2010						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Non-derivative financial assets							
Cash and balances with central bank	30,819,351	—	—	—	—	2,024,680	32,844,031
Deposits with banks and other financial institutions	4,680,493	—	2,270,821	700,000	—	—	7,651,314
Financial assets held for trading	—	—	—	1,104,140	2,430,838	—	3,534,978
Financial assets designated as at fair value through profit or loss	6,744,351	5,919,623	4,565,070	499,997	—	—	17,729,041
Financial assets held under resale agreements	15,657,174	11,627,228	6,215,342	—	—	—	33,499,744
Loans and advances to customers	8,338,536	6,575,546	86,083,453	5,208,503	3,210,025	—	109,416,063
Available-for-sale financial assets	—	—	—	245,165	610,734	—	855,899
Held-to-maturity investments	19,998	49,873	4,776,555	5,704,992	15,998,500	—	26,549,918
Debt securities classified as receivables	720,401	1,784,569	7,257,355	12,592,018	865,333	—	23,219,676
Other financial assets	—	—	—	—	—	1,584,688	1,584,688
Total financial assets	66,980,304	25,956,839	111,168,596	26,054,815	23,115,430	3,609,368	256,885,352
Non-derivative financial liabilities							
Deposits from banks and other financial institutions	6,198,339	2,600,000	2,140,262	—	—	—	10,938,601
Placement from banks	857,909	—	—	—	—	—	857,909
Financial assets sold under repurchase agreements	22,040,939	14,948,543	7,257,286	—	—	—	44,246,768
Due to customers	91,988,702	14,192,052	66,253,409	12,893,313	74,634	—	185,402,110
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	37,884	2,822,339	2,860,223
Total financial liabilities	121,085,889	31,740,595	75,650,957	12,893,313	2,412,518	2,822,339	246,605,611
Interest rate gap	(54,105,585)	(5,783,756)	35,517,639	13,161,502	20,702,912	787,029	10,279,741

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) ***Interest rate risk (continued)***

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and equity, based on the Bank's and the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	Bank						Group	
	For the period from 27 June 2008 to 31 December 2008		Year ended 31 December 2009		Six months ended 30 June 2010		Six months ended 30 June 2010	
	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity
+100 basis points . . .	151,458	(127,375)	432,937	(2,178)	291,403	(44,841)	291,599	(44,841)
- 100 basis points . .	(151,458)	142,613	(432,937)	2,186	(291,403)	47,943	(291,599)	47,943

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management

The Bank's and the Group's objectives on capital management are to:

- safeguard the Bank's and the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Bank's and the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of its business.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with legal and regulatory requirements.

The on-balance sheet risk-weighted assets are measured according to the nature of, and are reflecting an estimate of credit, market and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses.

The Bank's and the Group compute the capital adequacy ratio in accordance with *Decision of China Banking Regulatory Commission on Revising the Measures for the Management of Capital Adequacy Ratios of Commercial Banks*, *Notice from China Banking Regulatory Commission on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing <Accounting Standards for Business Enterprises>* and other related regulations promulgated by the CBRC.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management (continued)

		Bank			Group
		As at 31 December		As at 30 June	As at 30 June
		2008	2009	2010	2010
Core capital adequacy ratio	(1)	9.31%	8.14%	8.82%	8.84%
Capital adequacy ratio	(2)	9.32%	10.23%	10.48%	10.50%
Component of capital base					
Core capital:					
Share capital		6,000,000	6,000,000	7,000,000	7,000,000
Surplus reserve and general and regulatory reserves		561,946	755,649	3,078,071	3,078,071
Unappropriated profit		631,572	2,142,799	2,060,072	2,057,573
Non-controlling interests		—	—	—	26,999
Core capital		7,193,518	8,898,448	12,138,143	12,162,643
Deductions		62,575	58,725	42,827	42,827
Net core capital		7,130,943	8,839,723	12,095,316	12,119,816
Supplementary capital:					
Reserve of fair value changes of available-for-sale financial assets	(3)	68,207	32,861	22,079	22,079
Long-term subordinated bonds		—	2,300,000	2,300,000	2,300,000
Total capital base before deductions		7,261,725	11,231,309	14,460,222	14,484,722
Deductions:					
Equity investments which are not consolidated		11,050	11,050	11,000	11,000
Other deductible item		114,100	106,400	74,654	74,654
Total capital base after deductions		7,136,575	11,113,859	14,374,568	14,399,068
Risk-weighted assets and market risk capital adjustment	(4)	76,589,641	108,589,587	137,118,136	137,153,380

(1) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 50% unconsolidated equity investments, by risk-weighted assets and market risk capital adjustment.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management (continued)

(2) Capital adequacy ratio is calculated by dividing total capital base after deductions by risk-weighted assets and market risk capital adjustment.

(3) The reserve arising from the cumulative net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital.

(4) The amount of market risk capital adjustment equals 12.5 times of the market risk capital.

VII. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, discounted cash flow analysis is adopted by using the applicable yield curve for the duration of the instruments, to the extent possible.

- the fair value of unlisted debt instruments issued by financial institutions is estimated based on the net asset value per unit reported by the issuers.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as balances with central bank, deposits with banks and other financial institutions, financial assets held under resale agreements, deposits from banks and other financial institutions, placements from banks and financial assets sold under repurchase agreements issued are not included in the tables below.

Bank

	31 December 2008		31 December 2009		30 June 2010	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Loans and advances to customers.	72,213,816	72,361,741	96,815,703	97,136,398	109,352,371	109,364,975
Held-to-maturity investments . . .	21,128,843	23,372,802	24,207,259	25,144,143	26,549,918	27,903,611
Debt securities classified as receivables	7,829,050	7,852,829	15,274,116	15,364,677	23,219,676	23,182,252
Total	101,171,709	103,587,372	136,297,078	137,645,218	159,121,965	160,450,838

	31 December 2008		31 December 2009		30 June 2010	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Due to customers	117,282,450	118,280,955	153,776,403	154,563,969	185,379,733	186,060,470
Debt securities issued	—	—	2,300,000	2,303,519	2,300,000	2,271,940
Total	117,282,450	118,280,955	156,076,403	156,867,488	187,679,733	188,332,410

Group

	30 June 2010	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers	109,416,063	109,428,667
Held-to-maturity investments	26,549,918	27,903,611
Debt securities classified as receivables	23,219,676	23,182,252
	159,185,657	160,514,530

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	30 June 2010	
Financial liabilities	**Carrying amount**	**Fair value**
Due to customers	185,402,110	186,082,847
Debt securities issued	2,300,000	2,271,940
	187,702,110	188,354,787

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Bank

	Level 1	Level 2	Level 3	Total
As at 31 December 2008				
Financial assets designated as at fair value through profit or loss	—	2,714,577	—	2,714,577
Available-for-sale financial assets	2,633,628	—	—	2,633,628
Total assets	2,633,628	2,714,577	—	5,348,205

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

VII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank

	Level 1	Level 2	Level 3	Total
As at 31 December 2009				
Financial assets designated as at fair value through profit or loss	—	6,548,592	—	6,548,592
Available-for-sale financial assets	1,360,091	—	—	1,360,091
Total assets	1,360,091	6,548,592	—	7,908,683

Group and Bank

	Level 1	Level 2	Level 3	Total
As at 30 June 2010				
Financial assets held for trading	3,534,978	—	—	3,534,978
Financial assets designated as at fair value through profit or loss	—	17,729,041	—	17,729,041
Available-for-sale financial assets	887,295	—	—	887,295
Total assets	4,422,273	17,729,041	—	22,151,314

B. EVENT AFTER THE REPORTING PERIOD

A special dividend in total of RMB 403.6 million in respect of the period from 1 January 2010 to the date immediately preceding the listing date was proposed by the directors of the Bank on 12 November 2010 and approved by the shareholders subsequently at the extraordinary general meeting on 26 November 2010. Dividend for shareholders registered as members of the Bank on 31 December 2009 is RMB 6 cents per share while dividend for those shareholders who subscribed the new shares issued by the Bank on 30 March 2010 is RMB 4.36 cents per share.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Bank or of its subsidiary have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountants' Reports set out in Appendices IA and IB prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amounts in thousands of Renminbi, unless otherwise stated)

According to the Listing Rules and Banking Disclosures Rules, the CQR Credit Unions disclose the following supplementary information:

1. Liquidity ratios

	As at 31 December 2007	As at 26 June 2008
	%	%
RMB current assets to RMB current liabilities	47.89	31.65
Foreign currency current assets to foreign currency current liabilities	—	—

According to section 51 of Banking (Disclosure) Rules, the CQR Credit Unions disclose the following information. Liquidity ratio is calculated in accordance with the relevant provisions of the PBOC and the CBRC, and the generally accepted accounting principles of the PRC.

2. Cross-border claims

CQR Credit Unions were principally engaged in business operations within Chongqing, the PRC, and regard all claims on third parties outside Chinese Mainland as cross-border claims. CQR Credit Unions had no cross-border claims at the end of the reporting period.

3. Overdue or rescheduled assets

	As at 31 December 2007	
	Gross amount of advances	Percentage to total advances
		%
Advances overdue for		
- 6 months or less but over 3 months	1,462,136	1.94
- 1 year or less but over 6 months	2,536,669	3.36
- over 1 year	5,645,214	7.49
Total overdue advances	9,644,019	12.79
Rescheduled advances overdue for less than 3 months	—	—
Individual impairment allowances made in respect of overdue loans and advances	978,752	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

3. **Overdue or rescheduled assets (continued)**

	As at 26 June 2008	
	Gross amount of advances	Percentage to total advances
		%
Advances overdue for		
- 6 months or less but over 3 months	2,076,524	2.91
- 1 year or less but over 6 months	2,225,518	3.12
- over 1 year	3,484,726	4.88
Total overdue advances	7,786,768	10.91
Rescheduled advances overdue for less than 3 months	14,960	0.02
Individual impairment allowances made in respect of overdue loans and advances	1,121,287	

4. **Geographical information**

CQR Credit Unions were principally engaged in business operations within Chinese Mainland and the majority of loans and advances are granted to customers located in the Chongqing in the PRC.

The information set out below does not form part of the Accountants' Reports set out in Appendices IA and IB prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amounts in thousands of Renminbi, unless otherwise stated)

Section A

According to the Listing Rules and Banking Disclosures Rules, the Bank and the Group disclose the following supplementary information:

1. Liquidity ratios

	Bank		Group
	As at 31 December		As at 30 June
	2008	2009	2010
RMB current assets to RMB current liabilities	60.21%	54.12%	32.40%
Foreign currency current assets to foreign currency current liabilities	—	—	61.93%

Liquidity ratio is calculated in accordance with the relevant provisions of the PBOC and the CBRC, and the generally accepted accounting principles of the PRC.

2. Cross-border claims

The Group is principally engaged in business operations within Chongqing, the PRC, and regards all claims on third parties outside Chinese Mainland as cross-border claims. The Group has no cross-border claims at the end of the reporting period.

3. Overdue or rescheduled assets

Bank

	As at 31 December 2008	
	Gross amount of advances	Percentage to total advances
		%
Advances overdue for		
- 6 months or less but over 3 months	402,714	0.52
- 1 year or less but over 6 months	2,317,239	2.98
- over 1 year	2,839,894	3.64
Total overdue advances	5,559,847	7.14
Rescheduled advances overdue for less than 3 months	9,075	0.01
Individual impairment allowances made in respect of overdue loans and advances	1,168,072	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

Section A (continued)

3. Overdue or rescheduled assets (continued)

Bank

	As at 31 December 2009	
	Gross amount of advances	Percentage to total advances
		%
Advances overdue for		
- 6 months or less but over 3 months	349,566	0.34
- 1 year or less but over 6 months	1,330,244	1.31
- over 1 year	1,986,853	1.95
Total overdue advances	3,666,663	3.60
Rescheduled advances overdue for less than 3 months	5,030	0.01
Individual impairment allowances made in respect of overdue loans and advances	700,627	

Group and Bank

	As at 30 June 2010	
	Gross amount of advances	Percentage to total advances
		%
Advances overdue for		
- 6 months or less but over 3 months	510,953	0.45
- 1 year or less but over 6 months	746,415	0.65
- over 1 year	2,363,564	2.06
Total overdue advances	3,620,932	3.16
Rescheduled advances overdue for less than 3 months	58,200	0.05
Individual impairment allowances made in respect of overdue loans and advances	600,876	

4. Geographical information

The Group is principally engaged in business operations within Chinese Mainland and the majority of loans and advances are granted to customers located in Chongqing in the PRC.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

Section B

Contractual amount of loans and advances to customers

The contractual amount of the loans and advances to customers is provided internally to management for the purpose of assessing financial risks.

Analysis of loans and advances to customers by contractual amount

Bank

	As at 31 December		As at 30 June
	2008	2009	2010
Corporate loans and advances			
Loans and advances	38,253,402	57,569,035	74,440,595
Discounted bills	14,069,358	16,148,568	6,471,510
Subtotal	52,322,760	73,717,603	80,912,105
Personal loans			
Mortgages	8,622,302	12,333,644	16,939,756
Loans to private business and employment assistance loans	8,804,861	8,717,761	8,835,479
Farmer loans	5,783,688	4,321,722	3,824,289
Others	2,320,940	2,730,359	3,935,065
Subtotal	25,531,791	28,103,486	33,534,589
Contractual amount of loans and advances	77,854,551	101,821,089	114,446,694
Individually assessed	(1,908,584)	(946,942)	(709,590)
Collectively assessed	(3,732,151)	(4,058,444)	(4,384,733)
	(5,640,735)	(5,005,386)	(5,094,323)
Loans and advances to customers	72,213,816	96,815,703	109,352,371

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Section B (continued)

Contractual amount of loans and advances to customers (continued)

Analysis of loans and advances to customers by contractual amount (continued)

Group

	As at 30 June
	2010
Corporate loans and advances	
Loans and advances	74,440,595
Discounted bills	6,471,510
Subtotal	80,912,105
Personal loans and advances	
Mortgages	16,939,756
Loans to private business and employment assistance loans	8,902,069
Farmer loans	3,824,289
Others	3,935,065
Subtotal	33,601,179
Contractual amount of loans and advances	114,513,284
Individually assessed	(709,590)
Collectively assessed	(4,387,631)
Allowance for impairment losses	(5,097,221)
Loans and advances to customers	109,416,063

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Section B (continued)

Contractual amount of loans and advances to customers (continued)

Analysis of loans and advances to customers by collective and individual assessments based on contractual amount of such loans

Bank

		Identified impaired loans and advances (b)				
	Loans and advances for which allowance is collectively assessed (a)	For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired loans and advances as a % of gross gross and advances
At 31 December 2008						
Contractual amount of loans and advances	71,093,587	2,903,628	3,857,336	6,760,964	77,854,551	8.68
Allowance for impairment losses	(1,756,317)	(1,975,834)	(1,908,584)	(3,884,418)	(5,640,735)	
Loans and advances to customers, net	69,337,270	927,794	1,948,752	2,876,546	72,213,816	
At 31 December 2009						
Contractual amount of loans and advances	97,875,110	2,057,850	1,888,129	3,945,979	101,821,089	3.88
Allowance for impairment losses	(2,575,752)	(1,482,692)	(946,942)	(2,429,634)	(5,005,386)	
Loans and advances to customers, net	95,299,358	575,158	941,187	1,516,345	96,815,703	
At 30 June 2010						
Contractual amount of loans and advances	111,022,250	2,027,267	1,397,177	3,424,444	114,446,694	2.99
Allowance for impairment losses	(2,877,683)	(1,507,050)	(709,590)	(2,216,640)	(5,094,323)	
Loans and advances to customers, net	108,144,567	520,217	687,587	1,207,804	109,352,371	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

Section B (continued)

Contractual amount of loans and advances to customers (continued)

Analysis of loans and advances to customers by collective and individual assessments based on contractual amount of such loans (continued)

Group

		Identified impaired loans and advances (b)				
	Loans and advances for which allowance is collectively assessed (a)	For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired loans and advances as a % of gross gross and advances
At 30 June 2010						
Contractual amount of loans and advances . . .	111,088,840	2,027,267	1,397,177	3,424,444	114,513,284	2.99
Allowance for impairment losses	(2,880,581)	(1,507,050)	(709,590)	(2,216,640)	(5,097,221)	
Loans and advances to customers, net	108,208,259	520,217	687,587	1,207,804	109,416,063	

(a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

Section B (continued)

Contractual amount of loans and advances to customers (continued)

Movements of allowance for impairment losses on loans and advances to customers based on contractual amount of such loans

Bank

	2008		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 27 June	—	—	—
Additions relating to acquisition of Business	2,116,397	4,272,307	6,388,704
Net (reversals)/additions	(94,506)	189,222	94,716
Written off	(90,705)	(817,078)	(907,783)
Recovery of loans and advances written off in previous years	104,981	155,549	260,530
Unwinding of discount on allowance	(127,583)	(67,849)	(195,432)
As at 31 December	1,908,584	3,732,151	5,640,735

Bank

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	1,908,584	3,732,151	5,640,735
Net (reversals)/additions	(829,653)	947,185	117,532
Written off	(414,466)	(907,629)	(1,322,095)
Recovery of loans and advances written off in previous years	437,837	360,485	798,322
Unwinding of discount on allowance	(155,360)	(73,748)	(229,108)
As at 31 December	946,942	4,058,444	5,005,386

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)
(Amounts in thousands of Renminbi, unless otherwise stated)

Section B (continued)

Contractual amount of loans and advances to customers (continued)

Movements of allowance for impairment losses on loans and advances to customers based on contractual amount of such loans (continued)

Bank

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	946,942	4,058,444	5,005,386
Net (reversals)/additions	(326,092)	197,713	(128,379)
Recovery of loans and advances written off in previous years	134,373	158,631	293,004
Unwinding of discount on allowance	(45,633)	(30,055)	(75,688)
As at 30 June	709,590	4,384,733	5,094,323

Group

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	946,942	4,058,444	5,005,386
Net (reversals)/additions	(326,092)	200,611	(125,481)
Recovery of loans and advances written off in previous years	134,373	158,631	293,004
Unwinding of discount on allowance	(45,633)	(30,055)	(75,688)
As at 30 June	709,590	4,387,631	5,097,221

The information set forth in this appendix does not form part of the Accountants' Reports as set forth in Appendices IA and IB to this prospectus, and is included herein for illustrative purposes only. For the purpose of this Appendix, Chongqing Rural Commercial Bank Co., Ltd. is referred to as the "Bank" and, together with its subsidiary, the "Group".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about (i) how the proposed listing of the shares of the Bank might have affected the consolidated net tangible assets after completion of the Global Offering; and (ii) how the proposed listing of the shares of the Bank might have affected the forecast earnings per share of the Group for the year ending 31 December 2010. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position of the financial period concerned.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the consolidated net tangible assets as at 30 June 2010 as extracted from the Accountants' Report of the financial information of the Group for the period from 27 June 2008 to 31 December 2008, the year ended 31 December 2009 and the six months ended 30 June 2010, the text of which is set out in Appendix IB to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the consolidated net tangible assets as at 30 June 2010 as if the Global Offering had occurred on 30 June 2010.

	Consolidated net tangible assets attributable to the equity holders of the Bank as at 30 June 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB'000	RMB'000	RMB'000	RMB	HK$
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 6)
Based on offer price of HK$4.50 per each Offer Share. .	12,155,302	7,560,180	19,715,482	2.19	2.55
Based on offer price of HK$6.00 per each Offer Share. .	12,155,302	10,091,542	22,246,844	2.47	2.88

Notes:

(1) The consolidated net tangible assets attributable to equity holders of the Bank as of 30 June 2010 is compiled based on the Accountants' Report set out in Appendix IB to the prospectus, which is based on the consolidated net assets attributable to equity holders of the Bank at 30 June 2010 of RMB12,657,592,000 with an adjustment for goodwill and intangible assets of RMB440,129,000 and RMB62,161,000 at 30 June 2010, respectively.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$4.50 per share and HK$6.00 per share after deduction of the underwriting fees and other related expenses payable by the Bank, and do not take into account any shares which may be issued upon the exercise of the over-allotment option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank do not take into account the effect of the profit for the period from and including 1 July 2010 to the date immediately preceding the date of the Global Offering and the distribution of such profit to the shareholders during that period. On 12 November 2010, the directors recommended the distribution of a special dividend of approximately RMB 403.6 million which was approved by the shareholders subsequently at the extraordinary general meeting on 26 November 2010. Had the effect been given to the distribution of a special dividend, the unaudited pro forma adjusted consolidated net tangible assets per share would have been HK$2.50 or RMB2.15 based on the Offer Prices of HK$4.50 per share and HK$2.83 or RMB2.43 based on Offer Prices of HK$6.00 per share.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived at after adjustments referred to in note (2) above on the basis that 9,000,000,000 shares (comprised 7,000,000,000 shares issued and outstanding on 30 June 2010 and 2,000,000,000 shares to be newly issued pursuant to the Global Offering) are issued and outstanding following the completion of the Global Offering and that the over-allotment option is not exercised.

(5) By comparing the valuation of the Group's property interests as of 30 September 2010 as set out in Appendix V to this prospectus, the net valuation surplus is approximately RMB27.0 million as compared to the unaudited carrying amounts of the Group's property interests as of 30 September 2010, which has not been included in the above consolidated net tangible assets attributable to the equity holders of the Bank. The valuation surplus of the Group's property interests will not be incorporated in the consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional depreciation charges of approximately RMB1.6 million per annum would be incurred.

(6) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8577 to HK$1.00, the PBOC rate prevailing on 26 November 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending 31 December 2010 have been prepared in accordance with Rule 4.29 of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering, as if it had taken place on 1 January 2010. The unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	Forecast for the year ending 31 December 2010
Forecast consolidated profit attributable to equity holders of the Bank(1)	Not less than RMB2.85 billion
Unaudited pro forma forecast earnings per share(2)(3)	RMB0.325 (HK$0.379)

Notes:

(1) The forecast consolidated profit attributable to equity holders of the Bank for the year ending 31 December 2010 is extracted from the profit forecast as set out in “Profit Forecast For The Year Ending 31 December 2010” under “Financial Information”. The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 has been prepared are summarized in “Appendix IV — Profit Forecast”.

(2) The calculation of the unaudited forecast earnings per share on a pro forma basis in accordance with Listing Rules 4.29(8) is based on the forecast consolidated net profit attributable to the equity holders of the Bank for the year ending 31 December 2010, and a weighted average of 8,758,904,110 shares assumed to be issued and outstanding during the year ending 31 December 2010. The weighted average of 8,758,904,110 shares is calculated based on the 6,000,000,000 shares issued and outstanding as of 1 January 2010, 1,000,000,000 shares issued on 30 March 2010 to three state-owned enterprises under a private placement and adjusted for the 2,000,000,000 shares to be newly issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on 1 January 2010. This calculation assumes that the over-allotment option for the Global Offering will not be exercised.

(3) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8577 to HK$1.00, the PBOC rate prevailing on 26 November 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(C) REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHONGQING RURAL COMMERCIAL BANK CO., LTD.

We report on the unaudited pro forma financial information of adjusted consolidated net tangible assets and forecast earnings per share (the "Unaudited Pro Forma Financial Information") set out in Parts (A) and (B) of Appendix III to the prospectus dated 3 December 2010 (the "Prospectus") in connection with the Global Offering of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiary (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Bank (the "Directors"), for illustrative purposes only, to provide information about how the Global Offering might have affected the relevant financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts (A) and (B) of Appendix III to the Prospectus.

Respective responsibilities of the Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and, accordingly, should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future dates; or
- the earnings per share of the Group for the year ending 31 December 2010 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

3 December 2010

Our forecast consolidated profit attributable to our equity holders of our bank for the year ending 31 December 2010 is set out in "Financial Information—Profit Forecast for the Year Ending December 31, 2010" in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of consolidated profit attributable to equity holders of the Bank for the year ending 31 December 2010 on the basis of the audited consolidated results of the Group for the six months ended 30 June 2010, unaudited consolidated results of the Group for the three months ended 30 September 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as set out in the Accountants' Reports of the Group dated 3 December 2010, the text of which is set out in Appendix IB to this prospectus, and on the following assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in Mainland China;
- There will be no material changes in legislation, regulations or rules in Mainland China;
- There will be no material changes in prevailing inflation rates and interest rates or the foreign exchange rate in Mainland China;
- There will be no material change in the applicable tax rates, surcharges rates or other government levies in Mainland China;
- The Group's operations and business will not be severely interrupted by majeure events or unpredictable factors beyond the control of the management including but not limited to the occurrence of wars, natural disasters and other serious accidents; and
- The Group's operations will not be adversely affected by labor shortage and dispute or any other factors beyond the control of the management, and the Group will be able to recruit enough employees with experience required by its operation.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the forecast of the consolidated profit attributable to the equity holders of the Bank for the year ending 31 December 2010.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

3 December 2010

The Directors
Chongqing Rural Commercial Bank Co., Ltd.
Morgan Stanley Asia Limited
Nomura International (Hong Kong) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiary (hereinafter collectively referred to as the "Group") for the year ending 31 December 2010 attributable to equity holders of the Bank (the "Forecast"), for which the directors of the Bank are solely responsible, as set out in the prospectus dated 3 December 2010 issued by the Bank (the "Prospectus"). The Forecast has been prepared based on the results shown in the consolidated financial statements of the Group for the six months ended 30 June 2010, the results shown in unaudited consolidated financial statements of the Group for the three months ended 30 September 2010 and a forecast of the results for the remaining three months ending 31 December 2010.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Bank as set out in part (A) of Appendix IV to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the accountants' report of the financial information of the Group for the period from 27 June 2008 to 31 December 2008, year ended 31 December 2009 and the six months ended 30 June 2010 dated 3 December 2010, as set out in Appendix IB to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

Morgan Stanley

NOMURA

Morgan Stanley Asia Limited
46th Floor, International Commerce Center
1 Austin Road West
Kowloon, Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

The Directors
Chongqing Rural Commercial Bank Co., Ltd.

December 3, 2010

Dear Sirs,

Chongqing Rural Commercial Bank Co., Ltd — Profit Forecast

We refer to the forecast of the consolidated net profit attributable to shareholders of Chongqing Rural Commercial Bank Co., Ltd. (the "**Bank**") for the year ending December 31, 2010 (the "**Profit Forecast**") as set out in the prospectus issued by the Bank dated December 3, 2010 (the "**Prospectus**").

We have discussed with you the bases and assumptions made by the directors of the Bank as set out in Appendix IV to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated December 3, 2010 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as directors of the Bank are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Morgan Stanley Asia Limited

Crawford Jamieson
Managing Director

For and on behalf of
Nomura International (Hong Kong) Limited

Erik Tung
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2010 of the property interests of the Group. As described in section ''Documents Available for Inspection'' in Appendix X, a copy of the full valuation report will be made available for public inspection.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

3 December 2010

The Board of Directors
Chongqing Rural Commercial Bank Co., Ltd.
No. 10
Yanghe East Road
Jiangbei District
Chongqing
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties in which Chongqing Rural Commercial Bank Co., Ltd. (the "Company") and a subsidiary (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests of the Group as at 30 September 2010 (the "date of valuation").

In valuing the property interests in Group I which are held and occupied by the Company in the PRC, we have categorized these properties into 43 sub-groups according to the Company's branches. The remaining properties are classified according to their nature.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued portions of the property interests in Group I which are held and occupied by the Company by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties in the PRC and the particular location in which there are situated, there are unlikely to be relevant market comparable sales readily available, the remaining property interests in Group I have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interests in Group II which were under development as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Company. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the developments.

We have attributed no commercial value to the property interests in Group III, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In the PRC, Land Use Rights Certificates (''*LURCs*'') are official documents issued by the local land administration authorities at the county-level or above to evidence that the holders of those certificates have formally obtained the land use rights of the land. Building Ownership Certificates (''*BOCs*'') are official documents issued by the local building administration authorities at the county-level or above to evidence that the holders of those certificates have formally obtained the ownership rights to the buildings. In some cities, Real Estate Title Certificates (''*RETCs*''), which combine both the functions of LURCs and BOCs, are issued by relevant government authorities instead of issuing two separate certificates. According to the legal opinion given by the Company's PRC legal advisers, both LURCs and BOCs, or RETCs, are necessary as a proof of legal title to a property.

In the valuation of the property interests in Group I which are held and occupied by the Company in Chongqing, we have attributed no commercial value to certain property interests, as the Company has not obtained proper LURCs and/or BOCs, or RETCs in respect of such properties. According to the legal opinion given by the Company's legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant proper title certificates. As advised by the Company, the Company entered into an asset purchase agreement with Chongqing Yufu Assets Management Company Limited on 15 November 2010, pursuant to which Chongqing Yufu Assets Management Company Limited agreed to purchase 154 properties of the Group I with a total gross floor area of approximately 83,813.63 sq.m., which have not obtained proper title certificates. However, according to the asset purchase agreement the Company has the rights to continue using such properties without a terminal date and Chongqing Yufu Assets Management Company Limited has the rights to charge the Company for reasonable rental fees to use such properties.

As at the date of valuation, the Company held 2,995 properties with an aggregate gross floor area of approximately 1,519,659.85 sq.m. in Chongqing, of which 2,256 properties with a total gross floor area of approximately 1,179,840.43 sq.m. are for commercial purpose, 739 properties with a total gross floor area of approximately 339,819.42 sq.m. are for residential purpose or ancillary purpose. These properties are erected on 2,414 parcels/items of granted land, a parcel/item of land rented from the government, 59 parcels/items of allocated land and 89 parcels/items of land where relevant state-owned LURCs have not been obtained.

Out of the 2,256 commercial properties held by the Company in the PRC, the Company has obtained proper LURCs, BOCs or RETCs for 2,111 properties, representing a total gross floor area of approximately 1,098,095 sq.m. For the remaining commercial properties, the Company has not obtained valid title certificates.

In addition, the Company also held 11 parcels of land with no buildings erected thereon representing a total site area of approximately 9,167.43 sq.m., for which the Company has obtained relevant state-owned granted LURCs in granted nature.

Out of the 18 properties held under development by the Company in the PRC, the Company has obtained relevant land use rights certificates for 14 items with a total site area of approximately 10,481.03 sq.m. and obtained relevant construction permits for all of such properties with a total planned gross floor area of approximately 78,944.84 sq.m..

As at the date of valuation, the Group also leased 323 properties in the PRC with a total lettable area of approximately 45,444.92 sq.m. from various third parties.

For the 146 of the leased properties in Chongqing, the respective lessors or landlords have provided the Group with either the BOCs or the RETCs, representing a total lettable area of approximately 22,902.84 sq.m. For the remaining leased properties, the Group has not been provided with relevant valid title documents. Among them, the lessors of 119 properties with a total lettable area of approximately 15,523.31 sq.m. have provided the Group with the confirmation letters which undertake to compensate for any loss of the Group arising from any defect of their legal rights to lease the properties.

In addition to the above properties, the Company has entered into sales and purchase agreements to purchase 34 commercial and residential properties with an estimated total gross floor area of approximately 23,206.22 sq.m. We have categorized these properties in Group IV, which are property interests contracted to be acquired by the Company. Owing to the fact that not all the required payments had been fully paid up to the date of valuation or the properties had not been assigned to the Company, the titles of the properties were not vested in the Company. Therefore, we have attributed no commercial value to these properties.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, except for those in respect of which exemptions and waivers have been applied for and granted in respect of Rules 5.01, 5.06, 19A.27(4), and paragraph 34(2) of the Third Schedule of the Companies Ordinance; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the Valuation Certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned LURCs, BOCs, RETCs and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers, Junhe Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom, as well as relevant valuation experience in the Asia-Pacific region.*

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE COMPANY IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2010 *RMB*
1.	Various properties of Ba'nan Branch of the Company located in Ba'nan District, Chongqing, the PRC	45,016,000
2.	Various properties of Dazu Branch of the Company located in Dazu County, Chongqing, the PRC	23,837,000
3.	Various properties of Dianjiang Branch of the Company located in Dianjiang County, Chongqing, the PRC	39,741,000
4.	Various properties of Hechuan Branch of the Company located in Hechuan District, Chongqing, the PRC	90,511,000
5.	Various properties of Jiangjin Branch of the Company located in Jiangjin District, Chongqing, the PRC	77,542,000
6.	Various properties of Kai County Branch of the Company located in Kai County, Chongqing, the PRC	58,197,000
7.	Various properties of Tongliang Branch of the Company located in Tongliang County, Chongqing, the PRC	47,735,000
8.	Various properties of Wanzhou Branch of the Company located in Wanzhou District, Chongqing, the PRC	97,691,000
9.	Various properties of Wuxi Branch of the Company located in Wuxi County, Chongqing, the PRC	22,084,000
10.	Various properties of Bishan Branch of the Company located in Bishan County, Chongqing, the PRC	46,983,000
11.	Various properties of Tongnan Branch of the Company located in Tongnan County, Chongqing, the PRC	28,144,000
12.	Various properties of Youyang Branch of the Company located in Youyang County, Chongqing, the PRC	28,340,000
13.	Various properties of Pengshui Branch of the Company located in Pengshui County, Chongqing, the PRC	22,191,000

No.	Property	Capital value in existing state as at 30 September 2010 *RMB*
14.	Various properties of Shizhu Branch of the Company located in Shizhu County, Chongqing, the PRC	24,035,000
15.	Various properties of Nanchuan Branch of the Company located in Nanchuan District, Chongqing, the PRC	25,757,000
16.	Various properties of Chengkou Branch of the Company located in Chengkou County, Chongqing, the PRC	8,199,000
17.	Various properties of Liangping Branch of the Company located in Liangping County, Chongqing, the PRC	41,910,000
18.	Various properties of Nan'an Branch of the Company located in Nan'an District, Chongqing, the PRC	155,858,000
19.	Various properties of Wulong Branch of the Company located in Wulong County, Chongqing, the PRC	24,110,000
20.	Various properties of Changshou Branch of the Company located in Changshou District, Chongqing, the PRC	63,172,000
21.	Various properties of Dadukou Branch of the Company located in Dadukou District, Chongqing, the PRC	44,554,000
22.	Various properties of Fengdu Branch of the Company located in Fengdu County, Chongqing, the PRC	28,514,000
23.	Various properties of Zhong County Branch of the Company located in Zhong County, Chongqing, the PRC	64,450,000
24.	Various properties of Qijiang Branch of the Company located in Qijiang County, Chongqing, the PRC	29,968,000
25.	Various properties of Fengjie Branch of the Company located in Fengjie County, Chongqing, the PRC	49,174,000
26.	Various properties of Wansheng Branch of the Company located in Wansheng District, Chongqing, the PRC	4,257,000
27.	Various properties of Xiushan Branch of the Company located in Xiushan County, Chongqing, the PRC	22,073,000
28.	Various properties of Yongchuan Branch of the Company located in Yongchuan District, Chongqing, the PRC	43,477,000

No.	Property	Capital value in existing state as at 30 September 2010 *RMB*
29.	Various properties of Beibei Branch of the Company located in Beibei District, Chongqing, the PRC	9,668,000
30.	Various properties of Yunyang Branch of the Company located in Yunyang County, Chongqing, the PRC	45,486,000
31.	Various properties of Jiangbei Branch of the Company located in Jiangbei District, Chongqing, the PRC	77,356,000
32.	Various properties of Yuzhong Branch of the Company located in Yuzhong District, Chongqing, the PRC	219,768,000
33.	Various properties of Jiulongpo Branch of the Company located in Jiulongpo District, Chongqing, the PRC	50,356,000
34.	Various properties of Yubei Branch of the Company located in Yubei District, Chongqing, the PRC	119,526,000
35.	Various properties of Shapingba Branch of the Company located in Shapingba District, Chongqing, the PRC	34,123,000
36.	Various properties of Fuling Branch of the Company located in Fuling District, Chongqing, the PRC	67,231,000
37.	Various properties of Wushan Branch of the Company located in Wushan County, Chongqing, the PRC	19,032,000
38.	Various properties of Rongchang Branch of the Company located in Rongchang County, Chongqing, the PRC	41,512,000
39.	Various properties of Qianjiang Branch of the Company located in Qianjiang District, Chongqing, the PRC	27,293,000
40.	Various properties of Shuangqiao Branch of the Company located in Shuangqiao District, Chongqing, the PRC	6,509,000
41.	Various properties of Chongqing New North Zone Branch of the Company located in Yubei District, Chongqing, the PRC	1,648,000
42.	A property of High-tech Branch of the Company located in Jiulongpo District, Chongqing, the PRC	38,348,000
43.	Various properties of Head Office of the Company located in Jiangbei District, Chongqing, the PRC	105,064,000
	Sub-total:	**2,120,440,000**

GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE COMPANY IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2010
		RMB
44.	Various properties under construction located in Chongqing, the PRC	225,761,000
	Sub-total:	**225,761,000**

GROUP III — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2010
		RMB
45.	Various leased properties located in Chongqing and Zhangjiagang City in Jiangsu Province, the PRC	No commercial value
	Sub-total:	**Nil**

GROUP IV — PROPERTY INTERESTS CONTRACTED TO BE ACQUIRED BY THE COMPANY IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2010
		RMB
46.	Various properties located in Chongqing, the PRC	No commercial value
	Sub-total:	**Nil**
	Grand-total:	**2,346,201,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE COMPANY IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
1.	Various properties of Ba'nan Branch of the Company located in Ba'nan District Chongqing The PRC	The properties comprise 102 commercial properties, 17 residential properties and 2 ancillary properties (121 in total) completed in various stages between 1972 and 2009. The properties have a total gross floor area of approximately 27,499.67 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 23,650.55 Residential 3,750.22 Ancillary 98.90 **Total: 27,499.67**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes	45,016,000

Notes:

1. For 106 items of the properties with a total gross floor area of approximately 21,466.64 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 15 items of the properties with a total gross floor area of approximately 6,033.03 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 7 of the 15 items of the properties, the Company has obtained relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 5 properties are erected on allocated land with LURCs and 2 properties are erected on collectively-owned land with LURCs; and

   b) For 8 of the 15 items of the properties, the Company has not obtained relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on granted land with LURC, 3 properties are erected on allocated land with LURCs and 4 properties are erected on the land without LURCs.

According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB4,000,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
2.	Various properties of Dazu Branch of the Company located in Dazu County Chongqing The PRC	The properties comprise 38 commercial properties and 22 residential properties (60 in total) completed in various stages between 1985 and 2007. The properties have a total gross floor area of approximately 21,350.69 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 9,851.03 Residential — 11,499.66 **Total:** — **21,350.69**	The properties are currently occupied by the Company for commercial and residential purposes, except a property is currently rented to a party (Refer to note 5).	23,837,000

Notes:

1. For 59 items of the properties with a total gross floor area of approximately 20,443.49 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties which is erected on collectively-owned land with LURC with a gross floor area of approximately 907.20 sq.m., the Company has not obtained relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such property after obtaining proper title certificate.

3. For the property mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificate, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB559,000 assuming all valid title certificate of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use the property.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 133.87 sq.m. is rented to a party for a term expiring on 31 March 2011 at a current annual rental of approximately RMB30,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
3.	Various properties of Dianjiang Branch of the Company located in Dianjiang County Chongqing The PRC	The properties comprise 58 commercial properties and 18 residential properties (76 in total) completed in various stages between 1975 and 2004. The properties have a total gross floor area of approximately 51,825.01 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 39,614.21 Residential — 12,210.80 **Total:** — **51,825.01**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	39,741,000

Notes:

1. For 76 items of the properties with a total gross floor area of approximately 51,825.01 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. Pursuant to 2 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 375 sq.m. is rented to various parties for various terms at a total current annual rental of approximately RMB6,500 from one of which stating that a property with a lettable area of approximatley 25 sq.m. will be expired on 8 April 2014 while the other one in relation to a property with a lettable area of approximately 350 sq.m. has no expiry date stated. We have been advised by the Company that the property could be used until the owner terminate the tenancy agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
4.	Various properties of Hechuan Branch of the Company located in Hechuan District Chongqing The PRC	The properties comprise 229 commercial properties, 128 residential properties and 11 ancillary properties (368 in total) completed in various stages between 1982 and 2009. The properties have a total gross floor area of approximately 93,893.48 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 46,664.31 Residential — 47,009.01 Ancillary — 220.16 **Total:** — **93,893.48** The properties also comprise a parcel of vacant land with a site area of approximately 207 sq.m.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a parcel of land is vacant and a portion of these properties is currently rented to various parties (Refer to note 5).	90,511,000

Notes:

1. For 366 items of the properties with a total gross floor area of approximately 92,883.05 sq.m. and the parcel of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 2 items of the properties with a total gross floor area of approximately 1,010.43 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of the Company. The relevant details are as follows:

   a) For one of the 2 items of the properties which is erected on a collectively-owned land with LURC, the Company has obtained relevant RETC (with registration of building ownership rights only) under the name of the Company; and

   b) For one of the 2 items of the properties, neither state-owned LURC nor BOC or RETC have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB738,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 15 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,331.14 sq.m. is rented to various parties for various terms with expiry dates between 7 September 2010 and 31 October 2012 at a total current annual rental of approximately RMB143,858. As at the date of valuation, a Tenanay Agreement has expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
5.	Various properties of Jiangjin Branch of the Company located in Jiangjin District Chongqing The PRC	The properties comprise 138 commercial properties, 48 residential properties and 2 ancillary properties (188 in total) completed in various stages between 1980 and 2008. The properties have a total gross floor area of approximately 91,320.82 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 57,522.72 Residential 32,999.39 Ancillary 798.71 **Total: 91,320.82**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes.	77,542,000

Notes:

1. For 184 items of the properties with a total gross floor area of approximately 86,294.50 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 4 items of the properties with a total gross floor area of approximately 5,026.32 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of the Company. The relevant details are as follows:

   a) For one of the 4 items of the properties which is erected on a collectively-owned land with LURC, the Company has obtained relevant RETC (with registration of building ownership rights only) under the name of the Company; and

   b) For 3 of the 4 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtined.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB3,065,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
6.	Various properties of Kai County Branch of the Company located in Kai County Chongqing The PRC	The properties comprise 56 commercial properties, 2 residential properties and 2 ancillary properties (60 in total) completed in various stages between 1983 and 2007. The properties have a total gross floor area of approximately 54,214.88 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 52,747.27 Residential — 1,185.01 Ancillary — 282.60 **Total:** — **54,214.88**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	58,197,000

Notes:

1. For 60 items of the properties with a total gross floor area of approximately 54,214.88 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the property is not subject to seizure, mortgage or other third party interests.

3. Pursuant to 2 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 460 sq.m. is rented to various parties for various terms expiring on 10 July 2010 and 31 August 2010 at a total current annual rental of approximately RMB39,500. As at the date of valuation, the Tenancy Agreements have expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
7.	Various properties of Tongliang Branch of the Company located in Tongliang County Chongqing The PRC	The properties comprise 65 commercial properties, 44 residential properties and 5 ancillary properties (114 in total) completed in various stages between 1985 and 2010. The properties have a total gross floor area of approximately 42,542.25 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 21,245.22 Residential — 20,452.54 Ancillary — 844.49 **Total: — 42,542.25** The properties also comprise a parcel of vacant land with a site area of approximately 265.20 sq.m. as at the date of valuation.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a parcel of land is vacant and a property is currently rented to a party (Refer to note 5).	47,735,000

Notes:

1. For 113 items of the properties with a total gross floor area of approximately 41,790.40 sq.m. and the parcel of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties which is erected on granted land with LURC under the name of Chongqing Rural Credit Coorperative Union (重慶農村信用合作社聯合社) with a gross floor area of approximately 751.85 sq.m., the Company has not obtained relevant BOC or RETC under the name of Company.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificate.

3. For the property mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificate, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB542,000 assuming all valid title certificates of the property has been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 60 sq.m. is rented to a party for a term expiring on 6 August 2010 at a current annual rental of approximately RMB2,000. As at the date of valuation, the Tenancy Agreement has expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
8.	Various properties of Wanzhou Branch of the Company located in Wanzhou District Chongqing The PRC	The properties comprise 106 commercial properties, 4 residential properties and an ancillary property (111 in total) completed in various stages between 1954 and 2009. The properties have a total gross floor area of approximately 75,099.97 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 74,044.48 Residential — 994.87 Ancillary — 60.62 **Total:** — **75,099.97** The properties also comprise a parcel of vacant land with a site area of approximately 1,281.00 sq.m. as at the date of valuation.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a parcel of land is vacant and a portion of these properties is currently rented to various parties (Refer to note 5).	97,691,000

Notes:

1. For 108 items of the properties with a total gross floor area of approximately 72,831.97 sq.m. and the parcel of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 2,268 sq.m., neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB4,803,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 3 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,296.24 sq.m. is rented to various parties for various terms with expiry dates between 24 March 2011 and 16 April 2014 at a total current annual rental of approximately RMB135,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
9.	Various properties of Wuxi Branch of the Company located in Wuxi County Chongqing The PRC	The properties comprise 43 commercial properties, a residential property and an ancillary property (45 in total) completed in various stages between 1983 and 2008. The properties have a total gross floor area of approximately 26,736.65 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 24,717.11 Residential 1,158.56 Ancillary 860.98 **Total: 26,736.65**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes.	22,084,000

Notes:

1. For 44 items of the properties with a total gross floor area of approximately 26,257.65 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties with a gross floor area of approximately 479 sq.m., neither state-owned LURC nor BOC or RETC have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificate.

3. For the property mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB2,156,000 assuming all valid title certificates of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
10.	Various properties of Bishan Branch of the Company located in Bishan County Chongqing The PRC	The properties comprise 75 commercial properties, 19 residential properties and 2 ancillary properties (96 in total) completed in various stages between 1993 and 2009. The properties have a total gross floor area of approximately 49,244.66 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 34,066.10 Residential — 14,982.73 Ancillary — 195.83 **Total:** — **49,244.66**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	46,983,000

Notes:

1. For 96 items of the properties with a total gross floor area of approximately 49,244.66 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. Pursuant to 24 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,727 sq.m. is rented to various parties for various terms with expiry dates between 4 November 2010 and 31 January 2015 at a total current annual rental of approximately RMB285,250.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
11.	Various properties of Tongnan Branch of the Company located in Tongnan County Chongqing The PRC	The properties comprise 43 commercial properties and 2 residential properties (45 in total) completed in various stages between 1990 and 2006. The properties have a total gross floor area of approximately 29,108.74 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 27,788.79 Residential — 1,319.95 **Total:** — **29,108.74**	The properties are currently occupied by the Company for commercial and residential purposes.	28,144,000

Notes:

1. For 45 items of the properties with a total gross floor area of approximately 29,108.74 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
12.	Various properties of Youyang Branch of the Company located in Youyang County Chongqing The PRC	The properties comprise 49 commercial properties, 30 residential properties and an ancillary property (80 in total) completed in various stages between 1975 and 2009. The properties have a total gross floor area of approximately 46,052.66 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 34,652.43 Residential — 9,077.77 Ancillary — 2,322.46 **Total:** — **46,052.66** The properties also comprise 3 parcels of vacant land with a total site area of approximately 1,645.20 sq.m. as at the date of valuation.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except 3 parcels of land are vacant and a portion of these properties is currently rented to various parties (Refer to note 5).	28,340,000

Notes:

1. For 77 items of the properties with a total gross floor area of approximately 43,066.98 sq.m. and the 3 parcels of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 2,985.68 sq.m., neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB654,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 2 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 310 sq.m. is rented to various parties for various terms expiring on 17 January 2013 at a total current annual rental of approximately RMB24,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
13.	Various properties of Pengshui Branch of the Company located in Pengshui County Chongqing The PRC	The properties comprise 57 commercial properties and 2 residential properties (59 in total) completed in various stages between 1971 and 2007. The properties have a total gross floor area of approximately 34,395.32 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 32,353.48 Residential — 2,041.84 **Total: — 34,395.32**	The properties are currently occupied by the Company for commercial and residential purposes.	22,191,000

Notes:

1. For 58 items of the properties with a total gross floor area of approximately 33,652.91 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties with a gross floor area of approximately 742.41 sq.m., neither state-owned LURC nor BOC or RETC have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificates.

3. For the property mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB552,000 assuming all valid title certificates of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
14.	Various properties of Shizhu Branch of the Company located in Shizhu County Chongqing The PRC	The properties comprise 44 commercial properties, 8 residential properties and an ancillary properties (53 in total) completed in various stages between 1970 and 2007. The properties have a total gross floor area of approximately 28,075.82 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial: 23,938.60 Residential: 3,980.37 Ancillary: 156.85 **Total: 28,075.82**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	24,035,000

Notes:

1. For 53 items of the properties with a total gross floor area of approximately 28,075.82 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. Pursuant to 4 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 334.65 sq.m. is rented to various parties for various terms with expiry dates between 30 June 2010 and 30 March 2011 at a total current annual rental of approximately RMB125,833.6. As at the date of valuation, one Tenancy Agreement has expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
15.	Various properties of Nanchuan Branch of the Company located in Nanchuan District Chongqing The PRC	The properties comprise 43 commercial properties, 10 residential properties and an ancillary properties (54 in total) completed in various stages between 1980 and 2009. The properties have a total gross floor area of approximately 30,001.98 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 25,827.28 Residential — 4,070.81 Ancillary — 103.89 **Total:** — **30,001.98**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes.	25,757,000

Notes:

1. For 54 items of the properties with a total gross floor area of approximately 30,001.98 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
16.	Various properties of Chengkou Branch of the Company located in Chengkou County Chongqing The PRC	The properties comprise 13 commercial properties and 5 residential properties (18 in total) completed in various stages between 1987 and 2005. The properties have a total gross floor area of approximately 11,907.17 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 9,833.56 Residential — 2,073.61 **Total:** — **11,907.17**	The properties are currently occupied by the Company for commercial and residential purposes.	8,199,000

Notes:

1. For 17 items of the properties with a total gross floor area of approximately 11,732.15 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties with a gross floor area of approximately 175.02 sq.m., neither state-owned LURC nor BOC or RETC have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificates.

3. For the property mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB163,000 assuming all valid title certificates of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
17.	Various properties of Liangping Branch of the Company located in Liangping County Chongqing The PRC	The properties comprise 55 commercial properties, 2 residential properties and an ancillary property (58 in total) completed in various stages between 1989 and 2006. The properties have a total gross floor area of approximately 51,546.21 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 49,229.69 Residential — 2,232.19 Ancillary — 84.33 **Total: — 51,546.21**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a property which is currently rented to a party (Refer to note 5).	41,910,000

Notes:

1. For 55 items of the properties with a total gross floor area of approximately 47,163.41 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 4,382.8 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For one of the 3 items of the properties which is erected on allocated land with LURC, the Company has obtained relevant BOC under the name of Chongqing Rural Credit Cooperative Union; and

   b) For 2 of the 3 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB3,068,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 380 sq.m. is rented to a party for a term expiring on 30 April 2011 at a current annual rental of approximately RMB24,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
18.	Various properties of Nan'an Branch of the Company located in Nan'an District Chongqing The PRC	The properties comprise 43 commercial properties and 7 residential properties (50 in total) completed in various stages between 1983 and 2008. The properties have a total gross floor area of approximately 19,205.84 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 13,490.69 Residential — 5,715.15 **Total:** — **19,205.84**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 6).	155,858,000

Notes:

1. For 42 items of the properties with a total gross floor area of approximately 16,074.94 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 8 items of the properties with a total gross floor area of approximately 3,130.90 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 6 of the 8 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 4 properties are erected on allocated land with LURCs, a property is erected on rented land from third party and a property is erected on collectively-owned land; and

   b) For 2 of the 8 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB4,379,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. Pursuant to a Tenancy Agreement, a parcel of land with a site area of approximately 666.67sq.m. is rented to the Company for a term expiring on 31 December 2010 at a current annual rental of approximately RMB1,800 for commericial use. As advised by the Company, a building (mentioned in note 2a) is constructed by the Company on the land. According to the opinion provided by the Company's PRC legal advisors, the lack of LURC may cause a termination of lease and usage of such property for the Company if any dissent is received from any third party. However, the loss incurred can be claimed by the Company from the lessors in accordance with the Tenancy Agreement and the PRC Laws.

5. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

6. Pursuant to 3 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,829 sq.m. is rented to various parties for various terms with expiry dates between 9 July 2011 and 24 May 2012 at a total current annual rental of approximately RMB677,100.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
19.	Various properties of Wulong Branch of the Company located in Wulong County Chongqing The PRC	The properties comprise 33 commercial properties and 2 residential properties (35 in total) completed in various stages between 1990 and 2008. The properties have a total gross floor area of approximately 27,352.36 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 26,272.97 Residential — 1,079.39 **Total:** — **27,352.36**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	24,110,000

Notes:

1. For 35 items of the properties with a total gross floor area of approximately 27,352.36 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. Pursuant to 2 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 70.9 sq.m. is rented to various parties for various terms all expiring on 31 December 2010 at a total current annual rental of approximately RMB55,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
20.	Various properties of Changshou Branch of the Company located in Changshou District Chongqing The PRC	The properties comprise 109 commercial properties, 14 residential properties and 2 ancillary properties (125 in total) completed in various stages between 1985 and 2009. The properties have a total gross floor area of approximately 49,421.70 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 45,547.18 Residential — 3,801.44 Ancillary — 73.08 **Total:** — **49,421.70** The properties also comprise a parcel of vacant land with a site area of approximately 4,565.9 sq.m. as at the date of valuation.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a parcel land is vacant and a portion of these properties is currently rented to various parties (Refer to note 5).	63,172,000

Notes:

1. For 122 items of the properties with a total gross floor area of approximately 47,719.70 sq.m. and the parcel of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 1,702 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For one of the 3 item of the properties which are erected on an allocated land without LURC, the Company has obtained relevant BOC under the name of Chongqing Rural Credit Cooperative Union; and

b) For 2 of the 3 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on granted land with LURC under the name of Chongqing Rural Credit Cooperative Union and the remaining property is erected on allocated land with LURC under the name of Chongqing Rural credit cooperative Union.

According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB984,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 3 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,482.38 sq.m. is rented to various parties for various terms with the expiry dates between 31 December 2010 and 6 September 2011 at a total current annual rental of approximately RMB17,466.72.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
21.	Various properties of Dadukou Branch of the Company located in Dadukou District Chongqing The PRC	The properties comprise 25 commercial properties and 11 ancillary properties (36 in total) completed in various stages between 1976 and 2009. The properties have a total gross floor area of approximately 10,918.22 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 9,787.18 Ancillary — 1,131.04 **Total:** — **10,918.22**	The properties are currently occupied by the Company for commercial and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	44,554,000

Notes:

1. For 29 items of the properties with a total gross floor area of approximately 6,905.66 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 7 items of the properties with a total gross floor area of approximately 4,012.56 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 5 of the 7 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 2 properties are erected on allocated land with LURCs, 2 properties are erected on collectively-owned land with LURCs and a property is erected on the land without LURC; and

   b) For 2 of the 7 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on allocated land with LURC and the remaining property is erected on the land without LURC.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB6,872,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 2 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 650 sq.m. is rented to various parties for various terms expiring on 30 April 2011 and 1 December 2012 at a total current annual rental of approximately RMB97,880.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
22.	Various properties of Fengdu Branch of the Company located in Fengdu County Chongqing The PRC	The properties comprise 48 commercial properties, 30 residential properties and an ancillary property (79 in total) completed in various stages between 1980 and 2008. The properties have a total gross floor area of approximately 34,215.61 sq.m. The details for each use are listed as follows:	The properties are currently occupied by the Company for commercial, residential and ancillary purposes.	28,514,000

Usage	Gross Floor Area *(sq.m.)*
Commercial	18,722.3
Residential	15,249.87
Ancillary	243.44
Total:	**34,215.61**

Notes:

1. For 75 items of the properties with a total gross floor area of approximately 32,666.51 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 4 items of the properties with a total gross floor area of approximately 1,549.1 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For one of the 4 items of the properties which is erected on allocated land with LURC, the Company has obtained relevant BOC under the name of Chongqing Rural Credit Cooperative Union; and

   b) For 3 of the 4 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB448,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
23.	Various properties of Zhong County Branch of the Company located in Zhong County Chongqing The PRC	The properties comprise 62 commercial properties and 14 residential properties (76 in total) completed in various stages between 1989 and 2010. The properties have a total gross floor area of approximately 64,159.39 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 51,647.53 Residential — 12,511.86 **Total:** — **64,159.39**	The properties are currently occupied by the Company for commercial and residential purposes, except a property is currently rented to a party (Refer to note 4).	64,450,000

Notes:

1. For 76 items of the properties with a total gross floor area of approximately 64,159.39 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. As advised by the Company, a property with a gross floor area of approximately 412.7 sq.m. has been disposed by the Company after the date of valuation.

4. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 30 sq.m. is rented to a party for a term expiring on 30 April 2020 at a current annual rental of approximately RMB1,800.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
24.	Various properties of Qijiang Branch of the Company located in Qijiang County Chongqing The PRC	The properties comprise 63 commercial properties and 22 residential properties (85 in total) completed in various stages between 1955 and 2008. The properties have a total gross floor area of approximately 37,723.07 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial: 30,894.00 Residential: 6,829.07 **Total: 37,723.07**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	29,968,000

Notes:

1. For 82 items of the properties with a total gross floor area of approximately 35,069.41 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted. In addition, for a property which is erected on the rented land from government with a gross floor area of approximately 1,496 sq.m., the Company has obtained RETCs under the name of Company.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 2 items of the properties which are erected on collectively-owned land with LURCs with a total gross floor area of approximately 1,157.66 sq.m., the Company has obtained relevant RETCs under the name of Company.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB697,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 6 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,684 sq.m. is rented to various parties for various terms with expiry dates between 23 July 2010 and 30 June 2014 at a total current annual rental of approximately RMB159,400. As at the date of valuation, 2 Tenancy Agreements have expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
25.	Various properties of Fengjie Branch of the Company located in Fengjie County Chongqing The PRC	The properties comprise 41 commercial properties and a residential property (42 in total) completed in various stages between 1982 and 2010. The properties have a total gross floor area of approximately 50,098.21 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 48,211.93 Residential — 1,886.28 **Total:** — **50,098.21**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	49,174,000

Notes:

1. For 39 items of the properties with a total gross floor area of approximately 49,799.87 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 298.34 sq.m., neither state-owned LURCs nor BOCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB249,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 7 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 11,928.2 sq.m. is rented to various parties for various terms with expiry dates between 30 November 2011 and 16 March 2013 at a total current annual rental of approximately RMB1,653,112.8.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
26.	Various properties of Wansheng Branch of the Company located in Wansheng District Chongqing The PRC	The properties comprise 13 commercial properties and 2 residential properties (15 in total) completed in various stages between 1979 and 1999. The properties have a total gross floor area of approximately 6,477.89 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 6,060.31 Residential — 417.58 **Total:** — **6,477.89**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 3).	4,257,000

Notes:

1. For 15 items of the properties with a total gross floor area of approximately 6,477.89 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

3. Pursuant to 4 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 506.44 sq.m. is rented to various parties for various terms with expiry dates between 1 December 2010 and 31 December 2010 at a total current annual rental of approximately RMB182,318.4.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
27.	Various properties of Xiushan Branch of the Company located in Xiushan County Chongqing The PRC	The properties comprise 29 commercial properties, a residential property and an ancillary property (31 in total) completed in various stages between 1985 and 2010. The properties have a total gross floor area of approximately 22,186.53 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 21,890.54 Residential — 82.74 Ancillary — 213.25 **Total: — 22,186.53**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 6).	22,073,000

Notes:

1. For 29 items of the properties with a total gross floor area of approximately 22,053.29 sq.m., the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 2 items of the properties with a total gross floor area of approximately 133.24 sq.m., neither state-owned LURCs nor BOCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB78,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. As advised by the Company, 2 items of the properties (mentioned in notes 1) with a total gross floor area of approximately 1,619.92 sq.m. have been disposed by the Company after the date of valuation.

6. Pursuant to 13 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 540 sq.m. is rented to various parties for various terms with expiry dates between 8 May 2010 and 2 November 2011 at a total current annual rental of approximately RMB75,000. As at the date of valuation, 4 Tenangy Agreements have expired and will be renewed as advised by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
28.	Various properties of Yongchuan Branch of the Company located in Yongchuan District Chongqing The PRC	The properties comprise 74 commercial properties, 46 residential properties and 6 ancillary properties (126 in total) completed in various stages between 1982 and 2009. The properties have a total gross floor area of approximately 50,022.76 sq.m. The details for each use are listed as follows:	The properties are currently occupied by the Company for commercial, residential and ancillary purposes.	43,477,000

Usage	Gross Floor Area *(sq.m.)*
Commercial	23,265.59
Residential	25,036.16
Ancillary	1,721.01
Total:	**50,022.76**

Notes:

1. For 125 items of the properties with a total gross floor area of approximately 49,672.04 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provide by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties with a gross floor area of approximately 350.72 sq.m., neither state-owned LURC nor BOC have been obtained. As advised by the Company, this property is erected on a rented land from the government.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificates.

3. For the property mentioned in note 2, based on the relevant legal opinion and due to the absence of proper title certificates, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB157,000 assuming all valid title certificates of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
29.	Various properties of Beibei Branch of the Company located in Beibei District Chongqing The PRC	The properties comprise 26 commercial properties and 6 residential properties (32 in total) completed in various stages between 1989 and 2008. The properties have a total gross floor area of approximately 17,659.28 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 15,285.38 Residential — 2,373.90 **Total:** — **17,659.28**	The properties are currently occupied by the Company for commercial and residential purposes, except a property is currently rented to a party (Refer to note 5).	9,668,000

Notes:

1. For 12 items of the properties with a total gross floor area of approximately 9,503.80 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 20 items of the properties with a total gross floor area of approximately 8,155.48 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 17 of the 20 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 14 properties are erected on allocated land with LURCs, 2 properties are erected on collectively-owned land with LURCs and a property is erected on the land without LURC; and

   b) For 3 of the 20 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB7,457,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 328 sq.m. is rented to a party for a term expiring on 31 May 2011 at a current annual rental of approximately RMB153,600.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
30.	Various properties of Yunyang Branch of the Company located in Yunyang County Chongqing The PRC	The properties comprise 73 commercial properties and 4 residential properties (77 in total) completed in various stages between 1983 and 2010. The properties have a total gross floor area of approximately 55,213.62 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 54,903.32 Residential — 310.30 **Total:** — **55,213.62**	The properties are currently occupied by the Company for commercial and residential purposes, except a property is currently rented to a party (Refer to note 5).	45,486,000

Notes:

1. For 74 items of the properties with a total gross floor area of approximately 54,615.02 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 3 items of the properties with a total gross floor area of approximately 598.6 sq.m., the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company, of which a property is erected on collectively-owned land with LURC and 2 properties are erected on the land without LURCs.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB613,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 4,390 sq.m. is rented to a party for a term expiring on 31 December 2017 at a current annual rental of approximately RMB810,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
31.	Various properties of Jiangbei Branch of the Company located in Jiangbei District Chongqing The PRC	The properties comprise 21 commercial properties, a residential property and 29 ancillary properties (51 in total) completed in various stages between 1975 and 2007. The properties have a total gross floor area of approximately 11,570.97 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 10,336.05 Residential 160.76 Ancillary 1,074.16 **Total: 11,570.97**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	77,356,000

Notes:

1. For 42 items of the properties with a total gross floor area of approximately 8,816.06 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 9 items of the properties with a total gross floor area of approximately 2,754.91 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 6 of the 9 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 4 properties are erected on allocated land with LURCs and 2 properties are erected on the land without LURCs or RETCs (with registration of land use rights only); and

   b) For 3 of the 9 items of the properties, neither state-owned LURCs nor BOCs or RETCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB11,959,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 10 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,085.59 sq.m. is rented to various parties for various terms with expiry dates between 3 November 2010 and 21 March 2014 at a total current annual rental of approximately RMB216,840. Among which, a tenancy agreement in relation to a property with a lettable area of approximately 57.35 sq.m. has no expiry date stated and we have been advised by the Company that the property could be used until the owner terminate the tenancy agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
32.	Various properties of Yuzhong Branch of the Company located in Yuzhong District Chongqing The PRC	The properties comprise 13 commercial properties and 4 ancillary properties (17 in total) completed in various stages between 2000 and 2005. The properties have a total gross floor area of approximately 19,059.04 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 10,032.42 Ancillary — 9,026.62 **Total:** — **19,059.04**	The properties are currently occupied by the Company for commercial and ancillary purposes.	219,768,000

Notes:

1. For 17 items of the properties with a total gross floor area of approximately 19,059.04 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
33.	Various properties of Jiulongpo Branch of the Company located in Jiulongpo District Chongqing The PRC	The properties comprise 52 commercial properties, 3 residential properties and 8 ancillary properties (63 in total) completed in various stages between 1984 and 2008. The properties have a total gross floor area of approximately 25,427.79 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 22,672.23 Residential — 1,530.85 Ancillary — 1,224.71 **Total: — 25,427.79**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 6).	50,356,000

Notes:

1. For 39 items of the properties with a total gross floor area of approximately 19,516.20 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 24 items of the properties with a total gross floor area of approximately 5,911.59 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 20 of the 24 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 13 properties are erected on allocated land with LURCs, 3 properties are erected on collectively-owned land with LURCs and 4 properties are erected on the land without LURCs or RETCs (with registration of land use rights only); and

   b) For 4 of the 24 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on allocated land with LURC and 3 properties are erected on the land without LURCs or RETCs (with registration of land use rights only).

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB9,418,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. Pursuant to a Tenancy Agreement, a parcel of land with a site area of approximately 266 sq.m. is rented to the Company for a term with no expiry date at a current annual rental of approximately RMB500 for ancillary use. And as advised by the Company, a road was constructed on the land by the Company.

   According to the opinion provided by the Company's PRC legal advisers, the lack of LURCs or RETCs may cause a termination of lease and usage of such property for the Company if any dissent is received from any third party. However, the loss incurred can be claimed by the Company from the lessors in accordance with the Tenancy Agreement and the PRC law.

5. According to the opinion given by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

6. Pursuant to 4 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 754.1 sq.m. is rented to various parties for various terms with expiry dates between 31 March 2011 and 30 April 2012 at a total current annual rental of approximately RMB151,912.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
34.	Various properties of Yubei Branch of the Company located in Yubei District Chongqing The PRC	The properties comprise 71 commercial properties and 29 residential properties (100 in total) completed in various stages between 1986 and 2007. The properties have a total gross floor area of approximately 31,991.06 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 24,241.47 Residential — 7,749.59 **Total:** — **31,991.06**	The properties are currently occupied by the Company for commercial and residential purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	119,526,000

Notes:

1. For 88 items of the properties with a total gross floor area of approximately 25,854.8 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 12 items of the properties with a total gross floor area of approximately 6,136.26 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 8 of the 12 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, and which are erected on allocated land with LURCs; and

   b) For 4 of the 12 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on granted land with LURC under the name of Changqing Rural Credit Coorperative Union, 2 properties are erected on allocated land with LURCs under the name of Changqing Rural Credit Coorperative Union and a property is erected on the land without LURC.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB22,487,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 8 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,878 sq.m. is rented to various parties for various terms with expiry dates between 30 November 2010 and 31 August 2021 at a total current annual rental of approximately RMB517,044.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
35.	Various properties of Shapingba Branch of the Company located in Shapingba District Chongqing The PRC	The properties comprise 30 commercial properties and 7 ancillary properties (37 in total) completed in various stages between 1985 and 2008. The properties have a total gross floor area of approximately 23,387.22 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 22,809.39 Ancillary — 577.83 **Total:** — **23,387.22**	The properties are currently occupied by the Company for commercial and ancillary purposes, except a property is currently rented to a party (Refer to note 5).	34,123,000

Notes:

1. For 23 items of the properties with a total gross floor area of approximately 8,703.73 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 14 items of the properties with a total gross floor area of approximately 14,683.49 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For 5 of the 14 items of the properties, the Company has obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 2 properties are erected on allocated land with LURCs, a property is erected on collectively-owned land with LURC and 2 properties are erected on the land without LURCs or RETCs (with registration of land use rights only); and

   b) For 9 of the 14 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which 3 properties are erected on allocated land with LURCs under the name of changqing Rural Credit Cooperative Union and 6 properties are erected on the land without LURCs or RETCs (with registration of land use rights only).

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB23,085,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 143 sq.m. is rented to a party for a term expiring on 19 November 2010 at a current annual rental of approximately RMB180,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
36.	Various properties of Fuling Branch of the Company located in Fuling District Chongqing The PRC	The properties comprise 75 commercial properties, 50 residential properties and 2 ancillary properties (127 in total) completed in various stages between 1981 and 2005. The properties have a total gross floor area of approximately 93,341.25 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 50,080.71 Residential 41,254.43 Ancillary 2,006.11 **Total: 93,341.25**	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except a portion of these properties is currently rented to various parties (Refer to note 5).	67,231,000

Notes:

1. For 116 items of the properties with a total gross floor area of approximately 80,993.43 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining 11 items of the properties with a total gross floor area of approximately 12,347.82 sq.m., the Company has not obtained either relevant proper LURCs and/or BOCs or RETCs under the name of Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) or the Company. The relevant details are as follows:

   a) For one of the 11 items of the properties which is erected on collectively-owned land with LURC, the Company has obtained relevant RETC under the name of the Company; and

   b) For 10 of the 11 items of the properties, the Company has not obtained either relevant BOCs or RETCs (with registration of building ownership rights only) under the name of Chongqing Rural Credit Cooperative Union or the Company, of which a property is erected on granted land with LURC under the name of Chongquing Rural Credit Coorprative Union, 3 properties are erected on allocated land with LURCs under the name of Changqing Rural Credit Coorprative Union and 6 properties are erected on the land without LURCs or RETCs (with registration of land use rights only).

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties after obtaining proper title certificates.

3. For the properties mentioned in note 2, based on the relevant legal opinion provided and due to the obsence of proper title certificates, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB14,315,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the Company will continue to change the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. The properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of the properties (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute properties if it could not continue to use these properties.

5. Pursuant to 5 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,061 sq.m. is rented to various parties for various terms with expiry dates between 31 January 2011 and 9 May 2013 at a total current annual rental of approximately RMB134,280.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
37.	Various properties of Wushan Branch of the Company located in Wushan County Chongqing The PRC	The properties comprise 26 commercial properties completed in various stages between 1992 and 2008. The properties have a total gross floor area of approximately 21,966.96 sq.m.	The properties are currently occupied by the Company for commercial purpose.	19,032,000

Notes:

1. For 26 items of the properties with a total gross floor area of approximately 21,966.96 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
38.	Various properties of Rongchang Branch of the Company located in Rongchang County Chongqing The PRC	The properties comprise 56 commercial properties, 33 residential properties and 4 ancillary properties (93 in total) completed in various stages between 1985 and 2009. The properties have a total gross floor area of approximately 33,778.33 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial 20,761.69 Residential 12,474.76 Ancillary 541.88 **Total: 33,778.33** The properties also comprise a parcel of vacant land with a site area of approximately 237 sq.m.	The properties are currently occupied by the Company for commercial, residential and ancillary purposes, except the parcel of land is vacant.	41,512,000

Notes:

1. For 93 items of the properties with a total gross floor area of approximately 33,778.33 sq.m. and the parcel of vacant land, the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
39.	Various properties of Qianjiang Branch of the Company located in Qianjiang District Chongqing The PRC	The properties comprise 30 commercial properties and 4 residential properties (34 in total) completed in various stages between 1982 and 2007. The properties have a total gross floor area of approximately 28,222.19 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 24,227.86 Residential — 3,994.33 **Total:** — **28,222.19** The properties also comprise 3 parcels of vacant land with a total site area of approximately 966.13 sq.m. as at the date of valuation.	The properties are currently occupied by the Company for commercial and residential purposes, expect the 3 parcels of land are vacant.	27,293,000

Notes:

1. For 34 items of the properties with a total gross floor area of approximately 28,222.19 sq.m. and the 3 parcels of vacant land, the Company has obtained relevant LURCs and BOCs or RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
40.	Various properties of Shuangqiao Branch of the Company located in Shuangqiao District Chongqing The PRC	The properties comprise 4 commercial properties and a residential property (5 in total) completed in various stages between 1994 and 2006. The properties have a total gross floor area of approximately 1,436.09 sq.m. The details for each use are listed as follows:	The properties are currently occupied by the Company for commercial and residential purposes.	6,509,000

Usage	Gross Floor Area *(sq.m.)*
Commercial	1,270.66
Residential	165.43
Total:	**1,436.09**

Notes:

1. For 5 items of the properties with a total gross floor area of approximately 1,436.09 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
41.	Various properties of Chongqing New North Zone Branch of the Company located in Yubei District Chongqing The PRC	The properties comprise 3 commercial properties with a total gross floor area of approximately 521.63 sq.m. completed in 2006.	The properties are currently occupied by the Company for commercial purpose.	1,648,000

Notes:

1. For 3 items of the properties with a total gross floor area of approximately 521.63 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
42.	A property of High-tech Branch of the Company located in Jiulongpo District Chongqing The PRC	The property comprises a commercial property with a gross floor area of approximately 3,067.87 sq.m completed in 2006.	The property is currently occupied by the Company for commercial purpose.	38,348,000

Notes:

1. For the property with a gross floor area of approximately 3,067.87 sq.m., the Company has obtained relevant RETC under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such property during the term of the land use rights.

2. According to the opinion provided by the Company's PRC legal advisers, the property is not subject to seizure, mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
43.	Various properties of Head Office located in Jiangbei District Chongqing The PRC	The properties comprise 21 commercial properties and 2 ancillary properties (23 in total) completed in 2006. The properties have a total gross floor area of approximately 16,418.99 sq.m. The details for each use are listed as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Commercial: 14,125.74 Ancillary: 2,293.25 **Total: 16,418.99**	The properties are currently occupied by the Company for commercial and ancillary purposes.	105,064,000

Notes:

1. For 22 items of the properties with a total gross floor area of approximately 16,074.24 sq.m., the Company has obtained relevant RETCs under the name of the Company and relevant land use rights are granted.

   According to the opinion provided by the Company's PRC legal advisers, the Company has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties during the term of the land use rights.

2. For the remaining item of the properties with a gross floor area of approximately 344.75 sq.m., neither state-owned LURCs nor BOCs have been obtained.

   According to the opinion provided by the Company's PRC legal advisers, the Company will be entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such property after obtaining proper title certificates.

3. For the property mentioned in notes 2, based on the relevant legal opinion provided and due to the absence of proper title certificates, we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the total capital value of the property as at the date of valuation would be RMB1,207,000 assuming all valid title certificates of the property have been obtained and it could be freely transferred.

4. According to the opinion provided by the Company's PRC legal advisers, the properties are not subject to seizure, mortgage or other third party interests. In addition, the title defects of property (mentioned in note 2) have no material adverse effect on the Company's operations and the Company is able to obtain substitute property if it could not continue to use the property.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE COMPANY IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
44.	Various properties under construction located in Chongqing The PRC	The properties comprise 18 commercial properties with a total planned gross floor area of approximately 78,944.84 sq.m. which were under construction as at the date of valuation and are scheduled to be completed between 2010 and 2011. As advised by the Company, the total investment cost of these properties are estimated to be approximately RMB678,169,798, of which approximately RMB226,293,366 had been paid up to the date of valuation.	The properties were under construction or decoration as at the date of valuation.	225,761,000

Notes:

1. According to the opinion provided by the Company's PRC legal advisers, the Company has obtained relevant land use rights certificates for 14 items of the properties with a total site area of approximately 10,481.03 sq.m. and relevant construction permits for all of the properties with a total planned gross floor area of approximately 78,944.84 sq.m. There will be no legal impediment for the Company to construct the properties and these properties are not subject to seizure, mortgage or other third party interests.

2. For 4 items of the properties with a total gross floor area of approximately 2,002 sq.m., we have attributed no commercial value to them due to the absence of proper LURCs. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these properties (excluding the land) as at the date of valuation would be RMB532,000 assuming all valid title certificates of such properties have been obtained and they could be freely transferred.

3. As advised by the Company, 9 items of the properties with a total gross floor area of approximately 6,548.4 sq.m. were decorated as at the date of valuation and relevant RETCs have been obtained.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 *RMB*
45.	Various leased properties located in Chongqing and Zhangjiagang City in Jiangsu Province The PRC	The properties comprise 295 commercial properties, 15 residential properties and 13 ancillary properties (323 in total) completed in various stages between 1975 and 2010. The properties have a total lettable area of approximately 45,444.92 sq.m. The details for each use are listed as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 42,745.54 Residential — 1,547.89 Ancillary — 1,151.49 **Total:** — **45,444.92** The properties are rented to the Group from various third parties for various terms at a total current annual rental of approximately RMB19,334,014.	The properties were occupied by the Group for commercial, residential and ancillary purposes as at the date of valuation.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Company, a subsidiary of the Company or Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社) (the predecessor of the Company) and various third parties, 323 properties with a total lettable area of approximately 45,444.92 sq.m. are rented to the Group for various terms with expiry dates between 30 June 2010 and 8 October 2024 at a total current annual rental of approximately RMB19,334,014 for commercial, residential and ancillary uses. Among which, a tenancy agreement in relation to the properties with a lettable area of approximately 60 sq.m. has no expiry date stated and we have been advised by the Group that the unit could be used until the owner terminates the tenancy agreement. As at the date of valuation, various tenancy agreements in relation to 5 properties with a total lettable area of approximately 476.75 sq.m. have expired and as advised by the Group that these tenancy agreements will be renewed.

2. For 146 properties of the above properties with a total lettable area of approximately 22,902.84 sq.m., the respective lessors have provided the Group with relevant BOCs or RETCs.

   According to the opinion provided by the Company's PRC legal advisers, the lessors are the legal owner of the properties and have the rights to lease such properties, the Tenancy Agreements are valid and legal. The Company's rights in the Tenancy Agreements are protected by the PRC law.

3. For the remaining properties, the lessors have not provided relevant BOCs or RETCs. Among such properties, the lessors of 119 properties with a total lettable area of approximately 15,523.31 sq.m. have provided the Group with confirmation letters for undertaking to compensate any loss incurred by the title defects of such leased properties.

   According to the opinion provided by the Company's PRC legal advisers, the lack of BOCs or RETCs may cause a termination of lease and usage if any dissent is received from any third party. However, the loss incurred can be claimed by the Group from the lessors in accordance with the Tenancy Agreements and the PRC law.

4. For the properties with expired tenancy agreements but without renewal or confirming a definite term, the Company will negotiate with the lessors on the renewal of the tenancy agreements on the terms to ensure normal operation on the properties.

5. According to the opinion provided by the Company's PRC legal advisers, the properties which the lessors will not continue to lease to the Group have no material adverse effect on the Group's operations and the Group is able to obtain substitute properties; and the Group can claim loss from lessors in accordance with the Tenancy Agreements, confirmation letters and the PRC law due to the lack of BOCs and RETCs.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTERESTS CONTRACTED TO BE ACQUIRED BY THE COMPANY IN THE PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 30 September 2010** *RMB*
46.	Various properties located in Chongqing The PRC	The properties comprise 34 commercial and residential properties completed or scheduled to be completed between 1999 and 2011 with a total planned gross floor area of approximately 23,206.22 sq.m.	The properties were vacant or under construction as at the date of valuation.	No commercial value

Notes:

1. The Company has entered into various sales and purchase agreements with various real estate developers or third parties to purchase 34 properties with a total gross floor area of approximately 23,206.22 sq.m. The total consideration of properties was in the amount of approximately RMB194,002,511.

2. As at the date of valuation, the titles of the properties have not been vested in the Company. Therefore we have attributed no commercial value to the properties. However, for reference purpose, we are of the opinion that the total capital value of the properties as at the date of valuation would be RMB194,000,000, with the condition that relevant title certificates will be obtained by the Company and the Company is entitled to freely transfer or mortgage the properties upon the completion of the properties.

3. As advised by the Company, a sum of approximately RMB116,807,727 had been paid by the Company to purchase the properties up to the date of valuation.

4. According to the opinion provided by the Company's PRC legal advisers, the sales and purchase agreements are valid and legal and the Company's rights under the sales and purchase agreements are being protected by the PRC law. In addition, the Company can claim any loss from relevant vendors in accordance with the sales and purchase agreements and the PRC law if the Company could not obtain the title certificates.

This appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix VIII to this Prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the Company Law and Company Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

1. PRC LAWS AND REGULATIONS

A. The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, special rules, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress of China ("**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. During the adjournment of the NPC, the Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of the laws enacted by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may, subject to the Constitution, laws and administrative regulations, formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of such cities and promulgate the same upon approval from the standing committees of the people's congresses of provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned. Where conflicts with the rules and regulations of the people's governments of the provinces or autonomous regions concerned are identified in the examination for approval of local regulations of larger cities by the standing committees of the people's congresses of the provinces or autonomous regions, a decision should be made to resolve the issue. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The people's congresses of autonomous regions have the power to enact autonomous regulations and special rules in the light of the political, economic and cultural characteristics of ethnic groups in the region. The autonomous regulations and special rules enacted by an autonomous region shall be effective upon approval by the standing committee of the people's congresses of the provinces, autonomous regions or municipalities directly under the central government. An autonomous regulation or special rule enacted by an autonomous prefecture or autonomous county may be flexibly modified according to the flexible provisions of laws or administrative regulations as long as such flexible provisions do not contravene the basic principles thereof, but such autonomous regulations or special regulations shall not make flexible modifications to the specific provisions under the Constitution, laws or administrative regulations enacted in respect of the national autonomous regions.

The ministries and commissions of the State Council, the PBOC, the National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdictions of their respective departments based on the laws and administrative regulations, and decisions and orders of the State Council. Provisions of departmental rules should be related to the enforcement of the laws and administrative regulations, and decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and larger cities may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law passed on June 10, 1981, the Supreme People's Court has the power to provide general interpretations of the applicable laws in judicial proceedings in addition to its power to issue specific interpretations of specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretations of the statutes and administrative regulations which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

B. **The PRC Judicial System**

Under the PRC Constitution and the Law of Organization of the People's Courts of the PRC, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and other special divisions (such as the intellectual property division). These two levels of people's courts are subject to supervision by people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The judgments or rulings of the second instance at a people's court are final. The principal may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the principal and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at the next higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (the ***"Civil Procedure Law***") adopted on April 9, 1991 and amended on October 28, 2007 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, the judicial procedures, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of performing the contract or the place of executing the contract or the place where the object of the action is located. However, such choice may not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or a ruling made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within a stipulated period. Specific time limits are imposed on the rights to apply for such enforcement. If at least one of the parties to the dispute or arbitration is an individual, such time limit is one year. If both parties to the dispute or arbitration are legal persons or other entities, such time limit is six months. If a party fails to satisfy a judgment which the court has granted an enforcement approval within the stipulated period, the court may, upon the application of the other party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Likewise, if the PRC has entered into a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court based on the equity principle unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC or its sovereignty or national security, or social and public interest.

C. The Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies promulgated by the State Council (the "*Special Regulations*") and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the "*Mandatory Provisions*")

The Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999 and August 28, 2004 and revised on October 27, 2005. The revised Company Law came into effect on January 1, 2006.

The Special Regulations were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas share offering and listing of joint stock limited companies. The Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe the provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VII of this Prospectus. References to a "company" made in this appendix are a joint stock limited company established under the Company Law with H shares.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions.

General

A ***"joint stock limited company"*** refers to a corporate legal person established under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must have residence within the PRC. Companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. The initial capital contribution by all promoters of the company shall not be less than 20% of the registered capital. The remainder shall be paid up in full within two years from the date of its incorporation by the promoters. For investment companies, the remainder may be paid up in full within five years. Shares in the company shall not be offered to others unless the registered capital has been paid up. For companies incorporated by public subscription, the registered capital of which is the total paid up capital as registered with the relevant registration authorities. The minimum registered capital of a joint stock limited company is RMB5 million or as required by the laws or administrative regulations, whichever is higher.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them under the articles of association. The full amount of capital contribution shall be paid up if the payment is made in one lump sum. The first installment of capital contribution shall be paid forthwith if the payment is made in installments. Procedures relating to the transfer of titles for non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have completed the initial capital contribution, a board and a supervisory board shall be elected and the board shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with a capital verification certificate issued by a capital verification institution established by laws and other documents as required by the law or administrative regulations. Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by the laws or administrative regulations. A promoter who offers shares to the public must publish a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up the amounts for the number of shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities houses established by laws, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidences of receipt of subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established by laws must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days. The inauguration meeting shall be formed by the subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued have been fully paid up, the subscribers may demand the promoters to refund the subscription monies so paid together with the interest at bank rates for a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board shall apply to the registration authorities for registration of the establishment of the company. A company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall individually and collectively be liable for:

(i) the debts and expenses incurred from incorporation if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates for a deposit for the same period if the company cannot be incorporated; and

(iii) the compensation of the damages suffered by the company as a result of the promoters' default in the course of its incorporation.

According to the Provisional Regulations Concerning the Issue and Trading of Shares promulgated by the State Council on April 22, 1993 (which is only applicable to issue and trading of shares in the PRC and their related activities), if a company is established by subscription, the promoters of such company are required to take joint responsibility for the accuracy of the contents of the share offering prospectus and to ensure that the share offering prospectus does not contain any misleading statement or omit any material information.

Share capital

The promoters may make capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for the assets prohibited to be contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the assets contributed pursuant to the relevant provisions of the laws or administrative regulations on valuation must be carried out without any over-valuation or under-valuation. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the company.

A company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC (other than the territories specified above) are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares. The share offering price may be equal to or greater than, but may not be less than, the par value.

Increase in share capital

Under the Company Law, an issue of shares shall be conducted in a fair and equitable manner. Shares of the same class shall rank pari passu with one another. Shares of the same class in the same offer shall be issued on the same terms and at the same price. The same price per share shall be paid by any organization or individual who subscribe for the shares.

Where a company is issuing new shares, resolutions shall be passed by the general meeting or the board in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by the CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies in relation to the incorporation of a company.

Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders at a general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commence for registration of the change and reduction in registered capital.

Repurchase of shares

A company may not purchase its own shares other than for one of the following purposes:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) granting shares to its employees as incentives; and

(iv) acquiring its own shares at the request of its shareholders who vote against a resolution regarding a merger or separation in a general meeting.

The acquisition by a company of its own shares on the grounds set out in (i) to (iii) above must be approved by way of a resolution of a general meeting. Following the acquisition by a company of its own shares in accordance with the foregoing, such shares must be canceled within 10 days from the date of the acquisition in the case of (i) and transferred or canceled within six months in the case of (ii) or (iv).

The acquisition by a company of its own shares in accordance with (iii) under the first paragraph hereof shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the employees within one year.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse on the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register provided in the foregoing shall be effected during a period of 20 days prior to the convening of a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Shares held by promoters may not be transferred within one year after the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have left their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the Company Law, the rights of shareholders include the rights:

(i) to receive return on assets, participate in significant decision-making and select the management personnel;

(ii) to petition the people's court to revoke any resolution passed at a general meeting or a meeting of board that has been convened illegally or whose voting has been conducted in an illegal manner, or any resolution that is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer their shares according to the applicable laws and regulations and the articles of association;

(iv) to appoint a proxy to attend general meetings;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or enquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid

in respect of the shares taken up by them and any other shareholders' obligation specified in the company's articles of association.

General meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The general meeting may exercise its powers as follows:

(i) to decide on the company's operational objectives and investment proposals;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board;

(iv) to review and approve the reports of the supervisory board or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on the issues such as merger, separation, dissolution and liquidation of the company;

(x) to amend the company's articles of association; and

(xi) any other authority stipulated under the articles of association.

General meeting is required to be held once every year. An extraordinary general meeting is required to be held within 2 months after the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate outstanding losses of the company amounted to one-third of the company's total share capital;

(iii) shareholders individually or aggregately holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(iv) the board deems necessary;

(v) the supervisory board so requests; or

(vi) other circumstances as provided for in the articles of association.

General meeting shall be convened by the board, and presided over by the chairman of the board. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall preside over the meeting. Where the board is incapable of performing or not performing its duties of convening the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. In case the supervisory board fails to convene and preside over such meeting, shareholders individually or aggregately holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

A notice of the general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. In accordance with the Mandatory Provisions, a notice of the general meeting stating, among other things, matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders individually or aggregately holding more than 3% of the company's shares may submit interim proposals to the board in writing 10 days before the general meeting.

The board shall notify other shareholders within two days after receiving such proposal and table such interim proposal for review by the general meeting. Interim proposals shall be within the authority of the general meeting and shall carry specific subjects and matters for resolution. A general meeting shall not make any resolution in respect of any matters not set out in the above two types of notices. Holders of bearer share certificates who wish to attend the general meeting shall deposit his share certificates with the company five days before the meeting, which shall remain in custody by the company until the close of the general meeting.

Shareholders present at a general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, separation, dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved byway of resolution of the general meeting, the directors shall convene a general meeting promptly to vote on such matters. The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the general meeting for the election of directors and supervisors at the general meeting. Under the accumulative voting system, each share shall be entitled to the votes equivalent to the number of directors or supervisors to be elected for the election of directors or supervisors at the general meeting, and shareholders may consolidate their voting rights when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities, and bonds, the liquidation of the company and any other matters in respect of which the shareholders are required to be decided by ordinary resolution, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within 5 days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting and the general meeting may be held by the company thereafter.

The Mandatory Provisions require class shareholders' meetings to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H Shares are deemed to be shareholders of different classes.

Directors

A company shall have a board, which shall consist of five to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board may exercise its powers as follows:

(i) to convene the general meetings and report on its work to the general meetings;

(ii) to implement the resolutions passed by the shareholders at the general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, separation or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated under the articles of association.

Meetings of the board shall be convened at least twice a year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days after receiving such proposal, and preside over the same. The board may otherwise determine the means and the period for which the notice to be given for convening an extraordinary meeting of the board. Meetings of the board shall be held only if more than half of the directors are present. According to the Mandatory Provisions, meetings of the board shall not be held unless more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend the meetings of the board in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of the authorization of his/her representative.

If a resolution of the board violates any laws, administrative regulations or the articles of association, and as a result of which the company suffers from serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the Company Law, the following persons may not serve as a director in a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist economic order, and have been sentenced to criminal punishment, where less than 5 years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than 5 years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who were directors, factory managers or managers of a company or enterprise which has become bankrupt and has been liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or which were ordered for closure resulting from violation of laws and who were personally liable for such revocation or closure, where less than 3 years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively substantial amount of debts due and outstanding. Where a company elects or appoints a director in violation of the aforesaid provisions, such election or appointment shall be null and void. Directors committing the above during their terms of office shall be released of their duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions. The board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisors

A company shall have a supervisory board composed of not less than 3 members. The supervisory board is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board are elected by more than half of all the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is 3 years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers as follows:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary general meetings and to convene and preside over shareholders' meetings when the board fails to perform the duty of convening and presiding over general meetings under the Company Law;

(v) to submit proposals to the general meetings;

(vi) to bring actions against directors and senior management pursuant to the relevant provisions of the Company Law;

(vii) to exercise any other authority stipulated under the articles of association.

Supervisors may be present at the meetings of the board, and make enquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operations of the company and, when necessary, may engage an accounting firm to assist its work at the costs of the company.

Managers and senior management

A company shall have a general manager who shall be appointed or removed by the board. The general manager may exercise his/her powers as follows:

(i) to manage the production, operation and administration of the company, and arrange for the implementation of the resolutions of the board;

(ii) to organize and implement the annual plans and investment proposals of the company;

(iii) to formulate the setup proposals for the establishment of the company's internal management structure;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's internal rules;

(vi) to recommend the appointment or dismissal of deputy managers and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board);

(viii) to exercise any other authority granted by the board.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at the meeting of the board. However, the non-managing director shall have no voting rights at the meeting of the board.

According to the Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of the directors, supervisors, general managers and other senior management

Directors, supervisors, general manager, deputy manager and senior management are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith. Directors, supervisors, managers and management personnel are prohibited from accepting bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts maintained in their own names or the names of other individuals;

(iii) lending company funds to others or providing guarantees in favor of others on the company properties which is in violation of the articles of association or without approval of the general meeting or the board;

(iv) entering into contracts or transactions with the company which is in violation of the articles of association or without approval of the general meeting or the board;

(v) Using his/her position to procure business opportunities for himself/herself or others that should have otherwise been available to the company or operating for his/her own benefit or operating on behalf of others businesses similar to that of the company without approval of the general meeting;

(vi) accepting for their own benefits commissions from a third party dealing with the company;

(vii) unauthorized divulgence of confidential information of the company;

(viii) any other acts in violation of his/her fiduciary duty towards the company.

Income generated by directors or senior management in violation of the foregoing provisions shall be reverted to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a general meeting, such director, supervisor or senior management shall attend the meeting and answer the enquiries from shareholders. Directors and senior management shall furnish all truthful facts and information to the supervisory board or the supervisors (for companies with limited liability that do not have a supervisory board) without impeding the discharge of duties by the supervisory board or the supervisors.

Where a director or senior management contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholders holding individually or aggregately more than 1% of the company's shares consecutively for 180 days may request in writing the supervisory board to institute a litigation at a people's court on their behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of their duties resulting in any loss to the company, the aforesaid shareholders may request in writing the board to institute a litigation at a people's court on their behalf. In the event that the supervisory board or the board refuses to institute a litigation after receiving the written request from the shareholders as provided above, or fails to institute litigation within 30 days from the date of receiving the request, or in case of emergency where failure to institute a litigation immediately will result in irrecoverable damages to the company's interests, shareholders mentioned in the foregoing shall have the power to institute a litigation directly at a people's court in their own name for the company's benefits. For other parties who infringe the lawful interests of the company resulting in losses to the company, such shareholders may institute a litigation at a people's court in accordance with provisions in the foregoing paragraphs. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, shareholders may also institute a litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial statements shall be made available for shareholders' inspection at the company's registered office at least 20 days before the convening of an annual general meeting. A joint stock limited company established by way of public subscription shall publish its financial statements. When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made appropriations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' meeting or a general meeting, make further appropriations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its common reserve fund, the remaining profits after taxation are distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a general meeting or the board before losses have been made good and appropriations have been made to the statutory common reserve fund in violation of the foregoing provisions must be returned to the company. Shares held by the company shall not be entitled to any distribution of profits.

The premium over the nominal value of the shares of the company on issue and other incomes as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make up for the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory ones. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and retirement of auditors

Pursuant to the Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a general meeting or the board in accordance with the articles of association. The accounting firm should be allowed to make statements when shareholders at a general meeting or the board are going to conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, accounting books, financial and accounting reports and other accounting information to the newly-engaged accounting firm without any refusal, withholding and false information. The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company.

Profit distribution

The Special Regulations provide that the dividends and other distributions to be paid to holders of H shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to the articles of association

Any amendments to the articles of association must be made in accordance with the procedures set forth in applicable laws, regulations and the articles of association. Any amendment of provisions incorporated into the articles of association in accordance with the Mandatory Provisions will only be effective after it has been approved by the company approval department authorized by the CSRC and the State Council and filed with the SAIC or any of its local bureaus for registration. If the amendment to the articles of association is required to be registered and filed and has been adopted, the company must process registration of changes in accordance with applicable laws and regulations.

Dissolution and liquidation

A company shall be dissolved for any of the following reasons:

(i) the term of its operations set forth in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or separation;

(iv) the business license is revoked or the company's operation is ordered to close or is dissolved in accordance with the laws;

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company experience serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses for shareholders.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with provisions set out in the preceding paragraphs shall require the approval of shareholders present at the general meeting representing more than two-thirds of the voting rights.

Where the company is dissolved under the circumstances set forth in paragraphs (i), (ii), (iv) or (v) above, it should establish a liquidation team within 15 days from the date on which the dissolution matter arises. Members of the liquidation team shall be appointed by directors or shareholders at a general meeting. If a liquidation team is not established within the prescribed period, the company's creditors can file an application with a people's court, requesting the court to appoint relevant personnel to form a liquidation team for liquidation. The people's court should accept such application and form a liquidation team to conduct liquidation in a timely manner.

The liquidation team may exercise its powers during the liquidation as follows:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business of the company;

(iv) to pay any overdue tax as well as any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in civil procedures.

The liquidation team shall notify the company's creditors within 10 days after its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation team within 30 days upon receipt of the notification or within 45 days from the date of the announcement if he has not received any notification. A creditor shall state all matters relevant to his creditor's rights in making his claim and furnish evidences. The liquidation team shall register such creditor's rights. The liquidation team shall not make any settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation team shall draw up a liquidation plan and submit the same to a general meeting or a people's court for endorsement. The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts shall be distributed to shareholders according to the proportion of their capital contribution in the case of a company with limited liability or according to shareholding proportion in the case of a joint stock limited company. The company shall exist during the liquidation period, although it cannot be engaged in operating activities that are not related to the liquidation. The company's properties shall not be distributed to shareholders before repayments are made in accordance with the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation team becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws.

Following such declaration by the people's court, the liquidation team shall hand over the liquidation affairs to the people's court.

Upon completion of the liquidation, the liquidation team shall submit a liquidation report to a shareholders' meeting, a general meeting or a people's court for confirmation. Thereafter, the report shall be submitted to the companies' registration authority in order to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation team are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation team shall be prohibited from abusing their authority to accept bribes or other unlawful incomes and from misappropriating the company's properties. Members of the liquidation team are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from the CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

Loss of share certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court in the event that his/her share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificate(s).

The Mandatory Provisions have separate provisions governing the loss of share certificates and H share certificates of shareholders of overseas listed foreign shares, which are set out in the articles of association.

Suspension and termination of listing

The new and amended Company Law has deleted provisions governing the suspension and termination of listing. The new Securities Law of the PRC (the "***Securities Law***") has been amended as follows: the trading of a company's shares on a stock exchange maybe suspended if so decided by the stock exchange under any of the following circumstances:

(1) the total issued share capital or the shareholding distribution no longer complies with the mandatory requirements for a listed company;

(2) the company fails to make public its financial position in accordance with the requirements or there is false information in the company's financial report which is likely to mislead investors;

(3) the company has committed a material breach of the laws;

(4) the company has incurred losses for the last three (3) consecutive years; or

(5) any other circumstances as required by the listing rules of the relevant stock exchange(s).

The new Securities Law has been amended as follows: the stock exchange shall decide to terminate the listing and trading of a listed company's stocks if the company is in any of the following circumstances:

(1) where the company fails to meet the listing requirements as a result of any change in its total issued share capital or shareholding distribution, and where the company fails to meet the listing requirements within the period as prescribed by the stock exchange;

(2) where the company fails to make public its financial position according to the relevant provisions or has any false record in its financial and accounting reports, and refuses to make any correction;

(3) where the company has incurred losses for the last three (3) consecutive years and fails to make profits in the subsequent year;

(4) where the company is dissolved or is declared bankrupt; or

(5) under any other circumstances as required by the stock exchange's listing rules.

Merger and separation

A merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall within 10 days from the date of passing the resolution of the merger notify their respective creditors and publish an announcement in newspapers within 30 days. The creditors may, within 30 days upon receipt of the notification, or within 45 days from the date of the announcement if he has not received any notification, request the company to settle any outstanding debtor provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a separation, the company's assets shall be divided accordingly and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's separation is approved, the company should notify all its creditors thereof within 10 days from the date of passing such resolution and make public the same in newspapers within 30 days. Unless agreed in writing by the creditors in respect of the settlement of debts, obligations in respect of the liabilities of the company before the separation shall be incidentally borne by the separated companies.

Changes in the particulars of the companies as a result of the merger or separation shall, if so required, be registered with the company registration authorities.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

D. Securities Laws and Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. The CSRC is the supervisory and regulatory institution for securities in the PRC. It is responsible for the formulation of policies relating to securities, the drafting of securities laws and regulations, the supervision of the securities markets, market intermediaries and participants, the supervision and regulation of the domestic and overseas public offerings of securities by Chinese companies, as well as the supervision and regulation of securities transactions.

On April 22, 1993, the State Council promulgated the **Provisional Regulations Concerning the Issue and Trading of Shares** (the "***Provisional Securities Regulations***"). The Provisional Securities Regulations stipulate the application and approval procedures for public offerings of equity securities, trading in equity securities, acquisitions of listed companies, deposit, settlement, clearing and transfer of listed equity securities, disclosure of information, investigation, penalties and dispute settlement with respect to listed companies. The Provisional Securities Regulations specifically provide that the offer of shares by a PRC company directly and indirectly outside the PRC requires the approval of the State Council Securities Commission (or the CSRC at present). The provisions set out in the Provisional Securities Regulations in relation to the acquisition of listed companies and disclosure of information are expressed to apply to listed companies in general instead of being confined to companies listed on any particular stock exchange. Such provisions may therefore be applicable to joint stock limited companies whose shares are listed on a stock exchange outside the PRC (e.g. the Hong Kong Stock Exchange).

On August 4, 1994, the State Council promulgated the Special Regulations. These regulations deal mainly with the issue, subscription and trading of overseas listed foreign shares, declaration of dividends and other distributions, and the disclosure of information in respect of the articles of association of joint stock limited companies with overseas listed foreign shares.

On December 25, 1995, the State Council promulgated the Provisions of the State Council on Foreign Currency Stocks Listed in the Domestic Stock Market Issued by Joint Stock Limited Companies. These regulations deal mainly with the issue, subscription and trading of domestic listed foreign shares, declaration of dividends and other distributions, and the disclosure of information of joint stock limited companies with domestic listed foreign shares.

On December 29, 1998, the Standing Committee of the NPC promulgated the Securities Law of the PRC which came into effect on July 1, 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities markets. On October 27, 2005, amendments were made to the Securities Law of the PRC. The Securities Law of the PRC is applicable to the issue of and trading in shares, corporate bonds and other securities designated by the State Council in accordance with the laws in the PRC. Where the Securities Law of the PRC does not apply, the provisions of the Company Law and other applicable laws and administrative regulations shall apply.

On March 29, 1999, the SETC and the CSRC jointly promulgated the Opinion on the Further Promotion of the Regular Operation and In-Depth Reform of Companies Listed Overseas (the "***Opinion***"), which is aimed at regulating the internal operation and management of the PRC companies listed overseas. The Opinion regulates, amongst other things, the appointment and functions of external directors and independent directors in the board, and the appointment and functions of external supervisors in the supervisory board.

On May 7, 2006, the CSRC promulgated the Administrative Measures on the Issuance of Stocks by Listed Companies, which state the conditions and procedures for public offer and private placing of securities, including shares, convertible corporate bonds and other securities recognized by the CSRC. The measures also set forth information disclosure requirements, supervision procedures and penalties on non-compliance.

On December 31, 2006, the CSRC promulgated the Administrative Measures on Information Disclosure by Listed Companies. Under these measures, the CSRC is responsible for overseeing the disclosure of information by companies which have offered shares to the public in the PRC. These measures require share offering prospectus and listing reports to be issued in connection with a public share offering in the PRC, and require the companies which have offered shares to the public to publish regular reports (including annual, interim and quarterly reports) and announcements relating to material transactions and major issues.

E. **Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the People's Republic of China (the "***Arbitration Law***") was promulgated by the Standing Committee of the NPC on August 31, 1994 and came into effect on September 1, 1995. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of the arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for settlement of disputes, a people's court will refuse to handle the case even though one party institutes legal proceedings at such people's court, unless the arbitration agreement has lapsed.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, in a contract between the company and each director or supervisor, to the effect that whenever any dispute or claim arises from any right or obligation provided in the articles of association, the Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of H shares and the company's directors, supervisors or other management personnel, such parties shall refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration

Commission (the "***CIETAC***") or the Hong Kong International Arbitration Center (the "***HKIAC***"). If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

The CIETAC is an economic and trade arbitration organ in the PRC. In accordance with the CIETAC Arbitration Rules as amended on January 11, 2005 (which became effective on May 1, 2005), the jurisdiction of the CIETAC covers disputes involving Hong Kong. The CIETAC is located in Beijing with branch offices in Shenzhen and Shanghai. Under the Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for enforcement of the same. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the giving of an award beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against the other party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "***New York Convention***") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession to the Convention by the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards based on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention to disputes deemed under the PRC laws to be arising from contractual or non-contractual mercantile legal relations. An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and the PRC was signed on June 18,1999. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000. The new arrangement was made in accordance with the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

2. HONG KONG LEGAL AND REGULATORY PROVISIONS

Hong Kong company law and its comparison with the PRC law applicable to a joint stock limited company incorporated under the Company Law

Hong Kong company law is primarily set out in the Companies Ordinance and supplemented by common law. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited company incorporated under the Company Law, to which the Bank is and will be subject, particularly in the area of investor protection. Certain of the material differences between the Company Law and Hong Kong company law are summarized below. This summary, however, is not intended to be an exhaustive comparison. It should also be noted that the summary relates only to joint stock limited companies incorporated under the Company Law.

Derivative action by minority shareholders

Hong Kong law allows minority shareholders to start a derivative action on behalf of the general body of shareholders in cases where, for example, one or more of the directors are in breach of duty and where their actions are shielded by the majority shareholders.

Although the Company Law gives (a) shareholder(s) of a company the right to initiate proceedings in the People's Court to restrain any resolution adopted by shareholders in general meeting or at a meeting of the board which is in violation of any law or infringes the lawful rights and interests of the shareholder(s), there is no form of proceedings which is the same as a derivative action under the Companies Ordinance.

However, each of the Directors and Supervisors (as required by the Hong Kong Listing Rules) has given a written undertaking to the Bank (acting as agent for each shareholder) to observe and comply with his obligations to shareholders stipulated in the Articles of Association. This may allow minority shareholders to commence actions directly against defaulting Directors.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law or administrative regulation or the articles of association of a company, resulting in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules and the Mandatory Provisions, the Articles of Association set out remedies of the Bank similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer).

Directors, officers and supervisors

The Company Law provides for the disqualification of directors, supervisors and managers in circumstances where they enter into business contracts with the Bank, and for prohibitions of certain unauthorized benefits, but contain no provision restricting the authority of the directors to make major dispositions or prohibiting payment to them for loss of office without shareholders' approval.

However, the Mandatory Provisions contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in this Appendix.

Under Hong Kong company law, there is no concept of a supervisory committee for a company in addition to its board, but a PRC joint stock limited company must have supervisors whose main duties include ensuring compliance with laws and regulations, and the articles of association of the company, by its directors and managers. Each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

There is no specific provision in the Company Law to guard against oppression by the majority shareholders of minority shareholders but the Bank, as required by the Mandatory Provisions and the Hong Kong Listing Rules, has adopted in the Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under Hong Kong law, to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders to achieve certain objectives.

Receiving agent

Under both PRC and Hong Kong law, dividends once declared become debts payable to shareholders, but the limitation of action period is two years in the PRC as opposed to six years in Hong Kong. In accordance with the requirements of the Mandatory Provisions and the Hong Kong Listing Rules, the Articles of Association provide for the appointment of an agent in Hong Kong, which is a trust corporation registered under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) in Hong Kong to receive all dividends and all other monies payable to H Share holders on behalf of such shareholders as required by the Hong Kong Listing Rules. The Articles of Association also contain provisions which provide that unclaimed dividends may only be forfeited by the Bank after six years from declaration.

Variation of class rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in this Appendix. Under the Companies Ordinance, no rights attached to any class of shares can be varied except with the approval of a special resolution of the holders of the relevant class at a separate meeting, with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class in question, by agreement of all the members of the Bank or if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

The Bank (as required by the Hong Kong Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, except where the Bank issues and allots, in any 12-month period pursuant to a shareholders' mandate (obtained by way of a special resolution in general meeting), not more than 20% of each of the issued overseas listed foreign invested shares and the domestic invested shares existing as at the date of the shareholders' mandate. For the purpose of the above, holders of overseas non-listed foreign invested shares are treated as the same class of holders of domestic invested shares.

Share capital

For a joint stock limited company formed under the Company Law, the registered share capital and the issued share capital are the same. For a Hong Kong company, the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. In the case of a PRC company, any increase of the registered capital must be approved by the shareholders in general meeting and the relevant PRC government and regulatory authorities. After completion of an approved new issue, the company has to register the increase in share capital with the relevant SAI C.

The minimum registered capital of a company which has applied for the listing of its shares on a stock exchange is RMB50 million under the Company Law. Hong Kong law does not effectively prescribe any minimum capital requirements for a Hong Kong company. Under the Company Law, the shares subscribed for in the form of intangible assets (excluding land use rights) may not exceed 20% of a joint stock limited company's registered capital if the concerned joint stock limited company is not one of those hi-tech companies specified by the State Council. There is no such restriction under Hong Kong law on a Hong Kong company.

Restriction on shareholding and transfer of shares

The Company Law makes no reference to the class of shares which may be subscribed for or traded by overseas investors but has provisions that shares of a company to be listed overseas must comply with the Special Regulations. The Special Regulations and the Mandatory Provisions provide, among other things, that H shares must be in registered form and include other matters some of which are referred to below. There is no restriction under Hong Kong law on a person's ability to deal in shares in a Hong Kong company on the basis of his residence or nationality.

Under the Company Law, shares in a joint stock limited company held by its promoters, directors or managers may not be transferred within certain periods of time. There is no such restriction under Hong Kong law.

Notice of meetings

Under the Company Law, shareholders of a joint stock limited company must be given 20 days' notice of a general meeting or, in the case of bearer shares, such notice should be published 30 days before the meeting. Under the Special Regulations and the Mandatory Provisions (which apply to the Bank) written notice of 45 days must be given to all shareholders, and shareholders wishing to attend the meeting must reply in writing to reach the company 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice of a general meeting where convened for the purpose of considering ordinary resolutions is 14 days and where convened for the purpose of considering special resolutions 21 days. The notice period for an annual general meeting is also 21 days.

Quorum

Under Hong Kong company law, any two shareholders personally present will constitute a quorum for a general meeting, unless the articles of association provide otherwise. The Company Law makes no specific provision as to when a quorum is regarded as being present but the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent 50% of the voting rights in the Bank at least 20 days before the proposed date, or if that 50% level is not achieved, that the Bank shall within five days notify shareholders in a public announcement and the annual general meeting may be held thereafter.

Voting

Under Hong Kong company law, ordinary resolutions are passed by more than one half of the votes cast by those shareholders voting in person or by proxy at a general meeting and special resolutions are passed by not less than three quarters of such votes. Under the Company Law, the passing of any resolution requires the passing by more than half of the votes of the shareholders attending and voting except in cases of proposed amendment to the articles of association, increase or decrease of registered capital merger, division, dissolution or transformation of a company where the approval of a two-thirds majority is required.

Dividends

The Articles of Association empower the Bank to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws the relevant limitation period is two years.

Financial disclosure

A joint stock limited company is required under the Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statement of changes in financial situation and other relevant annexures 20 days before the annual general meeting of shareholders. In addition, a company established by the public subscription method under the Company Law must publish its financial statements. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be laid before the company in its annual general meeting not less than 21 days before such meeting.

Under the Articles of Association (as required by the Hong Kong Listing Rules and the Mandatory Provisions), in addition to preparing accounts according to PRC accounting standards, the Bank must have its accounts prepared and audited in accordance with international accounting standards or Hong Kong accounting standards. The Bank is further required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year respectively. The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The Company Law gives shareholders the right to inspect the Bank's Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on Directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under the PRC law, the merger or demerger of a joint stock limited company has to be approved by shareholders in general meeting and the relevant governmental authorities.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior officers can be resolved through the courts. The Mandatory Provisions and the Articles of Association provide that disputes between a holder of H Shares and the Bank and its Directors, Supervisors, managers or other senior officers or a holder of domestic shares, arising from the Articles of Association, the Company Law or other relevant law or administrative regulation which concerns the affairs of the Company must, with certain exceptions, be referred to arbitration at either the Hong Kong International Arbitration Center or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Mandatory deductions

Under the Company Law, after tax profits of a company are subject to deductions of contributions to the statutory common reserve fund and the statutory common welfare fund of the company before they can be distributed to shareholders. There are prescribed limits under the Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

3. HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance advisor

The Bank is required to retain, for at least one year following its listing or such shorter period as the Hong Kong Stock Exchange may permit, the services of a compliance advisor that is acceptable to the Hong Kong Stock Exchange, to provide us with professional advice on continuous compliance with Hong Kong Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Hong Kong Stock Exchange. If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require us to terminate the compliance advisor's appointment and appoint a replacement as soon as possible.

The compliance advisor must keep the Bank informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Bank. It must act as the principal channel of communication between the Bank and the Hong Kong Stock Exchange if the Bank's authorized representatives are expected to be frequently outside Hong Kong.

Accountant's reports

An accountant's report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong accounting standards or International Financial Reporting Standards.

Process agent

We are required to appoint and a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H Shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10,000 million.

Independent non-executive directors and supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on purchase and subscription

Subject to governmental approval and the Articles of Association, we may purchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of Hong Kong Listing Rules. Approvals by way of a special resolution of holders of domestic shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of any or all of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases and any similar PRC law of which the Directors are aware, if any. Any special approval or general mandate given to the Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

Redeemable shares

We must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of H Shares are adequately protected.

Preemptive rights

Except in the circumstances mentioned below, Directors must obtain the approval by special resolution of shareholders of the Bank in general meeting and the approvals by special resolutions of holders of domestic shares and holders of H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association prior to:

(i) authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities; or

(ii) any major subsidiary making any such authorization, allotment, issue or grant so as materially to dilute the percentage of our equity interest in such subsidiary.

No such approval will be required, except to the extent that our existing shareholders have by special resolution in general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H Shares as of the date of the passing of the relevant special resolution or, such Shares are part of our plan at the time of our establishment, to issue domestic shares and H Shares as long as such plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Amendment to articles of association

We may not permit or cause any amendment to our Article of Association which would cause them to cease to comply with the Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by shareholders at reasonable charges, the following:

(i) a complete duplicate register of shareholders;

(ii) a report showing the state of the issued share capital of the Bank;

(iii) our latest audited financial statements and the Directors', auditors and (if any) Supervisors' reports thereon;

(iv) special resolutions;

(v) reports showing the number and nominal value of securities repurchased by the Bank since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and H Shares);

(vi) a copy of the latest annual return filed with the SAIC or other competent PRC authority; and

(vii) for shareholders only, copies of the minutes of meetings of shareholders.

Statements in share certificates

We are required to ensure that all our listing documents and H Share certificates include the statement stipulated below and to instruct and cause our H Share Registrar not to register the subscription, purchase or transfer of any of our H Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those H Shares bearing statements to the following effect, that the holder of H Shares:

- agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the Company Law, the Special Regulations and the Articles of Association;

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

- agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Share;

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

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of the articles.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of our Articles of Association are available for inspection as mentioned in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection".

Our articles of association were adopted by our shareholders in the shareholders' general meeting held on February 22, 2010 and were approved by the CBRC on August 3, 2008. Our articles of association will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange.

Directors and Other Officers

Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the directors to allot and issue shares.

To increase the capital of our Bank, the Board must submit a proposal for approval at a shareholders' general meeting by a special resolution.

Power to Dispose of the Assets of Our Bank or any Subsidiary

The Board is accountable to the shareholders.

The Board shall not, without the prior approval of shareholders in a shareholders' general meeting, dispose of, or agree to dispose of, any fixed assets of our Bank where the sum of the estimated value of the consideration for the proposed disposition and the aggregate amount of the consideration for all dispositions of fixed assets of our Bank completed within four months immediately preceding the proposed disposition exceeds 33% of the value of our Bank's fixed assets as shown on the last balance sheet reviewed at a shareholders' general meeting.

The validity of a disposition by our Bank of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of our Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in such assets but does not include the provision of such assets as a form of security.

Emoluments and Compensation for Loss of Office

Our Bank shall, with the prior approval of shareholders at a shareholders' general meeting, enter into a contract in writing with each of the directors or supervisors wherein his emoluments are stipulated. The aforesaid emoluments include:

- emoluments in respect of his service as a director, supervisor, president or senior executive officer of our Bank;

- emoluments in respect of his service as a director, supervisor, president or senior executive officer of any subsidiary of our Bank;

- emoluments in respect of the provision of other services in connection with the management of the affairs of our Bank or of any subsidiary of our Bank; and

- compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against our Bank for any benefit due to him in respect of the above matters.

Contracts concerning emoluments between our Bank and our directors or supervisors should provide that, in the event of a takeover of our Bank, the directors or supervisors shall, subject to the prior approval of the shareholders in a shareholders' general meeting, have the right to receive compensation or other payment in respect of a loss of office or retirement. A "takeover of our Bank" referred to in this paragraph means either:

- an offer made by any person to all shareholders; or.

- an offer made by any person with a goal of becoming "controlling shareholder" within the meaning set out in our Articles of Association See "Rights of the Minority Shareholders" below.

If the relevant director or supervisor does not comply with this provision, any sum so received by him shall belong to those persons who have sold their shares as a result of the said offer. The expenses incurred in distributing such sum *pro rata* amongst those persons shall be borne by the relevant director or supervisor and shall not be paid out of the sum to be received by him.

Loans to Directors, Supervisors and Other Officers

Our Bank shall not grant credit loans to a related person. Our Bank may only provide loans or loan guarantees to a related person if the terms and conditions are on normal commercial terms and conditions, and our Bank may not provide guaranteed loans to a related persons unless the terms and conditions on such loans are not more favorable than the terms and conditions of the same type of loans provided to other borrowers. Related person means:

- a director, supervisor, executive officer or employee engaged in credit business of our Bank, or any close relatives of such an individual; and
- a company, enterprise or other economic organization in which one of the above persons invests or of which such a person is a senior executive officer.

A loan made by our Bank in breach of the above provisions shall be repayable forthwith by the recipient of the loan regardless of the terms of the loan.

Financial Assistance for the Acquisition of Shares in Our Bank

Subject to the exceptions in our Articles of Association, our Bank (including the branches) and any subsidiary (including the affiliated enterprises) shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of our Bank. Such acquirer of shares of our Bank includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of shares. Our Bank (including the branches) and any subsidiary (including the affiliated enterprises) shall not, by any means at any time, provide financial assistance to such acquirer for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

- the provision of financial assistance by our Bank where the financial assistance is given in good faith in the interest of our Bank, and the principal purpose in giving the financial assistance is not for the acquisition of shares, or the giving of the financial assistance is an incidental part of a major plan of our Bank;
- the distribution of our Bank's assets through dividends;
- the allotment of bonus shares as dividends;
- a reduction of registered capital, a repurchase of shares or a reorganization of the share capital structure of our Bank effected in accordance with our Articles of Association;
- the lending of money by our Bank within its scope of business and in the ordinary course of business (provided that the net assets of our Bank are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

- the provision of money by our Bank for contributions to an employees' shareholding plan (provided that the net assets of our Bank are not thereby reduced or, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- "financial assistance" includes, but without limitation, the following:

  — a gift;

  — a guarantee (including any liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation due to our Bank's own default) or release or waiver of any rights;

  — provision of a loan or any other contract under which the obligations of our Bank are to be fulfilled before the obligations of another party, or a change in the parties to, the novation of, or the assignment of rights arising under, such a loan or contract; or

  — any other form of financial assistance given by our Bank when our Bank is insolvent or has no net assets or when its net assets would thereby be reduced by a material extent.

- "incurring an obligation" includes the incurring of obligations by the entering into a contract, the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or any other means by the changing of the obligor's financial position.

Disclosure of Interests in Contracts with Our Bank

Where a director, supervisor, president or other senior executive officer of our Bank is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Bank (other than his contract of service with our Bank), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction, arrangement or proposal therefor is otherwise subject to the approval of the Board.

Unless the interested director, supervisor, president, executive vice president or other senior executive officer discloses his interests in accordance with our Articles of Association and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested director, supervisor, president, executive vice president or other senior executive officer is not counted in the quorum and refrains from voting, the contract, transaction or arrangement in which a director, supervisor, president, executive vice president or other senior executive officer is materially interested is voidable at the request of our Bank except as against a *bona fide* party acting without notice of the breach of duty by the interested director, supervisor, president or other senior executive officer.

For the purposes of this provision, a director, supervisor, president, or other senior executive officer of our Bank is deemed to be interested in a contract, transaction or arrangement in which one of his associates is interested.

If a director, supervisor, president or other senior executive officer of our Bank, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Bank, gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contracts, transactions or arrangements and such contracts, transactions or arrangement are subsequently made by our Bank, such notice shall be deemed to be a sufficient declaration of his interests for the purpose of the above paragraphs to the extent of such disclosure in such notice.

Remuneration

The remuneration of directors must be approved by shareholders in a shareholders' general meeting. See "Emoluments and Compensation for Loss of Office" above.

Appointment, Removal and Retirement

The term of office of the chairman of the Board and the other Board members shall be three years. The qualification of a director shall be examined and approved by the banking regulatory authority of the State Council.

Directors shall be elected and removed by the shareholders' general meeting. The general procedures for the nomination, election and appointment of directors are set forth below:

- upon the consultations with shareholders and the review of each candidate's qualification to act as director of a commercial bank, the nomination committee under the Board will submit the proposals to the Board for deliberations;

- proposal on director candidates shall be submitted to the shareholders' meeting in the form of a written motion by the last Board; and

- the shareholder(s) or the supervisory board having objection to the director candidates may submit a new motion to the Board, which will resolve whether to submit the motion to be deliberated on by the shareholders' general meeting.

Our Board, supervisory board and shareholders(s) individually or aggregately holding 1% or more of the issued shares of our Bank are entitled to nominate candidates for independent directors to be elected by shareholders' general meetings. The term of office of an independent director shall be three years.

The Board shall consist of 11 directors, of which at least three shall be independent directors. The Board shall have one chairman. The chairman shall be elected by a majority of all directors.

A director, supervisor, president or other senior executive officer of our Bank may not be:

- a person without legal capacity or with restricted legal capacity;
- a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging of the social economic order and has been punished because he committed such an offense, where less than five years have elapsed since the date of completion of the sentence; or who has been deprived of his political rights, where less than five years have elapsed since the date of completion of this deprivation;
- a person who has been a director, factory manager or manager of a company or enterprise which has entered into an insolvency liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three years have elapsed since the date of revocation of the business license;
- a person who has a relatively large amount of debts and who is in default of such debts;
- a person who is under criminal investigation by a judicial organization for violation of the criminal law for which investigation is not yet concluded;
- a person who is not eligible for enterprise leadership according to laws and administrative regulations;
- a non-natural person; or
- a person convicted of contravening provisions of relevant securities regulations by a relevant supervising authority, and such conviction involves a finding that he has acted fraudulently or dishonestly.
- a person who has violated occupational ethics, conduct or committed serious misconduct in performing his/her duties, leading to serious losses or adverse effects;
- a person who incites others to resist or participates in resisting supervision according to law or case investigation in the organization in which he/she is employed and the circumstances are serious;
- a person who has been penalized by regulatory authorities or other financial regulatory authorities for two times;

- other circumstances in which a person is not allowed by the banking regulatory administration authorities to take the posts of director, supervisor or senior management of our Bank.

The validity of an act of a director, president or other senior executive officer acting on behalf of our Bank is not, *vis-à-vis* a *bona fide* third party, affected by any irregularity in his office, election or any defect in his qualification.

Borrowing Powers

The articles of association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our bank; and

- provisions which provide that the issuance of debentures and other securities shall be approved by the shareholders' meeting by a special resolution.

Amendments to the Articles of Association of Our Bank

Our articles of association may be amended by special resolution of the shareholders in a shareholders' general meeting. If the amendments are subject to approval by the relevant PRC government authorities, such approval shall be obtained for such amendments. If a registration is necessary for the amendments, such registration shall be carried out in compliance with the relevant laws.

Change of Rights of Existing Shares or Classes of Shares

Rights conferred on any class of shareholders in the capacity of shareholders, or class rights, may not be varied or abrogated unless approved by a special resolution of shareholders in a shareholders' general meeting and by holders of shares of that class at a separate meeting conducted in accordance with our Articles of Association.

The following circumstances shall be deemed a change or abrogation of the class rights of a shareholder class:

- an increase or decrease in the number of shares of such class, or an increase or decrease in the number of shares of such class having voting or distribution rights or privilege equal or superior to those of the shares of such class except for where shares of our Bank held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on any overseas stock exchange, subject to the approval of the securities authority of the State Council;

- an exchange of all or part of the shares of such class into shares of another class or an exchange or the creation of a right to exchange all or part of the shares of another class into the shares of such class except for where shares of our Bank held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on any overseas stock exchange, subject to the approval of the securities authority of the State Council;

- the removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

- the reduction or removal of a dividend preference or a liquidation preference attached to shares of such class;

- the addition, removal or reduction of conversion privileges, options, voting rights, transfer or preemptive rights attached to shares of such class, or rights to obtain securities of our Bank;

- the removal or reduction of rights to receive payment payable by our Bank in particular currencies attached to shares of such class;

- the creation of a new class of shares having voting or distribution rights or privileges equal or superior to those of the shares of such class;

- the restriction of the transfer or ownership of the shares of such class or any addition to such restriction;

- the issuance of rights to subscribe for, or conversion into, shares in our Bank of such class or another class;

- the increase of the rights or privileges of shares of another class;

- the restructuring of our Bank where the proposed restructuring will result in different classes of shareholders bearing different degrees of responsibility in respect of liability; and

- the variance or abrogation of provisions of "special procedures for voting in class meetings" as contained in our Articles of Association.

Interested shareholders (as defined below) shall not be entitled to vote at "class shareholders' meetings."

Resolutions of a class of shareholders shall be passed by votes representing two-thirds or more of the voting rights of shareholders of that class presented at "class shareholders' meetings."

Written notice of a “class shareholders’ meeting” shall be given 45 days before the date of the meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of such meeting.

Notice of “class shareholders’ meetings” need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders’ general meetings of all shareholders. The provisions of our Articles of Association relating to the manner of conducting a shareholders’ general meeting shall apply to any meeting of a class of shareholders.

Holders of domestic shares and H Shares are deemed to be shareholders of different classes.

The special procedures for approval by a class of shares shall not apply in the following circumstances:

- where our Bank issues, upon the approval by a special resolution of its shareholders in a shareholders’ general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas-listed shares; or

- where our Bank’s plan to issue domestic shares and overseas-listed shares at the time of its establishment is carried out within 15 months from the date of approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of our Articles of Association, the meaning of “interested shareholder(s)” is:

- in the case of a repurchase of shares by offers to all shareholders in the same percentage or through public trading on a stock exchange, a “controlling shareholder” within the meaning of our Articles of Association;

- in the case of a repurchase of shares by a privately negotiated contract, a shareholder to which the proposed contract relates; and

- in the case of a restructuring of our Bank, a shareholder within a class who bears a less than proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions — Majority Required

Resolutions of shareholders’ general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

Voting Rights

The ordinary shareholders of our Bank have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including shareholders' proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of voting shares and each voting share shall have one vote.

At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by a show of hands) demanded:

- by the chairman of the meeting;
- by at least two shareholders entitled to vote present in person or by proxy; or
- by one or more shareholders present in person or by proxy representing in aggregate 10% or more of all voting shares at the meeting.

Unless required by the relevant rules or regulations of place(s) where our shares are listed or a poll is demanded, the chairman, in accordance with the voting result on a show of hands, may declare the voting result and make an entry to that effect in the minutes of the meeting, which shall be conclusive evidence of the fact.

The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any other items on the agenda may proceed, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting on the matter that the poll was demanded.

On a poll taken at a meeting, a shareholder (including shareholders' proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of a tie, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to one additional vote.

Requirement for Annual Meetings

An annual shareholders' general meeting shall be convened within six months from the close of a fiscal year.

Accounts and Audit

Our Bank shall establish its financial and accounting system in accordance with the laws, administrative regulations, and the rules stipulated by relevant authorities.

The Board of our Bank shall have an audit committee which reports and is responsible to the Board. The audit committee shall consist of not less than three members, and shall have such responsibilities and powers as prescribed by our Articles of Association.

The Board shall place before the shareholders at every annual shareholders' general meeting such annual financial reports prepared by our Bank that are required by any laws, administrative regulations or any other regulatory documents promulgated by the relevant regional governmental authorities.

Our Bank's annual financial reports shall be made available at our Bank for shareholders' inspection 20 days before the date of such annual shareholders' general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of our Bank shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either IFRS or the applicable accounting standards of the overseas stock exchange on which our Bank's shares are listed. If there is any material difference between the annual financial statements prepared in accordance with the two accounting standards, such difference shall be stated in an appendix to the annual financial statements. When our Bank is to distribute its after-tax profits, it may only distribute from the lower of the after-tax profits as shown in the two financial statements.

Our Bank shall publish its financial reports two times every fiscal year. The annual financial report shall be published within 120 days after the expiration of each fiscal year, the interim financial report shall be published within 60 days after the expiration of the first six months of each fiscal year.

Notice of Meetings and Business to be Conducted Thereat

Shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings.

Under any of the following circumstances, the Bank shall convene an extraordinary shareholders' general meeting within two months from the date that such event occurs:

- when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in our Articles of Association;

- when the unrecovered losses of our Bank amount to one-third of the total amount of its share capital;

- when such meeting is requested by one or more shareholders representing in aggregate 10% or more of our Bank's voting shares;

- when such meeting is requested by one-half or more of the independent directors;

- when the Board deem it necessary;

- when the supervisory board; or

- in other situations as prescribed by laws, administrative regulations, department rules or our Articles of Association.

When our Bank convenes a shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting to notify all the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Bank 20 days before the date of the meeting.

When our Bank convenes an annual shareholders' general meeting, the shareholders holding 3% or more of the total issued and outstanding voting shares of our Bank or the supervisory board shall have the right to propose new motions in writing, and our Bank shall place on the agenda those matters in the proposed motions that are within the scope of functions and powers of the shareholders' general meeting.

Our Bank shall, based on written replies from the shareholders received 20 days before the date of the shareholders' general meeting, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is one-half or more of our Bank's total voting shares, our Bank may hold the meeting. Otherwise, our Bank shall within five days notify the shareholders again by public notice of the matters to be considered and the place and the date for the meeting. Our Bank then may hold the meeting after the publication of such notice.

A notice of a meeting of shareholders must:

- be in writing;

- state the venue, date, time and duration of the meeting;

- state the matters to be considered at the meeting and the proposals;

- contain a prominent statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that a proxy need not be a shareholder;

- specify the record date on which the shareholders are eligible to attend the meeting;
- list the name and the phone number of the contact person of the meeting
- provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to merge our Bank with another, to repurchase shares, to reorganize the share capitals or to restructure our Bank in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- contain a disclosure of the nature and extent of any material interest of a director, supervisor, president or other senior executive officer in the matters for discussion and the effect of such interest on his capacity as a shareholder insofar as it is different from the interest of the shareholders of the same class;
- contain the full text of any proposed special resolution to be voted at the meeting; and
- specify the time and place for lodging proxy forms for the relevant meeting.

Notice of a shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of domestic shares, notice of the meetings may be issued by public notice.

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

The following matters shall be decided by an ordinary resolution at a shareholders' general meeting:

- work reports of the Board and the supervisory board;
- plans formulated by the Board for the distribution of profits and for the making up of losses;
- appointment and removal of the members of the Board and members of the supervisory board, their emoluments and method of payment;
- annual preliminary and final budgets, balance sheets and profit and loss accounts and other financial statements of our Bank; and

- the annual report of our Bank;
- the annual plan for the distribution of profits of our Bank;
- the engagement or dismiss of the accounting firms;
- other matters unless required to be approved by special resolutions in accordance with the applicable laws and regulations or otherwise as stipulated by our Articles of Association.

The following matters shall be decided by a special resolution at a shareholders' general meeting:

- the increase or decrease of share capital and the issuance of shares of any class, warrants for share subscription and other similar securities;
- the issue of debentures of our Bank;
- the separation, merger, change of corporate form, dissolution or liquidation of our Bank;
- amendments to our Articles of Association;
- share incentive plans;
- any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of our Bank's assets as audited in the latest period; and
- any other matters prescribed by the applicable laws and regulations or our Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on our Bank and should be adopted by a special resolution.

Transfer of Shares

Subject to the approval of the securities authority of the State Council, shares of our Bank held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the trnasferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange. Such listing and trading of the transferred shares on an overseas stock exchange does not require the convening of a class shareholders' meeting to be voted on.

All the fully paid-up H Shares can be freely transferred in accordance with our Articles of Association. For H Shares listed on the Hong Kong Stock Exchange, if the requirements stipulated in our Articles of Association are not met, the Board may refuse to accept any transfer documents without giving explanation for such refusal.

The alteration to, or rectification of, any part of the share register shall be carried out in accordance with the laws of the place where the share register is maintained.

No changes resulting from share transfers may be made to the register of H Share holders within 30 days before the date of a shareholders' general meeting or within 5 days before a record date for our Bank's distribution of dividends.

Power of Our Bank to Repurchase Our Own Shares

We may, in accordance with the stipulations of laws, administrative regulations, departmental rules and our Articles of Association and subject to necessary approvals of the relevant government authority, repurchase our issued shares under the following circumstances:

- for the reduction of our registered capital;
- when merging with another company that holds shares in our Bank;
- when offering the shares to our employees as a bonus;
- when the shareholder disagrees with the resolution of the shareholders' general meeting on the merger or separation of our Bank and requires our Bank to repurchase his shares, and
- under other circumstances permitted by the applicable laws or administrative regulations.

We may, with the approval of the relevant governmental authority, conduct the repurchase in any one of the following ways:

- making a *pro rata* offer of repurchase to all of our shareholders;
- repurchasing shares through public trading on a stock exchange;
- repurchasing by a privately negotiated agreement; or
- by other means as stipulated by the applicable laws and regulations or as approved by the securities authority of the State Council.

Where we repurchase our shares by a privately negotiated agreement, the prior approval of shareholders shall be obtained in accordance with our Articles of Association. We may release, vary or waive our rights under a contract so entered into by our Bank with the prior approval of shareholders obtained in the same manner.

Shares repurchased by our Bank shall be canceled within the period prescribed by the applicable laws or administrative regulations.

Unless our Bank is being liquidated, it must comply with the following provisions in relation to the repurchase of our issued shares:

- where our Bank repurchases our shares at par value, payment shall be made out of our distributable profits or out of proceeds of a fresh issue of shares made for that purpose;

- where our Bank repurchases our shares at a premium to par value, payment equivalent to the par value shall be made out of our distributable profits or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows: (i) if the shares being repurchased were issued at par value, payment shall be made out of our distributable profits; or (ii) if the shares being repurchased were issued at a premium to par value, payment shall be made out of our distributable profits or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall exceed neither the aggregate of the premiums received by our Bank on the issue of the shares repurchased nor the current amount (including the premiums on the fresh issue) of our capital reserve account;

- payment by our Bank in consideration of the following shall be made out of our distributable profits: (i) acquisition of rights to repurchase our shares; (ii) amendment of any contract to repurchase our shares; and (iii) release of any of our obligations under any contract to repurchase our shares; and

- after our registered share capital has been reduced by the total par value of the canceled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be transferred to our capital reserve account.

Right of Our Subsidiaries to Own Shares in Our Bank

There are no provisions in our Articles of Association preventing a subsidiary of our Bank from owning any of our shares.

Dividends and Other Methods of Profit Distribution

Our Bank may distribute dividends in the form of cash or shares.

Cash dividends or other payments declared by our Bank to be payable to holders of domestic shares shall be calculated and declared in Renminbi and paid in Renminbi. Those payable to holders of H Shares shall be calculated and declared in Renminbi and paid in Hong Kong dollar.

Our Bank shall appoint receiving agents on behalf of the H Shares to receive on behalf of such shareholders dividends declared and all other monies payable by our Bank in respect of their H Shares. The receiving agents appointed on behalf of holders of the H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Proxies

Any shareholder entitled to attend and vote at a meeting of our Bank shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the shareholders' general meeting;
- have authority to demand a poll or join in such a demand; and
- have the right to vote by hand or on a poll, except that the proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing signed by the appointer or his attorney duly authorized in writing. If the appointer is a legal entity, it shall either be executed under seal or be signed by an attorney duly authorized. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney on behalf of the appointer, a notary certified copy of that power of attorney or other authority shall be deposited at the residence of our Bank or at such other place as is specified for that purpose in the notice convening the meeting, not less than 24 hours before the time for holding the meeting at which the proxy proposes to vote or 24 hours before the time specified for voting.

If the appointer is a legal entity, its legal representative or such person as is authorized by its Board or other decision-making authorities may attend our shareholders' general meeting as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at a shareholders' general meeting shall enable the shareholder to instruct the proxy to vote in favor of or against each resolution put to vote at the meeting individually. Such a proxy form shall contain a statement that in the absence of instructions by the shareholder, the proxy may vote as he thinks appropriate.

A vote given in accordance with the terms of an instrument appointing the proxy shall be valid notwithstanding the death or incapacity of the appointer or revocation of the proxy or of the authority under which the appointing instrument was executed, or the relevant shares in respect of which the proxy is given have been transferred, provided that no notice in writing of such death, incapacity, revocation or transfer has been received by our Bank before the commencement of the meeting at which the proxy is used.

Calls on Shares and Forfeiture of Shares

There are no provisions in our Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

Rights of Shareholders (Including Inspection of Register of Shareholders)

The ordinary shareholders of our Bank shall enjoy the following rights:

- entitlements to dividends and other distributions in proportion to the number of shares held;
- the right to require, convene, moderate, attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings in proportion to the number of shares held;
- the right to supervise the management and business operations of our Bank, and the right to present proposals or to raise inquires in relation thereto;
- the right to transfer, give or pledge shares in accordance with laws, regulations, the relevant requirements of the regulatory authorities of the place(s) where our shares are listed, and the provisions of our Articles of Association;
- the right to obtain relevant information in accordance with the provisions of our Articles of Association, including:
  - — the right to obtain a copy of our Articles of Association, subject to payment of the cost of obtaining such a copy;
  - — the right to inspect and copy, subject to payment of a reasonable charge:
    - (a) all parts of the register of shareholders;
    - (b) the information regarding directors, supervisors, president or other executive officers of our Bank;
  - — our share capital;
  - — our latest audited financial reports and reports of the Board, auditors and supervisory board;
  - — reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by our Bank since the end of the last accounting year and the aggregate amount incurred by our Bank for this purpose;
  - — counterfoils of debentures of our Bank;
  - — minutes of the shareholders' general meetings
- in the event of termination or liquidation of our Bank, participating in the distribution of the remaining assets of our Bank in accordance with the number of shares held;

- in the event that the shareholder disagrees with the resolution of the shareholders' general meeting on the merger or separation of our Bank, requiring that our Bank repurchase his shares; and

- other rights conferred by the applicable laws, administrative regulations, or our Articles of Association.

Quorum for Meetings and Separate Class Meetings

Our Bank may convene a shareholders' general meeting or "class shareholders' meeting" where our Bank has received 20 days before such meeting written replies from shareholders who are entitled and intend to attend the meeting and the number of voting shares held by those shareholders is one-half or more of our voting shares or the voting shares of that class. Otherwise, our Bank shall, within five days, notify the shareholders again of the matters to be considered and the place and the date for the meeting. Our Bank then may hold the shareholders' general meeting or "class shareholders' meeting."

Rights of Minority Shareholders

In addition to obligations on controlling shareholders imposed by the applicable laws, administrative regulations or requirements imposed by the stock exchange(s) on which our shares are listed, our Articles of Association provide that a controlling shareholder shall not exercise his voting rights, in a manner prejudicial to the interest of the shareholders in general or a part of the shareholder group of our Bank in respect of the following matters:

- to relieve a director or supervisor of his duty to act honestly and in the best interest of our Bank;

- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), under any disguise, of our Bank's assets, including (without limitation) opportunities beneficial to our Bank; or

- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the rights of other shareholders, including (without limitation) rights to distributions and voting rights, except pursuant to a restructuring submitted to the shareholders' general meeting for approval in accordance with our Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- alone, or acting in concert with others, has the power to elect half or more of the Board;

- alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in our Bank;

- alone, or acting in concert with others, holds 30% or more of the shares of our Bank; or
- alone, or acting in concert with others, controls our Bank in fact in any other manner.

Procedures on Liquidation

Our Bank shall be dissolved and liquidated upon the occurrence of any of the following events:

- a resolution for dissolution is passed by shareholders at a shareholders' general meeting;
- dissolution is necessary due to a merger or separation of our Bank;
- our Bank is legally declared bankrupt due to its failure to repay debts due;
- our Bank is ordered to have its business license revoked or be closed down or dissolved because of its violation of laws and administrative regulations; or
- our Bank meets any serious difficulty in its operations or management so that the interests of the shareholders will face significant loss if it continues to exist and the problem cannot be solved by any other means, the shareholders who hold ten percent or more of the voting rights of the issued shares of the company may ask the people's court to dissolve the company.

Where the Board decides to liquidate our Bank due to reasons other than insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to the effect that, after making full inquiry into the affairs of our Bank, the Board is of the opinion that our Bank will be able to repay its debts in full within 12 months from the commencement of the liquidation.

Upon the adoption of the resolution to liquidate our Bank in a shareholders' general meeting, all functions and powers of the Board shall cease immediately.

The liquidation team shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the liquidation team's receipts and payments, the business of our Bank and the progress of the liquidation and to present a final report to the shareholders' general meeting upon completion of the liquidation.

Other Provisions Material to Our Bank and Our Shareholders

General Provisions

Our articles of association become effective on the date our H Shares are listed on the Hong Kong Stock Exchange. Thereafter, our Articles of Association constitute a legally binding document regulating our organization and activities, and the rights and obligations between our Bank and each shareholder and among the shareholders *inter se*.

Our Bank may, based on its requirements for operation and development and in accordance with the relevant provisions of our Articles of Association, approve an increase of its capital.

Our Bank may increase its capital in the following ways:

- offering new shares to unspecified investors for subscription;
- placing new shares to its existing shareholders;
- distributing new shares to its existing shareholders;
- offering new shares to specified investors; and
- using any other ways permitted by the applicable laws and administrative regulations.

Any increase of capital by issuing new shares shall, after being approved in accordance with the provisions of our Articles of Association, be conducted in accordance with the procedures stipulated by the applicable laws and administrative regulations.

Each shareholder of our Bank shall assume the following obligations:

- to abide by laws, administrative regulations and our Articles of Association;
- to pay subscription funds according to the number of shares subscribed and the method of subscription;
- not to withdraw the shares unless in circumstances as permitted by the applicable laws, regulations and rules;
- not to use his shareholder's rights inappropriately to injure any of the interests of our Bank or of other shareholders, or to misuse the limited liability status of a corporation to defraud any creditor of our Bank. Where any of the shareholders of our Bank causes any loss to our Bank or to other shareholders by using the shareholder's rights inappropriately, it shall be liable for compensating the company or the other shareholders. Where any of the shareholders of our Bank evades the payment of its debts by misusing the limited liability status of our Bank, if it seriously injures the interest of any creditor of our Bank, it shall bear several and joint liability for such debts of our Bank;
- if the capital adequacy ratio (capital adequacy ratio) of the Bank fall below the statutory standard, the shareholders shall support the measures put forward by the board to raise the capital adequacy ratio;

- we shall identify and decide on liquidity squeeze by strictly following the payment risks for commercial banks, as set forth by the banking regulatory authority under the State Council. If the possibility that the we will encounter liquidity squeeze arises, all shareholders that have taken out loans from the Bank shall repay the loans that are due immediately and undue loans shall be prepaid;

- shareholders shall maintain and protect the interests and benefits of us such that the shareholders to take out loans from the us are not entitled to more favorable terms than other borrowers if the loans concerned are in the same category; the balancing of the loans a single shareholder may take out from us shall not exceed 10% of the net capital of our Bank. For this purpose, the loans extended by our Bank to the affiliate(s) of the shareholder are counted in as part of the loans extended to the single shareholder. A shareholder's voting right is limited before it has repaid its loans to our Bank in full.

- to assume other obligations imposed by the applicable laws and administrative regulations or articles of association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

Directors' Qualification Shares

A director is a natural person, who does not necessarily hold the shares of the Bank.

Board of Supervisors

Our Bank shall establish a Board of Supervisors. The directors, president, vice president, chief financial officer and secretary to the Board shall not act concurrently as supervisors. The Board of Supervisors shall be composed of seven supervisors. One of the members of the Board of Supervisors shall act as the chairman. The term of office of supervisors shall be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the Board of Supervisors shall be determined by two-thirds or more of the members of the Board of Supervisors. A resolution of the Board of Supervisors shall be passed by two-thirds or more of the members of the Board of Supervisors.

The Board of Supervisors shall consist of outside supervisor(s) elected by the shareholders' general meeting, representative(s) of employees of our Bank and representative(s) of shareholders. The representatives of shareholders and the outside supervisor(s) shall be elected and removed by a shareholders' general meeting; the representative of employees of our Bank shall be elected and removed by the employees of our Bank.

The Board of Supervisors shall be accountable to the shareholders and exercise the following powers in accordance with law:

- to review the regular reports by our Board and opine on the reports in writing;

- to examine and supervise our financial activities, and may, when necessary, engage another accounting firm for the purpose of conducting independent auditing on financial status;

- to oversee the conduct of our directors, president, vice president, chief financial officer and secretary to our Board in carrying out their duties;

- to demand that a director, president, vice president, chief financial officer and secretary to our Board rectify his conduct when such conduct is prejudicial to the interests of our Bank, and report such conduct to shareholders' general meetings or relevant regulatory authorities if necessary; and make proposals to remove our directors and senior officers if they breach any applicable laws, regulations or our Articles of Association;

- to conduct auditing over the issues in connection with the our operation and decision-making, risk management and internal control as and when necessary;

- to carry out an audit, if required, of any resigning director or senior officer;

- to issue opinions on the engagement of an accounting firm by us;

- to propose the convening of extraordinary shareholders' general meetings, and, if our Board fails to call such a meeting as required under our Articles of Association, to convene the shareholders' general meetings;

- to propose to convene an extraordinary board meeting and submit proposals to the shareholders' general meeting;

- to bring actions against directors and senior officers according to the Company Law;

- to investigate any irregularities in the operations of our Bank if necessary, and may engage accounting firms, law firms or other professional firms to assist its work at the costs of our Bank;

- to exercise the other powers prescribed by our Articles of Association, and powers conferred by the shareholders' general meeting.

Members of the Board of Supervisors may be present at meetings of the Board and are entitled to speak their opinions at the meetings.

President

Our president shall be responsible to the Board and exercise the following powers:

- to be in charge of daily operation of our administration, and report on his work to the Board;

- to organize the implementation of the resolutions of the Board, our annual plan and investment proposal;
- to draft plans for the establishment of our internal management structure and branches;
- to draft our basic management system;
- to formulate concrete regulatory systems for our Bank;
- to nominate the candidates for and propose to the Board the appointment or dismissal of executive vice presidents, chief finance officer and other senior management, and to appoint or dismiss other executive officers (other than those required to be appointed or dismissed by the Board);
- to nominate the candidates for and propose to the Board for the appointment or dismissal of presidents of our branches;
- to propose the convening of an extraordinary meeting of the Board;
- to decide on the establishment, dissolution and merger of the branches, and to authorize the chief officers of the branches to engage in ordinary operation and management;
- to exercise other powers conferred by our Articles of Association or granted by the Board.

Our president shall be present at meetings of the Board. However, the president shall have no voting rights at the meetings unless he is also a director.

Board

The Board is accountable to the shareholders and exercises the following powers:

- to convene shareholders' general meetings and to report on its performance to shareholders at the shareholders' general meetings;
- to implement the resolutions of the shareholders' general meetings;
- to decide on our operational plans and investment plans;
- to formulate our proposed annual preliminary and annual final financial budgets;
- to formulate our profit distribution plans and plans for recovery of losses;
- to formulate proposals for increases in or reductions of our registered share capital, issuance of bonds or other securities and listing plans;

- to formulate proposals for material acquisitions, the purchase of our shares, merger, separation, change of the nature of our Bank, or dissolution or liquidation of our Bank;

- within the scope authorized by our shareholders' general meetings, to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and connected transaction matters;

- to decide on the establishment of our internal management structure;

- to appoint or remove our president and secretary to our Board; to appoint or remove the executive vice presidents, head of finance and other senior management based on the recommendations of the president and to decide on matters relating to their emoluments and on the imposition of any disciplinary measures; confirm the chairman and members of the Board Committees;

- to approve the appointment or dismissal of the president, executive vice president of our branches and their senior management as determined by China Banking Regulatory Commission;

- to establish our basic management system;

- to formulate proposals for any amendment to our Articles of Association;

- to manage our disclosure of information;

- to propose the appointment or change of the accounting firms to audit our Bank;

- to review working reports of the president and to examine the president's performance;

- our Board shall establish a reporting system and require the senior management report to our Board the operational issues of our Bank; and

- to exercise any other power prescribed by the applicable laws, administrative regulations and departmental rules, as well as any other power conferred by our Articles of Association.

Meetings of the Board shall be held by the Board at least four times every year and be convened by the chairman of the board. Notice of the meeting shall be served on all of the directors and supervisors 14 days before the date of a regular meeting.

Meetings of the Board shall be held only if one-half or more of the directors are present. Each director shall have one vote. Where the number of votes cast for and against a resolution is equal, the chairman of the Board shall have the deciding vote.

Resolution of Disputes

Whenever any disputes or claims arise, based on our Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws, regulations and regulatory constitutions concerning the affairs of our Bank, between holders of the H Shares and our Bank, holders of the H Shares and our directors, supervisors or other senior executive officers, or holders of the H Shares and holders of our domestic shares, the relevant parties shall forthwith refer such disputes or claims to arbitration for resolution.

A claimant may elect arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

If any disputes or claims of rights are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided by relevant laws and administrative regulations.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration, provided that such person is an employee of our Bank or our shareholder, director, supervisor, president or other senior executive officer.

The decision of an arbitration body shall be final, conclusive and binding on all parties.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change.

A. The People's Republic of China

Certain PRC tax provisions related to the ownership and disposal of H Shares purchased under the Global Offering and held by the investors as capital assets are summarized below. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investors. This summary is based on various PRC tax laws as in effect on the Latest Practicable Date, as well as on the Agreement between U.S. and the PRC for the Avoidance of Double Taxation (the Treaty), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

Taxation of Dividends

Individual Investors. According to the Provisional Regulations of the People's Republic of China Concerning Questions of Taxation on Enterprises Experimenting with the Share System and the Individual Income Tax Law of the People's Republic of China (the "***IIT Law***"), as amended on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007 and further amended and come into effect on December 29, 2007, dividends paid by PRC companies are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is subject to a withholding tax of 20% unless specially exempted by the tax authorities of the State Council or reduced in accordance with a relevant taxation agreement. However, on July 21, 1993, the SAT issued a Notice of the State Administration of Taxation of the People's Republic of China Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (the "***Tax Notice***"), which provides that dividends paid to foreign individuals by a PRC company on its shares listed on an overseas stock exchange ("***Overseas Shares***"), such as H Shares, are temporarily not subject to PRC withholding tax. In its letter dated July 26, 1994 to the former State Commission for Restructuring the Economic System, the former State Council Securities Commission and the China Securities Regulatory Commission, the SAT reiterated the temporary tax exemption stated in the Tax Notice for the dividends received from a PRC company listed overseas. In the event that this tax exemption is withdrawn, a 20% tax may be withheld on such dividends in accordance with the

Individual Income Tax Law and the Regulations on Implementation of the Individual Income Tax Law of the People's Republic of China (the "***Implementation Regulations***"). The withholding tax may be reduced under a relevant double taxation treaty. To date, the relevant tax authorities have not levied any withholding taxes on any dividend payments on Overseas Shares.

Non-individual Investors. According to the Enterprise Income Tax Law of the People's Republic of China (the "***EIT Law***") which was passed at the Fifth Session of the Tenth National People's Congress of the PRC on March 16, 2007 and became effective on January 1, 2008, nonresident enterprises that have not established offices or premises in the PRC or, if established, the dividends they obtained are not actually associated to such offices and premises, are subject to an enterprise income tax at a rate of 20% of their income generated within the PRC. Such withholding tax can be reduced under a relevant double taxation treaty.

According to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income entered into on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident provided that such tax shall not exceed 10% of the total dividends payable; and in the case where a Hong Kong resident holds 25% or more of the equity interest in a PRC company, such tax shall not exceed 5% of the total dividends payable by the PRC company.

In accordance with the Notice of Withholding and Payment of Enterprise Income Tax Regarding PRC Resident Enterprise Paying Dividend to Overseas Non-Resident Enterprise Shareholders of H Shares (Guoshuihan [2008] No. 897) issued by the SAT on November 6, 2008, PRC resident enterprises shall withhold and remit the enterprise income tax at a flat rate of 10% for distribution of annual dividends for the year 2008 and thereafter to their overseas nonresident enterprise shareholders of H Shares; and upon the receipt of the dividends, a nonresident enterprise shareholder may apply to the tax authorities for enjoying the treatment under the taxation treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of his/her status as a beneficial owner as defined in the taxation treaties (arrangement). Upon verification by the tax authority, the difference between the tax levied and the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement) will be refunded.

Tax Treaties. Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has avoidance of double taxation treaties with a number of countries including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Under each of such avoidance of double taxation treaties, the rates of withholding tax imposed by the PRC tax authorities are generally reduced.

Taxation of Capital Gains

Individual Investors. According to the IIT Law and the Implementation Regulations, gains realized on the sale of equity interests are subject to the income tax at a rate of 20%. The MOF is authorized by the Implementation Regulations to formulate specific implementing measures for levying the individual income tax on any gains realized on the sale of shares in PRC companies. However, to date, no such implementing measures have been promulgated by the MOF, and no individual income tax on gains realized on the sale of shares has been levied.

Pursuant to the notice jointly issued by the MOF and the SAT dated March 30, 1998, in respect of provisional suspension of the levy of the individual income tax on gains realized on the sale of shares, gains on the sale of shares by individuals are temporarily exempted from individual income tax. In addition, the Tax Notice provides that gains realized by foreign individuals on the sale of Overseas Shares, such as H Shares, are temporarily not subject to PRC income tax. In the event that such temporary exemption ceases to be effective, individual holders of H Shares may be subject to income tax at a rate of 20% on capital gains, unless such tax is reduced or exempted under relevant double taxation treaties.

Non-individual Investors. The State Council promulgated the State Council Notice Regarding Issues on Income Tax Reductions of Interests Incurred within the PRC and Received by Foreign Enterprises on November 18, 2000. Pursuant to the notice, with effect from January 1, 2001, foreign enterprises which have not established offices or premises in the PRC but obtain interests, rentals, royalties and other income, within the PRC or, if established, the income mentioned above are not actually associated with such offices or premises, are entitled to a preferential reduced rate of 10% of enterprise income tax, unless otherwise provided under relevant international treaties.

As stipulated under the EIT Law, non-PRC resident enterprises are subject to enterprise income tax at a rate of 20% for their income generated within the PRC, unless such tax is reduced or exempted under relevant double taxation treaties.

Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China Concerning Stamp Duty effective on October 1, 1988, stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. The regulation provides that the PRC stamp duty is only applicable to such documents as executed or received within the PRC and having legally binding force in the PRC and protected under the PRC laws.

Estate Duty

Non-PRC holders of H Shares are not subject to any estate duty according to the PRC laws.

B. **Hong Kong**

Tax treaties

There is no relevant tax treaty in effect between Hong Kong and the United States.

Tax on dividends

Under current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

Tax on gains from sale

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. TAXATION OF OUR GROUP BY THE PRC

Corporate Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income taxpayers and shall pay enterprise income tax according to stipulations of the EIT Law. The EIT Law and the Regulations on Implementation of the Enterprise Income Tax Law of the People's Republic of China has come into effect on January 1, 2008, while the former Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises and Provisional Regulations of the People's Republic of China on Enterprise Income Tax were abrogated on the same date.

Pursuant to the EIT Law, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises. Non-PRC resident enterprises (i.e. enterprises established under foreign laws with their actual management entities outside the PRC and without offices or premises established in the PRC or, if established, generating income within the PRC) which have not established offices or premises within the PRC, or if established, the income generated is not actually associated with such offices and premises, are subject to enterprise income tax at a rate of 20% for their income generated within the PRC.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax, which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, enterprises (including foreign investment enterprises) and individuals that provide various labor services and transfer intangible assets or sell real estates within the PRC are subject to the business tax at a rate of 3% or 5% of the amount of taxable services or other transactions, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

3. TAXATION OF OUR GROUP BY HONG KONG

Our Directors do not consider that any of our Group's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. our Group will therefore not be subject to Hong Kong taxation.

4. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the PBOC, is responsible to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was adopted for the management of foreign currencies. Any enterprise in need of foreign currencies was required to obtain a quota from a local SAFE office before it could convert Renminbi into foreign currencies through the PBOC or other designated banks. Such conversion had to be effected at the official rate fixed by the SAFE on a daily basis. Moreover, Renminbi could also be converted into foreign currencies at swap centers. The exchange rates fixed by swap centers were largely determined based on the supply of and demand for foreign currencies and the demand for Renminbi by enterprises in the PRC. Any enterprise that intended to buy or sell foreign currencies at a swap center had first to obtain an approval from the SAFE.

On December 28, 1993, the PBOC, under the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reforming of the Foreign Exchange Control System (the "***Foreign Exchange Notice***"), effective from January 1, 1994 (repealed by the Announcement No.16 (2009) of the People's Bank of China on Abolishing Six Normative Documents, effective on August 28, 2009《中國人民銀行公告(2009)第16號 — 廢止6件規範性文件》). The Foreign Exchange Notice announced that the foreign exchange quota system was abolished, the implementation of conditional convertibility of Renminbi under current accounts, the establishment of a system of settlement and payment of foreign exchange by banks, and the unification of the official exchange rate for Renminbi with the market rate for the same fixed by swap centers.

On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "***Provisional Regulations***"). The Provisional Regulations set out specific provisions regulating the sale and purchase of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC sets and publishes Renminbi-US dollar basic exchange rate on a daily basis with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC would also, with reference to the exchange rates in the international foreign exchange market, publish the exchange rates for Renminbi against other major currencies. When conducting foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rates in accordance with the rates published by the PBOC.

The PBOC announced that, beginning from July 21, 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and will fix the central parity for Renminbi transaction on the following business day.

On January 29, 1996, the State Council promulgated new Regulations of the People's Republic of China for Foreign Exchange Control (the "***Foreign Exchange Control Regulations***") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval while capital account items still are. The Foreign Exchange Control Regulations was subsequently amended on January 14, 1997 and August 1, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "***Settlement Regulations***") which became effective on July 1, 1996. The Settlement Regulations supersede the Provisional Regulations and abolish the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign Investment Enterprises (the "***Announcement***"). The Announcement permits foreign investment enterprises to open, if necessary, foreign exchange settlement accounts for the receipt and payment of foreign exchange under the current accounts and designated accounts for the receipt and payment under the capital accounts at designated foreign exchange banks.

On October 25, 1998, the PBOC and the SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (the "***Discontinuance Notice***") which became effective on December 1, 1998. Pursuant to the Discontinuance Notice, all foreign exchange swapping business in the PRC for the foreign investment enterprises was discontinued, and foreign exchange trading activities by foreign investment enterprises must be carried out under the banking system for the settlement and sale of foreign exchange.

Save for the foreign investment enterprises or other exempted enterprises under relevant regulations, all entities in the PRC (except for some foreign trading companies and manufacturers with rights to import and export, which are allowed to retain part of their foreign exchange income earned from their existing current account transactions and to make payments with such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell all of their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares (such as foreign exchange income our Group obtained from the sale of shares overseas) is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with any regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Group) may, on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Conversion of foreign exchange under capital account items, such as direct investment and capital contribution, is still subject to restrictions, and prior approvals from SAFE and/or its relevant branches must be obtained.

Dividends to holders of H Shares are declared in Renminbi but must be paid in Hong Kong dollars.

1. FURTHER INFORMATION ABOUT OUR BANK

A Incorporation

Our Bank was established in the PRC under the Company Law as a joint stock limited liability company on June 27, 2008. Our Bank has been registered as non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance with a place of business at our principal place of business at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong on November 11, 2010. Ms. Cheng Pik Yuk has been appointed as our agent for the acceptance of service of process and notices on behalf of our Bank in Hong Kong. Our address for acceptance of process in Hong Kong is the same as the address of our principal place of business. Our banking business is conducted in the PRC under the supervision and regulation of the CBRC and the PBOC. We are not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VII. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix VI.

B Changes in Share Capital

At our establishment, our initial registered capital was RMB6 billion, divided into 6 billion Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

In March 2010, our registered capital was increased by RMB1 billion to a total of RMB7 billion, divided into 7 billion Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

As of the Latest Practicable Date, our registered capital is RMB7 billion divided into 7 billion Domestic Shares.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB9 billion, being made up of 6,814,490,399 Domestic Shares and 2,185,509,601 H Shares fully paid up or credited as fully paid up, representing approximately 75.72% and 24.28% of the registered capital, respectively.

Save as aforesaid, up to the Latest Practicable Date, there has been no alterations in our share capital since our establishment.

C **Resolution of Our Shareholders**

Resolutions were passed by our shareholders on February 22, 2010, pursuant to which, among other matters, our shareholders:

- approved the conversion of our Bank into an overseas subscription company,
- approved the issue and offering of H Shares and the granting of the Over-allotment Option:
- approved the listing of the H Shares on the Hong Kong Stock Exchange;
- approved certain amendments to our Articles of Association; and
- authorized our Board of directors to handle all matters relating to the listing of our H Shares.

2. OUR SUBSIDIARY

Our only subsidiary is referred to in the Accountant's Report, the text of which is set out in Appendix IB to this prospectus.

On April 23, 2010, Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), a company incorporated in the PRC, commenced business with a registered capital of RMB60 million, 51% of which is held by us.

Save as disclosed above, there are no alterations in the registered capital of our principal subsidiaries which took place within the two years preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A **Summary of our material contracts**

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) the agreement amongst promoters (發起人協議書) (in Chinese) dated November 5, 2009 in relation to the establishment of 江蘇張家港華信村鎮銀行股份有限公司 (Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd., "Huaxin Township Bank"), entered into between us and 攀華集團有限公司 (Panhua Group Co., Ltd.), 張家港保税區江聯國際貿易有限公司 (Zhangjiagang Free Trade Zone Jianglian International Trading Co., Ltd.), 張家港市寶利威金屬材料有限公司 (Zhangjiagang City Baoliwei Metal Materials Co., Ltd.), 重慶華力克貿易有限公司 (Chongqing Welluck Trading Co., Ltd.), 江蘇華爾達國際貿易有限公司 (Jiangsu Huaerda International Trading Co., Ltd.), and Mr. Duolun Feng (馮多倫), pursuant to which Huaxin Township Bank was established with a registered capital of RMB60 million;

(b) the memorandum of co-operation (銀政合作備忘錄) (in Chinese) dated April 16, 2010 in relation to the establishment of 大理海東村鎮銀行 (Dali Haidong Village and Township Bank), between us and 大理白族自治州人民政府 (the Government of Dali Bai Ethnic Group Autonomous Prefecture);

(c) the asset purchase agreement (資產購買協議) (in Chinese) dated November 15, 2010, entered into between 重慶渝富資產經營管理有限公司 (Chongqing Yufu Assets Management Company Limited) and us, pursuant to which Chongqing Yufu Assets Management Company Limited agreed to purchase a total of 148 pieces of properties with a total consideration of RMB 105.38 million;

(d) a cornerstone investment agreement dated November 26, 2010, entered into between Chow Tai Fook Nominee Limited, Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited and us, pursuant to which Chow Tai Fook Nominee Limited agreed to acquire our H Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30 million;

(e) a cornerstone investment agreement dated November 26, 2010, entered into between Fubon Life Insurance Co., Ltd., Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited and us, pursuant to which Fubon Life Insurance Co., Ltd. agreed to acquire our H Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30 million;

(f) a cornerstone investment agreement dated November 26, 2010, entered into between Nexus Capital Investing Ltd., Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited and us, pursuant to which Nexus Capital Investing Ltd. agreed to acquire (or to procure a wholly-owned subsidiary nominated by it to acquire) our H Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$100 million;

(g) a cornerstone investment agreement dated November 26, 2010, entered into between Value Partners Limited, Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited and us, pursuant to which Value Partners Limited agreed to procure certain investment or collective investment fund(s) and/or managed account(s) managed or advised by Value Partners Limited or its fellow subsidiary to acquire our H Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$80 million; and

(h) the Hong Kong Underwriting Agreement.

B Our Intellectual Property Rights

As at the Latest Practicable Date, we have registered the following trademarks in the PRC which are material in relation to our business:

No.	Trademark	Place of Registration	Class	Registration	Effective Period
1		PRC	14	6855142	From June 21, 2010 Until June 20, 2020
2		PRC	16	6855143	From June 21, 2010 Until June 20, 2020
3	江渝卡 JIANGYU CARD	PRC	36	6716299	From April 14, 2010 Until April 13, 2020

As of the Latest Practicable Date, we have duly registered the following logo and trademarks in Hong Kong.

No.	Trademark	Place of Registration	Registration	Registration Date
1	重庆农村商业银行 CHONGQING RURAL COMMERCIAL BANK	Hong Kong	301625977	May 28, 2010
2	CQRC CQRC CQRC	Hong Kong	301625986	May 28, 2010
3		Hong Kong	301625968	May 28, 2010

As of the Latest Practicable Date, we have applied for the registration in the PRC of the following trademarks which are material in relation to our business:

No.	Trademark	Place of Registration	Application No.	Application Date (year/month/day)	Acceptance Date (year/month/day)	Application Class
*1		PRC	6661637	2008-04-15	2008-07-04	36
*2		PRC	6854950	2008-07-22	2008-08-25	36
*3		PRC	6854951	2008-07-22	2008-08-25	6
*4		PRC	6855141	2008-07-22	2008-08-25	9
**5		PRC	6855144	2008-07-22	2008-08-25	18
*6		PRC	6855145	2008-07-22	2008-08-25	35
*7		PRC	6855146	2008-07-22	2008-08-25	41
8		PRC	8176366	2010-04-02	2010-04-08	11
9		PRC	8176427	2010-04-02	2010-04-08	14
10		PRC	8176442	2010-04-02	2010-04-08	22
11		PRC	8176463	2010-04-02	2010-04-08	38
12		PRC	8176586	2010-04-02	2010-04-08	44
13		PRC	8176577	2010-04-02	2010-04-08	43
14		PRC	8176562	2010-04-02	2010-04-08	41
15		PRC	8176544	2010-04-02	2010-04-08	39
16		PRC	8176530	2010-04-02	2010-04-08	36
17		PRC	8176517	2010-04-02	2010-04-08	35
18		PRC	8176485	2010-04-02	2010-04-08	31
19		PRC	8180712	2010-04-06	2010-04-08	1
20		PRC	8180751	2010-04-06	2010-04-08	2

* The trademark application has entered the initial examination notice period which lasts for three months and the trademark application will be approved when the period ends if there are no objections raised.

** The trademark application was rejected in the initial examination due to similarity with existing trademarks. We have submitted the application for re-examination.

No.	Trademark	Place of Registration	Application No.	Application Date (year/month/day)	Acceptance Date (year/month/day)	Application Class
21		PRC	8180792	2010-04-06	2010-04-08	3
22		PRC	8180818	2010-04-06	2010-04-08	4
23		PRC	8180858	2010-04-06	2010-04-08	5
24		PRC	8180927	2010-04-06	2010-04-08	6
25		PRC	8181235	2010-04-06	2010-04-08	7
26		PRC	8181253	2010-04-06	2010-04-08	8
27		PRC	8181305	2010-04-06	2010-04-08	9
28		PRC	8181320	2010-04-06	2010-04-08	10
29		PRC	8181844	2010-04-06	2010-04-08	12
30		PRC	8181859	2010-04-06	2010-04-08	13
31		PRC	8181869	2010-04-06	2010-04-08	15
32		PRC	8182018	2010-04-06	2010-04-08	16
33		PRC	8182055	2010-04-06	2010-04-08	17
34		PRC	8182074	2010-04-06	2010-04-08	18
35		PRC	8182102	2010-04-06	2010-04-08	19
36		PRC	8182176	2010-04-06	2010-04-08	20
37		PRC	8182216	2010-04-06	2010-04-08	21
38		PRC	8182225	2010-04-06	2010-04-14	23
39		PRC	8184776	2010-04-07	2010-04-14	24
40		PRC	8184812	2010-04-07	2010-04-14	25
41		PRC	8184847	2010-04-07	2010-04-14	26
42		PRC	8184896	2010-04-07	2010-04-14	27
43		PRC	8184973	2010-04-07	2010-04-14	28
44		PRC	8185036	2010-04-07	2010-04-14	29
45		PRC	8185095	2010-04-07	2010-04-14	30

No.	Trademark	Place of Registration	Application No.	Application Date (year/month/day)	Acceptance Date (year/month/day)	Application Class
46		PRC	8185148	2010-04-07	2010-04-14	31
47		PRC	8185172	2010-04-07	2010-04-14	32
48		PRC	8185188	2010-04-07	2010-04-14	33
49		PRC	8185676	2010-04-07	2010-04-14	34
50		PRC	8185702	2010-04-07	2010-04-14	35
51		PRC	8185747	2010-04-07	2010-04-14	37
52		PRC	8185767	2010-04-07	2010-04-14	39
53		PRC	8185805	2010-04-07	2010-04-14	40
54		PRC	8185825	2010-04-07	2010-04-14	41
55		PRC	8185852	2010-04-07	2010-04-14	42
56		PRC	8185875	2010-04-07	2010-04-14	43
57		PRC	8185919	2010-04-07	2010-04-14	44
58		PRC	8185948	2010-04-07	2010-04-14	45
59	CQRC	PRC	8188937	2010-04-08	2010-04-14	1
60	CQRC	PRC	8189015	2010-04-08	2010-04-14	2
61	CQRC	PRC	8189114	2010-04-08	2010-04-14	3
62	CQRC	PRC	8189157	2010-04-08	2010-04-14	4
63	CQRC	PRC	8189192	2010-04-08	2010-04-14	5
64	CQRC	PRC	8189222	2010-04-08	2010-04-14	6
65	CQRC	PRC	8189369	2010-04-08	2010-04-14	7
66	CQRC	PRC	8189390	2010-04-08	2010-04-14	8
67	CQRC	PRC	8189425	2010-04-08	2010-04-14	9
68	CQRC	PRC	8189433	2010-04-08	2010-04-14	10
69	CQRC	PRC	8189757	2010-04-08	2010-04-14	11
70	CQRC	PRC	8189787	2010-04-08	2010-04-14	12

No.	Trademark	Place of Registration	Application No.	Application Date (year/month/day)	Acceptance Date (year/month/day)	Application Class
71	CQRC	PRC	8189802	2010-04-08	2010-04-14	13
72	CQRC	PRC	8189811	2010-04-08	2010-04-14	14
73	CQRC	PRC	8189820	2010-04-08	2010-04-14	15
74	CQRC	PRC	8189904	2010-04-08	2010-04-14	16
75	CQRC	PRC	8189926	2010-04-08	2010-04-14	17
76	CQRC	PRC	8189944	2010-04-08	2010-04-14	18
77	CQRC	PRC	8189970	2010-04-08	2010-04-14	19
78	CQRC	PRC	8189983	2010-04-08	2010-04-14	20
79	CQRC	PRC	8192343	2010-04-09	2010-04-14	21
80	CQRC	PRC	8192420	2010-04-09	2010-04-14	22
81	CQRC	PRC	8192447	2010-04-09	2010-04-14	23
82	CQRC	PRC	8192775	2010-04-09	2010-04-14	24
83	CQRC	PRC	8193063	2010-04-09	2010-04-14	25
84	CQRC	PRC	8193140	2010-04-09	2010-04-14	26
85	CQRC	PRC	8193231	2010-04-09	2010-04-14	27
86	CQRC	PRC	8193336	2010-04-09	2010-04-14	28
87	CQRC	PRC	8193379	2010-04-09	2010-04-14	29
88	CQRC	PRC	8193419	2010-04-09	2010-04-14	30
89	CQRC	PRC	8193739	2010-04-09	2010-04-14	31
90	CQRC	PRC	8193799	2010-04-09	2010-04-14	32
91	CQRC	PRC	8193872	2010-04-09	2010-04-14	33
92	CQRC	PRC	8194204	2010-04-09	2010-04-14	34
93	CQRC	PRC	8194253	2010-04-09	2010-04-14	35
94	CQRC	PRC	8194274	2010-04-09	2010-04-14	36
95	CQRC	PRC	8194335	2010-04-09	2010-04-14	37

No.	Trademark	Place of Registration	Application No.	Application Date (year/month/day)	Acceptance Date (year/month/day)	Application Class
96	CQRC	PRC	8194357	2010-04-09	2010-04-14	38
97	CQRC	PRC	8194389	2010-04-09	2010-04-14	39
98	CQRC	PRC	8194422	2010-04-09	2010-04-14	40
99	CQRC	PRC	8199677	2010-04-12	2010-04-14	41
100	CQRC	PRC	8199703	2010-04-12	2010-04-14	42
101	CQRC	PRC	8199722	2010-04-12	2010-04-14	43
102	CQRC	PRC	8199744	2010-04-12	2010-04-14	44
103	CQRC	PRC	8199759	2010-04-12	2010-04-14	45

As of the Latest Practicable Date, we have registered the following copyrights:

No.	Title	Graphic	Type	Copyright Owner	Registration Date (year/month/day)	Registration No.
1	Bank Graphic Logo		Art	Company	2010-04-20	Zuo Deng Zi 31-2010-F-5809
2	Logo of Jiangyu Credit Card		Art	Company	2010-04-20	Zuo Deng Zi 31-2010-F-5810

As at the Latest Practicable Date, we have registered the following Internet domain name:

Domain name	Place of registration	Owner	Effective period
www.cqrcb.com	PRC	Chongqing Rural Commercial Bank Co., Ltd.	April 29, 2009 until June 9, 2018
www.4008366666.cn . . .	PRC	Chongqing Rural Commercial Bank Co., Ltd.	June 9, 2005 until April 29, 2014
www.4008366666.com . .	PRC	Chongqing Rural Commercial Bank Co., Ltd.	April 29, 2009 until April 29, 2014

Save as disclosed herein, there are no trademarks, patents or other intellectual or industrial property rights which are material to our business.

4. DISCLOSURE OF INTERESTS

A Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in our shares wich would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	No. of Domestic Shares directly or indirectly held	Approximate percentage of share capital (%)
Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)	638,525,581	7.09
Chongqing City Construction Investment Company (重慶市城市建設投資公司)	610,248,018	6.78
Loncin Holdings Limited (隆鑫控股有限公司)	570,000,000	6.33
Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅遊投資集團有限公司)	429,636,497	4.77

B Disclosure of the Directors' and Supervisors' interests in the issued share capital of our Bank or our associated corporations

Save as disclosed below, immediately following completion of the Global Offering, none of our directors and supervisors will have any interests and short positions in the shares, underlying shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to our supervisors.

Name of Director	Nature of Interest	Number of Shares	Approximately % of interest in the Bank
Tan Yuansheng	Beneficial Owner	6,300	0.0001%

Name of Supervisor	Nature of Interest	Number of Shares	Approximately % of interest in the Bank
Zuo Ruilan	Beneficial Owner	11,900	0.0002%

C **Particulars of Service Contracts**

Pursuant to Rules 19A.54 and 19A 55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

D **Directors' and Supervisors' Remuneration**

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" of this prospectus, other emoluments or benefits in kind have been paid or granted during, or are payable in respect of, six months ended June 30, 2010 and the three years ended December 31, 2009 by us to our Directors and Supervisors.

Under the current arrangements, it is expected that our Directors would receive compensation (including remuneration and benefits in kind) from our Bank for the year ending December 31, 2010 in the aggregate amount of approximately RMB0.7 million (such remuneration includes basic salaries and employee pensions, but does not include yearly bonus which is to be determined in accordance with our employee incentive plan based on our full year financial performance for the year ending December 31, 2010).

Under the current arrangements, it is expected that our Supervisors would receive compensation (including remuneration and benefits in kind) from our Bank for the year ending December 31, 2010 in the aggregate amount of approximately RMB0.34 million (such remuneration includes basic salaries and employee pensions, but does not include yearly bonus which is to be determined in accordance with our employee incentive plan based on our full year financial performance for the year ending December 31, 2010).

E **Personal Guarantees**

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

F **Agency Fees or Commissions Paid or Payable**

No commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Bank within the two years preceding the date of the prospectus.

G **Related Party Transactions**

During the two years preceding the date of the prospectus, we have engaged in material related party transactions as described in Note 31 and Note 41 to the financial statements in the Accountant's Reports set out in Appendix IA and Appendix IB to this prospectus, respectively.

H **Disclaimers**

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and paragraph 4B of this Appendix in this prospectus:

(a) none of the Directors, Supervisors and any of the parties listed in paragraph 5E of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Bank;

(ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in paragraph 5E of this Appendix:

(i) is interested legally or beneficially in any of our Shares or our securities; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(c) none of our Directors or Supervisors or their associates or any shareholders of our Bank who to the knowledge of the Directors owns more than 5% of our issued share capital has any interest in our top five business customers;

(d) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of the Bank which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

5. OTHER INFORMATION

A **Estate Duty**

We have been advised by Junhe Law Offices that currently there is no PRC law imposing liability on estate duty, thus no material liability for estate duty under PRC law is likely to be imposed on us.

B **Litigation**

Save as disclosed in section headed "Business" of this prospectus, our Bank is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us.

C Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Each of Morgan Stanley Asia Limited and Nomura International (Hong Kong) Limited satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

D Preliminary Expenses

Our estimated preliminary expenses are approximately RMB4.62 million. All such preliminary expenses and all expenses relating to the Global Offering will be borne by us.

E Qualification of Experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Morgan Stanley Asia Limited	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (provide automated trading services) and type 9 (asset management) as defined under the SFO)
Nomura International (Hong Kong) Limited	Licensed under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) as defined under the SFO)
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors
Junhe Law Offices	Licensed legal advisors on PRC law

F Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

G No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position or prospect since June 30, 2010.

H Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

I Miscellaneous

(a) Save as disclosed in paragraph 1B of this Appendix, within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash, and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Bank.

(b) No share or loan capital of our Bank is under option or is agreed conditionally or unconditionally to be put under option.

(c) We have not issued nor agreed to issue any founder shares, management shares or deferred shares.

(d) There are no arrangements under which future dividends are waived or agreed to be waived.

(e) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(f) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(g) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

(h) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(i) We have no outstanding convertible debt securities.

(j) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

J **Consents**

Morgan Stanley Asia Limited and Nomura International (Hong Kong) Limited, as the Joint Sponsors; Deloitte Touche Tohmatsu, as our reporting accountant and auditor; Jones Lang LaSalle Sallmanns Limited, as our property valuer; and Junhe Law Offices, as our legal advisor on PRC law, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, valuation certificates and/or opinions and summaries of opinion (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

K **Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

L **Promoters**

The promoters of our Bank comprised 177 corporate shareholders and 84,618 individual shareholders. Please see section headed "Our History, Restructuring and Operational Reform — Our Shareholding and Group Structure"

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the Promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

M **Particulars of the Selling Shareholders**

Certain particulars of the Selling Shareholders are set out as follows:

(a) Chongqing Yufu Assets Management Company Limited, located at No. 12 Hongshi Road, Jiangbei District, Chongqing, China. Its principal business is the asset acquisition, disposal and relevant industry investment within the scope authorized by the municipal government, investment consultancy and financial consultancy.

(b) Chongqing City Construction Investment Company, located at No. 128 Zhongshansan Road, Yuzhong District, Chongqing, China. Its principal business is the investment in urban construction.

(c) Chongqing Transport and Travel Investment Group Limited Company, located at No. 139 Xinpaifang 1st Road, Longxi Street, Yubei District, Chongqing, China. Its principal business is investment in high-grade highways other than expressways authorized by the municipal government in Chongqing and construction, operation and asset management.

(d) Chongqing Water Conservancy Investment Group Co., Ltd, located at No. 3, Xinnan Road, Longxizhen Street, Yubei District, Chongqing, China. Its principal business is the operational management of water conservancy State-owned assets within the scope authorized by the municipal government, investment and operation of large and medium-sized water management.

(e) Chongqing Agriculture Holdings (Group) Company Limited, located at No. 121 Zhongshansan Road, Yuzhong District, Chongqing, China. Its principal business is the operation and management of state-owned assets within the scope authorized by the State.

(f) Chongqing Yulong Asset Management (Group) Company Limited, located at District A, 17 Zhigang Road, Yangjiaping Jiulongpo District, Chongqing, China. Its principal business is the use of state-owned assets within the scope authorized by the municipality in relation to investment, shareholding, equity participation, joint venture, leasing, contracting and assignment and merger.

(g) Chongqing Gaoke Group Co., Ltd, located at Building 2, No. 19, Caifu Road, Beibuxin District Chongqing, China. Its principal business is the development, self-distribution and services of hi-tech products; infrastructure construction and investment, launching tertiary industry; property development.

(h) Southwest Aluminium (Group) Co., Ltd., located at District A, Xipeng Town Jiulongpo District, Chongqing China. Its principal business is the processing of aluminium materials, industrial technology development of aluminium plates, development and production of aluminium materials.

(i) Chongqing City South Bank Asset Management Company Limited, located at Zhenglian Tower No. 199 Nancheng Road, Nanping Nan'an District, Chongqing, China. Its principal business is the operation and management of land, real estate, projects under construction and shareholdings obtained and entrusted according to law and management of the operation of authorized state-owned assets and project investment.

(j) Chongqing Jiangnan City Asset Operation Management Limited Co., Ltd, located at 19th Floor, Zhenglian Tower, No. 199 Nancheng Road, Nan'an District, Chongqing China. Its principal business is the investment and development of urban construction projects, property development (grade 2) and sale of construction materials.

The number of H Shares for sale will not be more than 213,336,041 shares (assuming full exercise of Over-allotment Option).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in paragraph 5J of Appendix IX, copies of the material contracts referred to in paragraph 3A of Appendix IX and details of our Selling Shareholders, including their names, description and addresses in paragraph 5M of Appendix IX.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Herbert Smith at 23/F Gloucester Tower, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which falls 14 days after the date of the prospectus:

(a) Articles of Association;

(b) Accountant's Reports, the texts of which are set out in Appendices IA and IB to this prospectus;

(c) The audited financial statements of our Group for the year ended December 31, 2007 and the period from January 1, 2008 to June 26, 2008, and the period from June 27, 2008 to December 31, 2007, the year ended December 31, 2009 and the six months ended June 30, 2010;

(d) the report on the unaudited pro forma financial information, the text of which is set out in Appendix III to this prospectus;

(e) letters relating to the profit forecast, the texts of which are set out in Appendix IV;

(f) letter dated December 3, 2010, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix V, and the full valuation report (in the Chinese language only) of Jones Lang LaSalle Sallmanns Limited, referred to in Appendix V;

(g) material contracts referred to in paragraph 3A of Appendix IX;

(h) written consents referred to in paragraph 5J of Appendix IX;

(i) service contracts referred to in paragraph 4C of Appendix IX;

(j) PRC legal opinions issued by Junhe Law Offices, our legal advisors on PRC law, dated December 3, 2010 in respect of general matters and property interests of our Group;

(k) the Company Law, the Special Regulations and the Mandatory Provisions, together with an unofficial English translation;

(l) Provisional Regulations Concerning the Issue and Trading of Shares (April 22, 1993), together with an unofficial English translation;

(m) Securities Law of the PRC promulgated by the Standing Committee of the NPC on December 29, 1998, as amended in 2004 and 2005 and implemented on January 1, 2006, together with an unofficial English translation;

(n) Arbitration Law of the PRC promulgated by the Standing Committee of the NPC on August 31, 1994 which became effective on September 1, 1995, together with an unofficial English translation;

(o) Civil Procedure Law of the PRC adopted at the fourth meeting of the seventh NPC, promulgated on April 9,1991, as amended in 2007 and implemented on October 28, 2007, together with an unofficial English translation; and

(p) the Commercial Banking Law of the PRC, promulgated by the Standing Committee of the NPC on May 10, 1995 and became effective on July 1, 1995, and as amended by the Standing Committee of the NPC on December 27, 2003, which amendment became effective on February 1, 2004, together with an unofficial English translation.

重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK